

THIRD REPORT 231

FROM THE ESTIMATES COMMITTEE

TOGETHER WITH PART OF THE MINUTES OF
EVIDENCE TAKEN BEFORE SUB-COMMITTEE D
ON 27th JANUARY 1969 AND FOLLOWING DAYS,
APPENDICES AND INDEX

Session 1968-69

BRITISH BROADCASTING CORPORATION

*Ordered by The House of Commons to be printed
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Wednesday, 13th November, 1968

Ordered, That during the present Session, notwithstanding anything in the Standing Order (Estimates Committee), the Estimates Committee do consist of thirty-three members.

The Estimates Committee was nominated of—

Mr. Anderson.	Mr. Leadbitter.
Mr. Cant.	Mr. Arthur Lewis.
Mr. Carter-Jones.	Mr. Macdonald.
Mr. Costain.	Mr. Maclellan.
Mr. Dean.	Mr. Marten.
Sir Eric Errington.	Mr. Mawby.
Mr. Edward Fletcher.	Mr. Stratton Mills.
Mr. Hugh Fraser.	Mr. Molloy.
Rear-Admiral Giles.	Mr. Murray.
Mr. Gilmour.	Mr. Pink.
Sir Richard Glyn.	Mr. Rowlands.
Mr. Gresham Cooke.	Mrs. Short.
Mr. William Griffiths.	Sir Spencer Summers.
Mr. William Hamilton.	Mr. Edwin Wainwright.
Mr. Hamling.	Mr. Wallace.
Mr. David Howell.	Mr. Whitaker.
Mr. Huckfield.	

Ordered, That during the present Session the Estimates Committee have power to appoint persons with technical or scientific knowledge for the purpose of particular enquiries, either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

Wednesday, 19th February, 1969

Ordered, That Mr. Maclellan and Mr. William Griffiths be discharged from the Estimates Committee; and that Mr. Alfred Evans and Mr. Howie be added to the Committee.

The cost of preparing for publication the Shorthand Minutes of Evidence taken before the Committee was £515 8s. 4d.

The cost of printing and publishing this Report is estimated by Her Majesty's Stationery Office at £1,859 0s. 0d.

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NOTES

In the Report, references to the Minutes of Evidence are indicated by the letter "Q" followed by the number of the Question referred to. References to Memoranda included in the Minutes of Evidence are indicated by the word "Evidence" followed by the number of the page referred to. References to Memoranda included in the Appendices are indicated by the word "Appendix" followed by the number of the Appendix referred to.

In the Minutes of Evidence a row of asterisks indicates that the Evidence has not been reported.

THIRD REPORT

The Estimates Committee have made further progress in the matter referred to them and have agreed to the following Report:—

BRITISH BROADCASTING CORPORATION

INTRODUCTION

1. Your Committee referred to Sub-Committee D the Civil Estimates, Class XI, Vote 1, British Broadcasting Corporation. The Sub-Committee heard evidence on fourteen occasions, and visited the B.B.C. Television Centre, Wood Lane, and the B.B.C. Research Department at Kingswood Warren, Surrey. In addition to witnesses from the B.B.C. itself, the Sub-Committee heard oral evidence from representatives of the Post Office, the Treasury, the Foreign and Commonwealth Office, the Ministry of Defence, and the Board of Trade, and from Mr. J. S. Shields, Chairman of the B.B.C.'s General Advisory Council. Written evidence was submitted by the B.B.C., the Post Office, and Mr. Shields, and also by the Director of Information of the Confederation of British Industry and by members of the Royal Institute of International Affairs.

Scope of the Inquiry

2. The only previous investigation conducted by the Estimates Committee into the B.B.C. as a whole was in 1945–46¹, and was prompted by the special circumstances of the war, when the normal system of financing the B.B.C. from the revenue derived from wireless licences had been suspended in favour of a direct government grant in aid. After the war only the Overseas Services of the B.B.C. continued to be financed in this way, and these services were the subject of an exhaustive inquiry by the Estimates Committee in 1951–52². Until now the Estimates Committee has never included in its investigations the administration of the money which is paid into the Consolidated Fund from the sale of broadcast receiving licences and used to finance the domestic radio and television services.

3. Although directly related to the sale of licences (see paragraph 8), the B.B.C.'s revenue is provided by Parliament. The amount appears annually in the Estimates for approval by Parliament, and the B.B.C.'s Licence and Agreement with the Postmaster General³ under their Royal Charter states that the money "shall be applied and administered by the Corporation in accordance with any terms and conditions which may be attached to the grant thereof by Parliament or by the Treasury"⁴.

4. Your Committee have been concerned not to attempt to duplicate unnecessarily inquiries conducted by other bodies. The B.B.C.'s activities are subject to review by the periodic Committees on Broadcasting, the latest of

¹ First Report of the Estimates Committee 1945–46, H.C. (1945–46) 158.

² Ninth Report of the Estimates Committee 1951–52, H.C. (1951–52) 287.

³ Under the provisions of the Post Office Bill now before Parliament the functions of the Postmaster General under the Wireless Telegraphy Acts 1949 and 1967 and the Television Act 1964 will be transferred to the Minister of Posts and Telecommunications.

⁴ Cmnd. 4095, Clause 18.

which, under the chairmanship of Sir Harry (now Lord) Pilkington, reported in 1962¹. Fully staffed and with wide terms of reference these Committees are able to undertake inquiries with a scope and thoroughness which the Estimates Committee cannot rival. In addition the details of the B.B.C.'s internal organisation and accounting methods are at present under investigation by the management consultants, McKinsey & Co. Inc. (see paragraphs 20-22). This firm is likely to be with the B.B.C. until towards the end of this year (Q. 557-8), and it will clearly be some time before their recommendations are fully assimilated.

5. For this reason Your Committee's inquiry has deliberately been limited in scope. Their main concern has been to examine, so far as their terms of reference allow, the factors affecting the level of the licence fee now and in the immediate future. They have also investigated certain activities of the B.B.C. which yield income additional to that derived from licence revenue or which, although at first sight outside the main stream of broadcasting output, are paid for out of licence revenue. The other major topic has been the role of Government and government departments in relation both to the domestic services of the B.B.C. and to the External Services, which are discussed briefly in a separate section at the end of the Report (paragraphs 83-90).

THE ESTIMATE

6. Since Your Committee referred this subject to Sub-Committee D the form and position of the relevant Estimate have been changed. Until the current financial year the sums payable to the B.B.C. as grant from licence revenue or as grant in aid of the External Services appeared in a Vote (Class XI, 1) devoted entirely to broadcasting. The reorganisation of the Post Office proposed in the Post Office Bill of this session has occasioned an alteration in this arrangement, and the subheads of the Broadcasting Vote appear in the 1969-70 Estimates as part of a new Vote (Class IV, 26) covering all the activities of the proposed Ministry of Posts and Telecommunications. Thus the amount of licence revenue payable to the B.B.C., which previously appeared under subhead A.1 of Class XI, 1, is now under subhead E.1 of Class IV, 26, and the grants in aid of the External Services and the Monitoring Service, which previously appeared under subheads B.1 and 2, reappear under subheads F.1 and 2.

7. There is, however, a change of substance between the new subheads and the old. Subhead G (Wireless Telegraphy) in the new Vote takes the place of subhead C (Payments to the Postmaster General) in the old one, but differs from it in two small respects. It includes payment (of some £45,000 in 1969-70) for services to be performed by the Post Office Corporation for the Ministry of Posts and Telecommunications in connection with radio communications, which did not previously appear in the broadcasting Estimates; and it does not include, as the old subhead did, the expenses of certain government administrative work in connection with broadcasting (£123,000 in 1969-70) (Q. 1456).²

¹ Cmnd. 1753.

² See also Appendix 11, p. 239.

8. These changes are small in themselves, but are relevant to the one criticism which Your Committee have regarding the layout of the Estimate. The amount of the grant to the B.B.C. (subhead E.1) is not determined by the gross amount estimated to accrue from the sale of licences but by the amount of "net licence revenue". Net licence revenue is defined in the Licence and Agreement as being the licence revenue "less the expenses incurred by or on behalf of the Postmaster General in the collection of [the broadcast receiving licence revenue], in the administration of the licensing system, and in investigating complaints of interference by electro-magnetic energy affecting broadcasting services within the British Islands". It is clearly desirable that the reader should be able to ascertain from the Estimate the amount that will be deducted from gross licence revenue for these purposes; but it is still not possible to do this. Although subhead G includes the major expenses deductible from licence revenue it excludes Stationery Office printing costs and the relevant headquarters and administrative expenses of the Ministry of Posts and Telecommunications, both of which are deductible from licence revenue; it also includes certain payments to the Post Office Corporation (see paragraph 7) which are not deductible².

9. Your Committee therefore recommend that the estimated figure for deductions from gross licence revenue should be explicitly shown in the Estimate in the form of a footnote or an expanded explanatory note to subhead E.1.

THE GOVERNMENT'S POWERS AND RESPONSIBILITIES

10. The powers of the Government over the B.B.C. are theoretically absolute³. In exercising these powers successive Governments have consistently paid regard to the constitutional principle that the B.B.C. should both be and be seen to be independent in their day-to-day management; but even allowing for this self-imposed limitation, the Government's overall authority and powers of control remain very considerable.

Financial Control

11. The most important of these powers is the direct control which the Government possesses over the income of the B.B.C. through prescribing the amount of the licence fee. The only deduction normally made from total licence revenue before it is paid to the B.B.C. are those administrative expenses which have already been detailed in paragraph 8; but the Government also retains a residual power to deduct a further percentage of the licence revenue for the benefit of the Exchequer⁴. The need to limit the B.B.C.'s income in this way has not arisen in recent years, but the power might still be used if, for example, there was an unexpected rise in the number of colour licences taken out (Q. 79-81).

12. These powers have an undoubted importance as a form of financial discipline on the B.B.C.⁵, but clearly this has not been the only criterion

¹ Cmnd. 4095, Clause 16(3).

² For details see Appendix 11, p. 239.

³ Evidence, p. 1, para. 1.

⁴ Cmnd. 4095, Clause 16(1).

⁵ Evidence, p. 2, para. 7.

by which Governments have exercised them. The determination of the licence fee has come to be regarded as a political decision in the widest sense, equivalent to decisions on levels of taxation or charges in the National Health Service. The effect that this has had on the finances of the B.B.C. in recent years is described in paragraphs 28–30.

Technical Control

13. Under the Wireless Telegraphy and Telegraph Acts the Postmaster General has powers over the allocation of radio frequencies, the installation and use of radio stations, and the telecommunications services of the Post Office generally. The effect of these powers in relation to the B.B.C. is that all new developments in broadcasting involving a change in the technical pattern of transmissions, for instance B.B.C.-2, colour television or local radio, must receive ministerial authorisation¹. In practice any proposal by the B.B.C. to terminate an existing service would almost certainly require this approval also (Q. 1632–5). When judging on the purely technical merits of the proposals that are put to him, the Minister can call on the advice of a unit of 12 engineers specialising in broadcasting matters (Q. 85–7); this unit in turn has access, if necessary, to the whole of the engineering resources of the Post Office (Q. 88). On matters specifically relating to television he is also advised by the Television Advisory Committee, on which the B.B.C., the I.T.A., the Post Office, the Treasury and other government departments are all represented (Q. 92, 602). In addition recommendations about priorities in future developments are made by the independent Committees on Broadcasting; most of the new developments that the B.B.C. has undertaken in the last seven years reflect the recommendations of the Pilkington Committee and the Government's decisions on those recommendations (Q. 83–4).

14. There is an obvious connection between the Government's powers of financial and technical control described in the preceding paragraphs; the Government, when authorising new developments, must also face the responsibility of satisfying itself that the B.B.C. has sufficient funds to undertake the work. This consideration is also relevant to another important power possessed by the Government, that of regulating the total permitted amount of broadcasting time. An increase in broadcasting hours customarily involves an increase in expenditure, and this must be taken into account when determining the B.B.C.'s income (Q. 105). Your Committee return to the question of broadcasting hours in paragraphs 53–4.

Licence Collection

15. The other major responsibility of the Government which is relevant to the B.B.C.'s finances is that of administering the licence fee system. The Post Office sells the licences, keeps the records of licence holders, sends out renewal reminders, and is responsible for measures to counter evasion. Under the new arrangements enshrined in the Post Office Bill responsibility for the licensing system will vest in the Minister of Posts and Telecommunications, but the operational tasks involved will be carried out for the Minister by the Post Office Corporation as an agency service (Q. 1404–5).

¹ Evidence, p. 2, para. 5.

Licence management, and in particular the problem of licence evasion, is discussed in detail in paragraphs 35–45.

FINANCIAL CONTROL AND EFFICIENCY IN THE B.B.C.

The role of the Government

16. Because of the discipline inherent in the licence fee system (paragraphs 11–12), and because of the need to preserve the B.B.C.'s independence, the Government do not exert detailed control over the way in which the B.B.C. spends the money granted to it¹. The Postmaster General has the power to scrutinise the accounts and estimates of the B.B.C.², and this power has been very fully exercised during the recent negotiations to determine the financial provision needed for the Home Services³. The more normal procedure is an annual examination of the figures by the Post Office so that they may be informed of "trends of expenditure and development" within the B.B.C.⁴. A witness from the Post Office admitted that they could only apply "a broad judgment" when deciding on the basis of this sort of examination whether or not the B.B.C. was efficiently run. If the trend in the ratio of staff numbers to hours of output, for example, was reasonable, the Post Office would be satisfied; they would only raise a query if it showed a significant move in the wrong direction (Q. 174–181). The Post Office's engineering unit also check the plans and estimates for individual capital projects to satisfy themselves that they are reasonably and economically conceived, but "they would not regard themselves as qualified to suggest that a particular project could be done in a different way and more cheaply than the B.B.C. propose" (Q. 174–5, 85–6).

17. Similarly the Treasury agreed that their general responsibility for efficiency in the public sector extended to the Home Services of the B.B.C., but said that they tended to treat it "at rather greater arm's length" than most other industries in which they had an interest. In forming their judgment they relied largely on the periodic reviews and inquiries by independent or inter-departmental committees or by management consultants (Q. 1507, 1512). Like the Post Office, the Treasury each year see the B.B.C.'s capital investment plans for three years ahead, but their concern in this case is with overall demand on the country's resources rather than with the merits of individual schemes (Q. 1507).

18. Your Committee are of the opinion that to increase the degree of control which the Post Office and the Treasury in practice exert over the expenditure and efficiency of the B.B.C. would be impracticable and undesirable. A detailed review of the B.B.C.'s activities was undertaken by an inter-departmental committee in 1965 in circumstances which are described in paragraphs 28–9; but any attempt on the part of government departments to subject the B.B.C.'s internal operations to regular detailed scrutiny would inevitably lead to duplication of work and dilution of responsibility, and might also cast doubt on the B.B.C.'s independence.

¹ Evidence, p. 2, paras. 6–7.

² Royal Charter for the continuance of the B.B.C., Cmnd. 2385, Clause 18(4).

³ See Appendix 1, p. 229, para. 2.

⁴ Evidence, p. 3, para. 9.

19. Public confidence in the efficiency with which the B.B.C. conducts its affairs must therefore depend largely on the published conclusions of the independent Committees on Inquiry who examine the B.B.C.'s activities at periodic intervals. Both the Beveridge Committee in 1949 and the Pilkington Committee in 1960 investigated the financial administration of the B.B.C. and their favourable opinions are reproduced in the Minutes of Evidence¹. The range of subjects with which these Committees had to deal was so large, however, that it would be reasonable to assume that they were unable to arrive at any more than a general impression, however well justified that impression might have been².

The McKinsey Investigation

20. Your Committee attach considerable importance to the investigation at present being conducted into the working methods of the B.B.C. by the management consultants, McKinsey & Co. The B.B.C. commissioned this inquiry in April 1968, and the former Director-General admitted that, in deciding to take this step, they had been influenced not only by a desire for self-improvement, but also by a regard for public relations; they had thought "that it would strengthen the B.B.C.'s case, that it would do away with . . . a misleading impression given in the press that the B.B.C. is over-administered and wasteful" (Q. 555). McKinsey's were given wide terms of reference, including, for instance, the B.B.C.'s regional structure (Q. 793) and the B.B.C. orchestras (Q. 805), but excluding questions falling within the "editorial function" of the B.B.C. (Q. 566-7). With one small exception McKinsey's have not been concerned with the operations of the External Services (Q. 242).

21. Not all McKinsey's recommendations were known when Sub-Committee D took evidence, though they were told in outline of certain suggestions for changes in the B.B.C.'s budgetary procedures (paragraph 25). They were also assured that McKinsey's had not at that stage made any criticisms of over-staffing in the B.B.C. (Q. 569). However, this general assurance is not likely of itself to counteract the "misleading impression" of the B.B.C. which the appointment of McKinsey's was partly designed to erase, and the Sub-Committee therefore asked whether there was any intention to publish McKinsey's findings in any form. They were told that this was out of the question; there was no single McKinsey Report but only a preliminary diagnostic report followed by detailed and highly confidential papers on individual departments or activities (Q. 1001, 1639). Your Committee accept that it would not be possible to publish internal documents of this description.

22. The B.B.C. also have no intention of imparting McKinsey's findings to the Post Office and the Treasury, on the grounds that it would be inappropriate for their activities to be exposed in such detail to the scrutiny of government departments and that it would violate the tacit understanding with McKinsey that the inquiry was confidential and thus would prejudice the firm's relationship with future clients in the field of Government (Q. 1640-1). Your Committee appreciate that any proposal which might now be made for the circulation of McKinsey's findings outside the B.B.C. would

¹ Evidence, p. 131, para. 4.

² For the procedure adopted by the Pilkington Committee, see Q. 1007.

be open to objections ; but they are surprised that the Post Office and the Treasury, in view of their avowed interest in the matter, did not at the outset make a request to the B.B.C. to be informed of the results of the investigation (Q. 1498–1501, 1508). They are also surprised at the implication in the B.B.C.'s replies that such a request, even if made at an earlier stage, would have been rejected (Q. 1640–2). They regard this attitude as inconsistent with the B.B.C.'s general desire to “strengthen its case” by appointing the inquiry (paragraph 20), and for this reason they recommend that, after consultation with McKinsey's, the B.B.C. should give the Post Office and the Treasury the fullest possible information about the changes made by them as a result of the McKinsey investigation.

Methods of Financial Control

23. The B.B.C.'s system of financial control centres on its budget¹. So far as is possible the budget is drawn up for a period of five years ahead, though here, inevitably, the B.B.C. is at the mercy of circumstances (Q. 943). Normally a budget lasts for a year to two years before it is necessary to draw it up afresh (Q. 974). The budget includes a forecast of income from licence revenue and other sources, but it is not the B.B.C.'s practice to calculate first how much money will be available and then decide how to spend it ; rather they start with the broadcasting operations on which they are already engaged and the developments to which they are committed or which they would like to make, and then try to adapt this programme to fit the available funds (Q. 958). The budget thus contains figures for the annual rate of expenditure of each department at the start of the budgetary period, and then includes allowance for probable rising costs and for proposed developments in operating expenditure (for example, the costs of running a new transmitter) (Q. 979–80, 993–4). The corresponding capital projects are listed so far as possible, and there is a fund set aside for minor projects which cannot be foreseen five years in advance (Q. 964–5).

24. The inclusion of a sum in the budget for new capital or operational expenditure does not constitute an authority to spend the money. All proposals for increasing the annual rate of operational expenditure or for incurring capital expenditure must still be submitted for approval at the appropriate time to a meeting under the Director concerned, and, in the case of larger items, to the Director-General's Finance Meeting and the Board of Governors as well (Q. 975–8)². Actual expenditure is compared with the budget in quarterly accounts presented to the Board of Management and the Board of Governors. Comparative statistics are also drawn up quarterly for the Managing Directors showing, for example, the cost per hour of different types of programme, the rate of use of studios, and the ratio of film shot to film transmitted, and enabling them to compare the trends in these figures with previous periods (Q. 1029–33). The costs of individual programmes are analysed in advance in Programme Budget Estimates, and a comparison of actual expenditure with the estimate is available about three weeks after production. The Sub-Committee were sent samples demonstrating the wide range of statistical information of this nature that is available to the B.B.C. management, but space precludes their reproduction in this Report.

¹ Evidence, p. 130, section 1.

² See also Evidence, p. 130, section 2(a) (i)–(iii).

25. McKinsey's have not apparently recommended any major changes in the existing procedures, but rather an addition to them in the form of a "production budget", the main intention of which is to spread responsibility and management-consciousness to lower levels in the B.B.C. than at present (Q. 561-2, 949-55). This change will also enable improvements to be made in the existing system of savings targets; the savings targets that appeared previously in the budget were often overall sums for radio and television included in a vague attempt to stimulate the search for ways of reducing expenditure. Now the targets are more likely to be linked to specific proposals for economies (Q. 1002).

26. It is impossible to reach a final judgment on the efficiency of any concern without having had the opportunity to study its workings at first hand over a period of time. But on the evidence available to them Your Committee formed the impression that as an organisation the B.B.C. was fully cost-conscious and scrupulous in its handling of public money, and that its methods of financial control were adequate to ensure the efficient use of its resources. The doubt which Your Committee have, and it is a point which was also raised in the course of the McKinsey inquiry (Q. 565), is whether the B.B.C.'s methods of assessing the benefits derived or likely to be derived from capital expenditure are sufficiently rigorous. The limited role of the Post Office and Treasury in checking on capital projects has already been mentioned (paragraphs 16-17). The difficulty arises because the B.B.C. does not earn revenue in the commercial sense; it is therefore impossible for them to calculate rates of return on their capital investment or to apply a single, pre-determined criterion when assessing the benefits of a particular project (Q. 1009-12, 1015-20). This makes it the more important that individual schemes should be examined in many alternative forms and in the greatest possible detail before decisions are made, and Your Committee stress the responsibility which lies with the B.B.C. to ensure that this is done.

B.B.C. FINANCES

27. On 1st January 1969 the combined radio and television licence fee was raised from £5 to £6. As a result the B.B.C.'s income from net licence revenue (nearly £74½ million in 1967-68) is expected to rise by £16 million in a full year (Q. 523), and it is estimated that the deficit of some £3 million accumulated up to 31st March 1969 will be extinguished by the end of the current financial year. This rise followed a long period of financial uncertainty for the B.B.C. which is briefly described in the succeeding paragraphs¹.

28. From 1954 until 1963 the B.B.C. received the income of a £3 licence fee. (From August 1957 the charge on the licence was raised to £4, but the additional pound was retained by the Government as Excise Duty.) They were able to sustain this long period without an increase largely because of a steady rise in the number of television licences, from some 3¼ million in 1954 to nearly 12½ million in 1963². This rate of increase has now levelled off—television licence holders numbered some 15¼ million in 1968—and

¹ For a fuller account see Evidence, pp. 63-5.

² B.B.C. Handbook for 1969, p. 192.

since 1962 there has been pressure on the B.B.C.'s finances, partly from rising prices but mainly from the implementation of the developments in broadcasting authorised by the Government following the report of the Pilkington Committee¹. Notable among these were the introduction of B.B.C.-2 and, later, of colour television, the extension of hours on radio, more Welsh and Scottish television, and an increase in programmes of further education on B.B.C.-1. To meet these increased commitments the Government agreed in the first instance that the proceeds of the £1 Excise Duty should accrue to the B.B.C. as from 1st October 1963. In their submissions to the Post Office before this change was made, the B.B.C. had estimated that the full proceeds of the £4 licence would only suffice if the fee were raised to £6 on 1st April 1965. They had also requested that the radio licence, which had been £1 since June 1946, should be raised to 25s. In the event the radio licence was raised to 25s. on 1st August 1965, but the combined licence went up only by £1, to £5.

29. Even before these increases were granted the Government had begun an inquiry into the finances of the B.B.C. This inquiry was conducted in the first instance by a committee of civil servants representing the Treasury, the D.E.A., the Post Office and other departments concerned (Q. 494) and was completed in 1966². Sub-Committee D were given to understand that this committee had reached the conclusion that the pressure on the licence fee could not significantly be relieved by increased productivity within the B.B.C. (Q. 495-6). The savings required to defer the increase to £6, a deferment which the Government regarded as necessary in the economic circumstances then prevailing, were therefore achieved largely by postponing certain projects for which the B.B.C. had been budgeting, such as an extension of colour on B.B.C.-2 and the building of a new regional headquarters in Manchester (Q. 497-9). Similarly the duplication of B.B.C.-1 on UHF in colour, first authorised in January 1967, was kept within the B.B.C.'s existing budget by abandoning an extension of hours planned for B.B.C.-2³. The other major measure adopted to defer the increase was the introduction of the Wireless Telegraphy Act 1967 in an attempt to reduce the amount of revenue lost through licence evasion (see paragraph 35). It was on the understanding that evasion would be reduced that the B.B.C. agreed that the increase to £6 could be postponed until 1968⁴.

30. In October 1967, the B.B.C. was pressed to look for further economies, but maintained the opinion that economies on the necessary scale were only possible if previously agreed policies were reversed. Apparently even the complete abandonment of B.B.C.-2 was mentioned as a possibility⁵. The rise to £6 was therefore granted, but from 1st January 1969, and not from 1st April 1968, as the B.B.C. had been budgeting; the further nine-month postponement meant a loss of £12 million (Q.514). As is usually the case when the fee is raised, the B.B.C. should now be earning a surplus and able to build up reserves on which they can draw when expenditure

¹ See the White Papers on Broadcasting, July 1962 (Cmnd. 1770) and December 1962 (Cmnd. 1893).

² See White Paper on Broadcasting, December 1966 (Cmnd. 3169).

³ Evidence, p. 64.

⁴ Cmnd. 3169, paras. 13-14.

⁵ Evidence, p. 65.

again catches up with income (Q. 523-4, 946, 948). Their present estimate is that no further increase will be necessary before the end of the financial year 1973-74 (Q. 522-3).

31. This forecast is based on a number of assumptions ; for instance, the likely rate of growth of colour television licences, the amount and timing of the expected reduction in licence evasion, the cost of S.E.T., and the development and expansion of the services provided. These assumptions are reviewed in more detail in paragraphs 35-54.

Use of Borrowing Powers

32. Your Committee asked why the B.B.C. had not contemplated financing its capital developments by borrowing, as most other organisations would do when going through a similar period of rapid expansion. Under the terms of their Royal Charter¹ the B.B.C. can borrow up to a total of £30 million ; £10 million of this represents the limit on borrowing "for the purpose of obtaining temporary banking accommodation or facilities", and the other £20 million is the maximum amount which, subject to the approval of the Postmaster General, can be borrowed or raised for the purpose of defraying capital expenditure. This sum would not of course be adequate to provide for capital investment on the scale required for recent developments ; but, so far from pressing for a relaxation of the limits, the B.B.C. have not made use of their existing powers. The maximum amount borrowed at any one time in recent years was £6½ million in the form of a bank overdraft just before the licence fee was raised from £4 to £5 (Q. 502, 504-7). Further borrowing was necessary before the increase to £6, but the B.B.C. has maintained the policy, as stated by the then Chairman of the B.B.C., Sir Arthur Forde, to the Pilkington Committee, that the borrowing powers were an ultimate reserve only that should be kept for a period of real emergency (Q. 508).

33. There are strong arguments in favour of this policy. The B.B.C.'s investment is not aimed, as is that of a commercial company, at increasing eventual income (Q. 1009). Colour television might be thought an exception to this rule, in that expenditure on this development will eventually produce an increased income from the sale of colour licences. But whatever view is taken of the financial logic of the £5 colour premium (see paragraphs 47-8), the true position is that the B.B.C. wanted to introduce colour television for its own sake as a desirable improvement to the service (Q. 1012), and not as a means of improving its revenue ; and this is equally true of all their capital developments. The only advantage to be gained from financing such developments out of borrowed capital, it was argued, would be to defer a necessary increase in the fee. As against this, the interest and amortisation payments on the loan would in the long term make the burden on the licence-payer heavier than it would otherwise have needed to be (Q. 509, 1516-17).

34. Another reason which the B.B.C. advanced to the Pilkington Committee for their reluctance to borrow was their fear that the result of extensive borrowing would be that "the area of debate between them and

¹ Cmnd. 2385, Article 3 (u).

the Treasury would be extended. Whether a need for more money should be met by increased [licence revenue] would be a matter for argument"¹. As events since 1962 have shown, however, such an argument can develop irrespective of the policy that is adopted towards borrowing. The B.B.C.'s fear in this respect seems misplaced, for the Government's powers of control over capital borrowing are no more than a natural corollary of their powers to determine the B.B.C.'s income. To maintain a policy of "no borrowing" as an article of faith is therefore inappropriate; what is important is the concerted financial judgment of the Government and the B.B.C. in individual cases that borrowing would not in the long term be the most economical way of financing particular capital developments.

Licence Evasion

35. One of the major factors affecting the future finances of the B.B.C. will be the success or failure of measures taken to counter licence evasion. In 1965-66 there were estimated to be 2 million evaders, representing a loss of some £10 million annually (Q. 60). In an attempt to reduce this loss the Wireless Telegraphy Act 1949 was amended by an Act, passed in July 1967, which *inter alia* enabled the Postmaster General to require dealers to supply him with particulars of new rental customers and purchasers of television sets². This Act appears to have had an immediate psychological effect (Q. 1477), but the number of evaders is estimated even now to be 1½ million, a loss to licence revenue of about £7½ million.

36. This figure is of course only an estimate. The B.B.C. conduct sample surveys from which they deduce the number of homes possessing a television set, and the Post Office also draw up calculations based on statistical probability; the likely figure of television homes is then compared with the known figure of licence holders (Q. 1558-9). Any figure based on such methods can only be an approximation; but it is at least clear that there are still substantial inroads to be made on the level of evasion, and that the point where the expense of tracing the evaders outweighs the financial advantages has not, as yet, nearly been reached (Q. 61). Indeed, the B.B.C. are basing their estimates for the future of the £6 licence fee on the assumption that the number of evaders will, mainly in the first two years of the budgetary period, be reduced from 1½ million to 600,000 (Q. 1588-91). The Sub-Committee were therefore concerned to discover what obstacles there might be to the achievement of this target.

37. One factor drawn to their attention was the level of penalties imposed by magistrates on evaders. The 1967 Act raised the maximum fine for a first offence from £10 to £50, but the average fine actually imposed has risen only from just under £5 to just over £5 (Q. 1462), less than the cost of the licence itself. Your Committee, while naturally conscious that the courts are independent, feel strongly that the penalties at present being imposed by them for this offence constitute no deterrent.

38. The scheme provided for in the new Act, whereby dealers notify the Postmaster General of new television purchasers and rental customers, is already in operation; but the Postmaster General has not yet used his further

¹ Cmnd. 1753, para. 519.

² 1967, c. 72, s. 2.

powers (under section 3 (2) of the Act) to obtain similar information about people who held rental and other agreements in force on the day appointed for the Act to come into operation. The B.B.C. drew attention to this, and suggested that it was "reasonable to assume that there could be many of the . . . remaining evaders within this group"¹. The Post Office pointed out that the Act allowed dealers up to a year to produce the required information, and argued that if the decision was now taken to use these powers it would take two or three months to organise a suitable scheme; the dealers would then have the statutory year's grace, and so in the outcome almost three years would have elapsed since the Appointed Day (1st January 1968) before the information was available; on the assumption that evaders were likely to be "the sort of people who have many and short rental agreements", they would by then have concluded new agreements which would automatically be notified to the Post Office, and in these circumstances it was unjustified to impose a further burden on the trade (Q. 1466-8). Apart from the assumption that is made about the habits of licence evaders, which is not necessarily a sound one, this argument does not altogether account for the Post Office's failure to use their powers under section 3 (2) at an earlier stage. Your Committee do not recommend that a scheme should now be put into operation, but they deplore the fact that in the early days of the Act's life the Post Office should have paid more regard to the convenience of the trade than to the possibilities afforded for an all-out assault on the problem of evasion.

39. The information about new purchasers and rental customers now being made available by dealers is not in itself sufficient for the detection of an evader. There remains the clerical task of comparing this information with the records of licence holders. Even before the 1967 Act was passed there was a system of periodic postal combing. In each Head Postmaster's area the lists of householders are compared with the licence records and letters of inquiry are sent to households not holding a licence, the whole area being covered, if possible, every three to five years (Q. 13-18). The Post Office also has a limited number of detector vans to support anti-evasion campaigns in particular areas, but the chief value of these is psychological; the mere knowledge of their presence in an area induces people to take out licences who would not otherwise have done so. Detailed and systematic checking can only be done by clerical methods (Q. 63-9, 1487-8).

40. This process of licence checking will be simplified as information supplied by the dealers is accumulated; but the Post Office are not prepared to forecast any spectacular improvement in the evasion figures, largely because they have not sufficient staff to concentrate on anti-evasion work to the extent required (Q. 1477-9, 1484-6). A further difficulty, particularly in the large conurbations, is the large turnover of population between one area and another (Q. 73). Both these problems may eventually be overcome by computerisation, which would enable the licence records to be centralised and eliminate much time-consuming clerical work. A project for computerisation has been discussed by an informal B.B.C./Post Office working party and a pilot study has been initiated (Q. 518-9).

41. Reference has already been made (paragraph 15) to the new arrangements that will result from the passing of the current Post Office Bill; the

¹ Evidence, p. 65. See also Q. 513-6.

operational work of licence management, including counter-evasion work, will be carried out by the Post Office Corporation but final responsibility will lie with the Minister of Posts and Telecommunications. In principle this will mean that the B.B.C. will no longer be able to make direct representations to the organisation immediately engaged in the work, but will be expected to address them in the first instance to the Minister and his officials (Q. 1406-9). The B.B.C. expressed anxieties about this change and also said that they hoped the officials of the new Ministry would play a very active part in matters of licence collection (Q. 1636-7). Your Committee share this hope. They accordingly recommend that the present informal working party on licence evasion should be re-constituted on a more formal basis when the new arrangements come into force, so as to include representatives of both the Ministry and the Post Office Corporation as well as the B.B.C., with the aim of keeping under review all aspects of licence management, in particular the progress made with the scheme for computerisation of licence records, and other possible counter-evasion measures, such as the compulsory production of a licence at the time of purchase of a set.

42. The main efforts hitherto made to counter evasion have been directed at the owners of television sets (Q. 15); but car radio licences also present a serious evasion problem. For an estimated 3 million car radios in service there are some 1 million licences in force, an annual loss to the B.B.C. of over £2 million (Q. 1560-1 and Note). This state of affairs, with some two-thirds of all car radios estimated to be unlicensed, is wholly unsatisfactory, and Your Committee regard it as inexcusable that no definite scheme to counter this evasion should have yet been put forward by the Post Office. One possible way of dealing with this problem would be to link the car radio licence procedure to the road fund licence procedure, for instance by issuing a different form of licence for a car with a radio. A further safeguard would be the insertion of an appropriate statutory declaration in the application form for the road fund licence (Q. 1569-71). Your Committee recommend that the Post Office should as a matter of urgency explore the merits of introducing these or other measures to reduce this form of evasion.

Licence Management Costs

43. In 1967-68 the Post Office's costs for the collection of licence revenue and related activities, including counter-evasion work, were as follows¹:

	Total Cost (£000)	Cost per licence sale (d.)
Record and Reminder Work	1,621	21·97
Issue of Licences	996	13·49
Licence Investigation	508	6·89
Postage	360	4·88
Printing and Miscellaneous	141	1·91
H.Q. Costs	217	2·94
TOTAL	3,843	52·08 (i.e. approx. 4s. 4d.)

¹ A full comparative table of these costs for the last five years is given in Appendix 10, p. 237.

No detailed breakdown is yet available for 1968–69 but the total cost per licence sale is estimated to have risen to over 4s. 10d. ; this compares with a figure of some 3s. 5d. in 1965–66. In addition to these charges there is the cost of interference investigation (Q. 50–1), which for the last few years has remained stable at about 10d. against each licence sold. The total deduction from gross licence revenue under all these headings is estimated to be over £5 million for 1968–69¹. Your Committee note that a major reason advanced for the rise in costs since 1965 is the increase in expenditure on counter-evasion work (Q. 58), which rose by £485,000 in 1967–68. It is hoped that the proposed computerisation of licence information will reduce the cost of counter-evasion measures (Q. 520) ; but, in any case, expenditure of this magnitude can only be justified if the Post Office Corporation and the Ministry of Posts and Telecommunications, whose responsibility it will be to scrutinise the Corporation's costs (Q. 1432, 1441), take full advantage of all the opportunities open to them to reduce the level of evasion.

44. Apart from these elements in the cost per licence, the remainder, notably the cost of issue, seemed to Your Committee remarkably high. They were consequently surprised that no alternative method of issue other than through Post Offices seems to have been considered (Q. 1434–5, 1451). The present policy is to apportion the costs of each Post Office, including overheads, amongst the various services who make use of the counter in proportion to the aggregate time which each occupies (Q. 26, 38). This policy may be fair as between one department and another but provides no incentive for costs to be reduced. Moreover Your Committee note that the costs of operations comparable to the issue of a licence show surprising disparities and that the Post Office's own money order service is run at a substantial loss (Q. 1443–8)², which suggests that not all counter services can at present be bearing their fair share of Post Office overheads.

45. The detailed contract with the new Post Office Corporation for licence collection has not yet been concluded, since it must wait upon the more general negotiations at present being conducted with the Corporation by the Treasury to decide the terms on which the Corporation will charge for the services it provides for all Government departments (Q. 1419, 1424–7). These negotiations are not expected to be completed until July or August (Q. 1426). However it is already known that the Corporation's objective on transactions of this sort will be to make a 2 per cent. profit over costs (Q. 1415, 1428)³ ; and the B.B.C. fears that the establishment of the Post Office Corporation will lead to still higher charges for licence management (Q. 1638). Your Committee must reserve final judgment until the details of the new Corporation's charges are made known, but they wish to stress the dangers of any cost-plus system because of the absence of any direct incentive to reduce costs.

Colour Television

46. The most costly of the new developments in which the B.B.C. is currently engaged is the introduction of colour television. Most of the output on B.B.C.-2 is already in colour, and from November this year B.B.C.-1, while continuing to be transmitted on the 405 line standard in

¹ See Appendix 10, p. 237.

² See also Appendix 10, p. 238, section 2.

³ See also Report No. 58 of National Board for Prices and Incomes (Cmnd. 3574), paras. 13, 199.

V.H.F., will also be transmitted on 625 lines in U.H.F. in colour. The introduction of colour affects the B.B.C.'s capital costs because of the increased expense of studios and equipment; it also results in additional programme costs of some 19 per cent over those in monochrome. The total cost of colour in the six years ending 31st March 1972 is estimated at £40 million¹.

47. The increased expense of colour has always been recognised, and the 1966 White Paper on Broadcasting included the following paragraph²:

“It is the Government's view that the cost of colour programmes, which are likely at the outset to be available only to a small minority of viewers because of the cost of receivers, should not fall upon viewers in general. Accordingly a supplementary licence fee of £5 will be required from those equipped to receive colour programmes.”

At present less than 100,000 colour licences have been taken out. Their number is expected to rise more rapidly once B.B.C.-1 and the Independent Television services are available in colour (Q. 614); but the B.B.C.'s forecast is that even by 1972 the number will be under three-quarters of a million, producing a revenue of some £3½ million a year; the total revenue from the £5 colour surcharge in the period from its introduction on 1st January 1968 to 31st March 1972 will in that case be some £7 million³. Thus for the foreseeable future, despite the White Paper's broad statement of policy, colour will continue to be “subsidised” by income from monochrome licences (Q. 587-9, 610-2).

48. Unless the costs of colour in the early years were to be financed by borrowing it was always inevitable that there would be some subsidisation of this sort, and the White Paper was misleading in implying otherwise. The B.B.C. has to spend money to make it possible for people to take out colour licences (Q. 593, 1012). That being the case, it is difficult to interpret the financial logic of the White Paper policy. The B.B.C. are not maintaining a separate account for colour or regarding the initial expenditure on colour as a “debt” that will eventually have to be repaid from the increasing income from colour licences. Such a distinction would be unrealistic, for television, monochrome and colour, is an integrated service (Q. 595); a colour camera, for instance, provides a monochrome picture as well. But there is no doubt, if the B.B.C.'s forecasts are accurate, that there will come a time when the total income from colour licences exceeds expenditure on colour television (Q. 594). The television portion of the monochrome combined licence is £4 15s.; the £5 premium for colour represents 105 per cent of this, by comparison with the difference in operating expenditure between monochrome and colour of 19 per cent (paragraph 46). Even allowing for increased capital costs this difference is very striking; and the time may well come when, so far from monochrome viewers subsidising colour viewers, the reverse situation will apply, if the differential of £5 is permanently maintained.

49. The B.B.C. themselves played no part in the decision that there should be a surcharge for colour, or in determining its amount. Their attitude now

¹ Evidence, p. 65, section 3.

² Cmnd. 3169, para. 24.

³ Appendix 7, p. 235.

is simply to take advantage of the figure that has been set (Q. 1602-3), and their future budgetary targets in fact depend heavily on the assumption of an accelerating growth of income from this source. Although, as has already been mentioned (paragraph 47), they estimate that under $\frac{3}{4}$ million colour sets will be sold by 1972, they are counting on this figure rising to 2 million by 1974, and this expectation is supported by the manufacturers (Q. 1594). Apart from the ex-factory price of sets, the major factor affecting the future rate of growth will be the rate of purchase tax applicable, and also the regulations governing down-payments on hire purchase and rental agreements (Q. 615-6, 619-20). These are not matters within Your Committee's purview, but they draw attention to the fact that, in controlling the B.B.C.'s income, the Government has more powers at its disposal than simply its control over the licence fee.

Selective Employment Tax

50. The same point can be made in relation to Selective Employment Tax, which the B.B.C., despite representations for total exemption, pays on all but a small portion of its activities (Q. 1620). Under the rates applicable before the 1969 Budget the B.B.C. was paying £1.7 million a year in respect of the domestic services, £1.2 million of which was attributable to television (Q. 540, 544-5). Under the new rates, effective from July this year, the total sum will rise to £2.2 million (Q. 1617). Unlike most other concerns, the B.B.C. has no possibility of passing on the effects of this tax, which is therefore bound to affect their forward budgeting. Thus, when S.E.T. was first introduced, it disrupted the calculations that had been made about the possible duration of the £5 licence fee (Q. 540)¹; and similarly the latest increase could not be taken into account in the budgetary planning carried out when the licence fee was raised to £6 (Q. 1618-9).

Radio and Television Revenue

51. It is the policy of the B.B.C. to make a clear distinction between radio and television revenue. As well as the proceeds of the 25s. radio only licence, radio is also credited with 25s. from each combined radio and television licence; television receives the remaining £4 15s. of the combined licence, plus the income from the colour surcharge; and the deduction for Post Office expenses is apportioned between radio and television². The cost of services and administrative activities common to radio and television is shared between them according to proportions determined by a Shared Services Committee³. This policy is not enforced upon the B.B.C. by any provision of the Charter or the Licence and Agreement with the Postmaster General, and there is nothing to prevent them permanently diverting money from one side to the other; but although there have been temporary periods of surplus and deficit as between radio and television, the basic policy has not been abandoned (Q. 572-3, 613).

52. There is therefore no question at the moment of cuts being made in radio expenditure in order to finance new developments in television (Q. 628); and the newly-appointed Director-General of the B.B.C. told

¹ Evidence, p. 64. See also Appendix 12, p. 241.

² B.B.C. Handbook for 1969, p. 193.

³ Evidence, p. 131, sub-para. (c).

Sub-Committee D that “the practical budgeting circumstances” did not suggest that a change in policy would be required (Q. 1621). Your Committee take the view that the separate allocation of radio and television revenue is desirable in itself, because, as a Post Office Memorandum declared in a different context, “there is . . . in the mind of the public a direct relationship between the services provided by the B.B.C. and the amount of the licence fee”. The licence holder should have the assurance that the difference between the radio and the combined licence truly reflects the real difference in cost between the two services.

Broadcasting Hours

53. The Postmaster General has the power to give directions to the B.B.C. as to the maximum or the minimum amount of broadcasting which may be put out in any one day or week². This power extends to Independent Television also³. In practice the Postmaster General only prescribes a maximum, but, by a convention established when the I.T.A. was set up, both the broadcasting authorities broadcast up to this maximum (Q. 112 and Note by Witness). The B.B.C., although they may be said to be protected to a certain extent by the existence of the control, clearly tend to suffer from this convention, for unlike I.T.V., an increase in hours does not necessarily involve an increase in their revenue (Q. 110). Nonetheless the Director-General was insistent that they must continue to observe the convention, because “we could not afford to be in the position of providing a service from the public revenue which was noticeably less good or less comprehensive in any sense than that which was provided by our competitors” (Q. 1604).

54. If the desirability of maintaining this practice is accepted—and Your Committee do accept it—it is clearly the responsibility of the Government, before authorising an increase in hours, to satisfy themselves that the B.B.C. can find room for the increased expense within their existing budget (paragraph 14). Your Committee were therefore surprised to learn that the increase of 3½ hours a week in the permitted television time, which was announced by the Government at the same time as the latest increase in the licence fee⁴, had not been included in the estimates drawn up by the B.B.C. when the new licence fee was agreed (Q. 1605). In these circumstances any further increase in hours would be bound to have an effect on the B.B.C.’s ability to finance their operations until 1973–74 on the basis of the present licence fee (Q. 513–4).

Conclusion

55. As the previous paragraphs have shown, the B.B.C.’s forecast of the duration of the present licence fee rests on a number of assumptions, all or any of which may prove to be wrong. In particular it is dependent upon the vigour with which the Post Office pursues the matter of evasion. But it is important that, so far as possible, the B.B.C.’s planning should be done on the basis of stability and not frequently disrupted, as has been the case,

¹ Evidence, p. 2, para. 7.

² Cmnd 4095, Clause 14.

³ Television Act, 1964, s. 17.

⁴ H.C. Deb. (1968–69) Vol. 769, c. 276.

by changes, ultimately involving higher expenditure (Q. 497-501), resulting from the deferment of licence fee increases. The fundamental cause of these changes was the fact that the Government committed itself to new developments in broadcasting recommended by the Pilkington Committee, without at the same time ensuring that the necessary funds would be available. Provision already exists for the B.B.C. to supply the Postmaster General with outline annual forecasts of their income and expenditure over a period of years (paragraph 16); but unless there is detailed consultation and discussion on a similarly regular basis, the B.B.C. can never feel confident of the Government's continuing commitment to the programme which they are intending to pursue. Your Committee therefore recommend that the Post Office or its successor examine annually a five-year forecast in consultation with the B.B.C., so that any re-planning shown to be necessary may be undertaken in plenty of time and so that methods of financing new developments may be adopted at the same time as commitments to the expenditure are taken.

LICENCE FEE CONCESSIONS

56. The only major licence fee concession is the issue to blind persons of radio licences free of charge (or, alternatively, of combined licences at a price of £4 15s., excluding the radio portion of the fee). In 1968 about 62,000 people availed themselves of this concession, at a cost to licence revenue of some £78,000¹. This concession is of very long standing, and the Pilkington Committee, while arguing against any extension of concessions (for example, to old-age pensioners), admitted that nobody would dream of withdrawing it². The merits of the case are not a matter on which Your Committee can take a view; but they share the opinion of the Director-General of the B.B.C. (Q. 1581-4) that the cost of any welfare concessions should be borne by the Department of Health and Social Security and not by the B.B.C., and they recommend accordingly.

EDUCATIONAL BROADCASTING

57. In addition to its general programmes the B.B.C. produces, both on radio and television, programmes specifically designed for school or further education purposes. The cost of these is borne on the general licence revenue, and amounted in 1967-68 to about £3¼ million, of which £2,150,000 represented expenditure on school broadcasting and £1,500,000 expenditure on further educational broadcasting.

School Broadcasting

58. The B.B.C. is advised on its school broadcasting service by the School Broadcasting Council, which includes representatives of teachers' associations, local education authorities, the Department of Education and Science and other educational organisations (Q. 884-6)³. The Council has its own staff and a team of full-time educational officers to maintain liaison with the schools and to report on the effectiveness of programmes. The annual cost of the Council is some £175,000. The Council requests the

¹ B.B.C. Handbook for 1969, p. 192.

² Cmnd. 1753, paras. 499-500.

³ See also Evidence, p. 112.

provision of programmes on particular topics, and sees and approves the B.B.C.'s proposals before a new series is put out (Q. 840, 868). Throughout the country 90 per cent of schools now possess radio receivers and 60 per cent television (Q. 834), but there is a higher rate of use of television sets (Q. 900). The number of hours of television for schools has increased from 256 in 1962-63 to 405 in 1967-68, while radio broadcasts have increased in the same period from 709 to 753 hours¹. Despite some expressions of doubt by individual teachers as to the merits of television as an aid to teaching (Q. 901), the School Broadcasting Council is of the opinion that there are still opportunities for useful expansion in school broadcasting, particularly in television (Q. 859).

Further Education Broadcasting

59. The machinery for further education broadcasting is similar to that for school broadcasting. There is a Further Education Advisory Council, and the School Broadcasting Council educational officers also assist in further education work, three of them being principally engaged in this field². The range of audience catered for is, however, far more diverse, embracing as it does the viewer or listener at home as well as students in technical colleges or adult education institutes. There is indeed a considerable problem in defining what a further education broadcast is, and the Controller of Educational Broadcasting admitted that "there is often a hair-line difference between the purposes of a further educational programme and a general programme" (Q. 843). Apart from budgetary purposes (Q. 867), the definition is of practical importance in that further education broadcasts are exempted from the limitation on television hours. For this reason a formula was agreed between the B.B.C. and I.T.A. and accepted by the Government in the Broadcasting White Paper of December 1962³. This formula (which is reproduced in Evidence, p. 113) restricts the exemption to programmes arranged in series and planned in consultation with appropriate educational bodies; and all proposed programmes must be ratified by the Further Education Advisory Council as coming within the definition (Q. 846). This does not entirely remove the difficulties. Sub-Committee D were told, for example, that it would be quite possible for a series on gardening to be approved by the Council as being within the definition; but the Council would never in fact propose that such a series be provided out of their limited resources, because one was already provided by the general programmes (Q. 845, 854).

60. An expansion in further education broadcasting was one of the developments authorised by the Government following the report of the Pilkington Committee. As a result expenditure on these programmes has risen from under £200,000 before 1962 to £1,500,000 in 1967-68, £1,250,000 of which was for television. The total B.B.C. television output of further education programmes has risen from 24 hours in 1962-63 to about 335 hours in 1967-68, 128 hours of which was on B.B.C.-2⁴. The opportunities for further expansion in this field appear to be still very considerable but "there is a limit to what a body like the B.B.C. can do out of general

¹ Evidence, p. 112.

² B.B.C. Handbook for 1969, p. 73.

³ Cmnd. 1893, para. 43.

⁴ Evidence, p. 113.

licence revenue from the general viewer and listener to meet [the] demand” (Q. 902).

The Open University

61. Educational broadcasting over the B.B.C.'s wavelengths will be further increased from January 1971, when the first courses of the Open University are planned to begin. The B.B.C. has agreed to provide the broadcasting component of these courses, and has extended its tenancy of Alexandra Palace to provide suitable studios for transmission of the programmes (Q. 912-3). But none of the expense will be met by the B.B.C. out of licence revenue; the total cost will be refunded by the Open University, which in turn is financed by grant in aid from the Department of Education and Science¹. The production staff will be full members of the B.B.C.'s existing education departments (Q. 914), and the B.B.C.'s hope is that in practice their own services and the University's programmes will be regarded as complementary to each other and not competitive (Q. 927). The major question which was still unresolved when Sub-Committee D took evidence was that of the hours of the day at which the University's programmes would be transmitted, and, in particular, whether any of the total time required (30 hours a week before 1975 (Q. 925)) will come from time at present taken up by B.B.C.-2 services (Q. 904-911).

The Financing of Educational Broadcasting

62. The financial arrangements that have been made for meeting the expenditure on the Open University's broadcasts represent an important new departure in broadcasting administration. They also revive the question, much discussed by previous Committees of inquiry and other bodies (Q. 879), of the merits of financing the B.B.C.'s existing educational work from some other source than the general licence fee. The Pilkington Committee, after considering at length the possibility of establishing a specialised educational service, decided in favour of maintaining the existing arrangements, largely because of the disadvantages which they saw resulting from any attempt to separate educational broadcasting from the main stream of general broadcasting². While not dissenting from these objections, Your Committee doubt whether they apply to a proposal for the separate financing, in whole or in part, of educational broadcasting. In the B.B.C. there is clearly some degree of separation already. There is a separate budget for educational broadcasting (Q. 853-6), and also a separate production staff (Q. 865); and the requirement that programmes should first be approved by the respective advisory councils makes for a clear administrative distinction between educational programmes and others (Q. 868), even if that administrative distinction is not always clearly reflected in a distinction of content (paragraph 59). The definition of educational broadcasting might have to be made more precise, but given that condition there seems no intrinsic reason why the educational services of the B.B.C. should not be supported by government grant in aid and remain in other respects substantially the same as at present.

63. The B.B.C. expressed some anxieties about accepting financial arrangements which were not within their control (Q. 879). They also drew attention to the fact that the system of education in this country is a

¹ Evidence, p. 113.

² Cmnd. 1753, Ch. XXIII, esp. paras. 1023-5.

decentralised one, and the educational world might regard with misgiving any extension of this sort in the activities of the Department of Education and Science (Q. 883, 1643). Your Committee do not dismiss either of these problems; but they believe that, if the problems can be overcome in the case of the Open University, they can also be overcome in the case of school and further education broadcasting. The argument in favour of a change is simply stated. So long as expenditure on educational broadcasting is met out of general licence revenue, its level will be determined by other than strictly educational priorities. As the B.B.C.'s Director-General said, "there appears to be no possibility within the present financial situation of development in educational broadcasting" (Q. 1646.) Your Committee therefore recommend that the B.B.C., in conjunction with the School Broadcasting Council and the Further Education Advisory Council, should discuss with the government departments concerned the possibility of financing their services of educational broadcasting in whole or in part by an alternative method to that of the general licence revenue.

LOCAL RADIO

64. Sub-Committee D heard evidence relating to the local radio experiment undertaken by the B.B.C. following the White Paper on Broadcasting of December 1966¹. Eight stations were set up for the purposes of the experiment, at Brighton, Durham, Leeds, Leicester, Merseyside, Nottingham, Sheffield and Stoke-on-Trent, and they began broadcasting at various dates between the end of 1967 and the summer of 1968. The White Paper had laid down the policy that the income of local stations "should derive so far as is possible from local sources and not from a general licence fee". Accordingly the B.B.C. held a conference in January 1967, attended by over eighty local authorities, at which the project was discussed; following the conference some two dozen authorities applied to participate in the experiment, and from among these applicants the B.B.C. selected only those who showed themselves willing to give financial support. The one exception was the selection of Durham, which the B.B.C. picked as an area with a mixed urban and rural population in order to give the greatest possible variety to the experiment (Q. 674-6). Another condition laid down by the White Paper was that there should be no "general subvention from the rates" to finance local radio. The interpretation placed on this condition by the local authorities was that they could not put a specific precept on the rates in respect of local radio, but they could divert, for instance, funds raised for educational or cultural purposes to local radio if they thought fit (Q. 677-8).

65. At the outset the B.B.C. estimated the running costs of each local station at £1,000 a week, an annual rate of expenditure of £52,000. In the last quarter of 1968 the annual rates of expenditure of the eight stations ranged from £61,000 at Nottingham to £80,000 at Merseyside. However, a winter quarter is more expensive than a summer one, and the B.B.C. claimed that over a full year their estimate, although it was being exceeded, was "very near the target" (Q. 656, 664-5). The annual rate of local authority contributions shows wide variations; Sheffield, for example, is contributing at a rate of £57,500 a year as against £10,000 a year from Durham.

¹ Cmnd. 3169, paras. 32-42.

Local contributions from sources other than the authorities have generally been very small¹. One witness suggested that it was unreasonable to expect otherwise, because prospective contributors felt confident that, whether they gave or not, the station would not be closed down (Q. 709). Total operating expenditure incurred on all stations in the period to 31st March 1969 was about £800,000 as against total contributions in the same period of some £350,000. Capital expenditure has been met entirely by the B.B.C. and amounted to about £300,000².

66. One of the major purposes of the experiment was to establish whether or not sufficient local programme material would be found to sustain a genuine local programme on a regular basis (Q. 673). In the event the amount of specifically local broadcasting put out has varied from station to station, but has nowhere been less than four and a half hours a day, and in some cases has exceeded seven hours a day (Q. 686-7, 696-7). A local station's transmitter, however, is on the air from 5.30 or 6 o'clock in the morning until 2 o'clock next morning and the time not occupied by local output is filled by broadcasts from the national networks selected at the discretion of the local station manager (Q. 712-3, 724-9).

67. No provision has been made in the B.B.C.'s present budget for expenditure on local stations beyond the current financial year (Q. 722); and, when Sub-Committee D took evidence, no estimates of the cost to the licence fee of a full service of local radio stations had been made (Q. 1491-2, 1624-5). Since then the B.B.C., in its published plan, "Broadcasting in the Seventies", has put forward a proposal for expanding the local radio network to about forty stations, and has told the Government that this development would require additional revenue of £5,200,000 a year. But the Government's decision on the future of local radio was still awaited when Your Committee's Report went to Press³.

B.B.C. PUBLICATIONS

68. The B.B.C. derives a limited amount of income from sources other than licence revenue. Chief among these sources is the trading profit of B.B.C. Publications, which is a complete and professionally run publishing business within the B.B.C.'s Directorate of Public Affairs. B.B.C. Publications includes departments responsible for circulation, advertisement selling, distribution and production, and editorial functions are divided between four departments responsible respectively for the *Radio Times*, *The Listener*, Educational Publications and General Publications. The *Radio Times* Hulton Picture Library is also within the ambit of B.B.C. Publications⁴. Six bookshops are maintained on B.B.C. premises for the sale and publicity of the B.B.C.'s publications, but the main outlet for General and Further Education publications is a network of 280 booksellers throughout the country who are authorised agents for B.B.C. Publications (Q. 1122-30)⁵. B.B.C. Publications also handles publications produced for the benefit of the External Services, but the costs of this work are borne out of the External Services grant in aid and do not appear in B.B.C. Publications' trading and balance sheet (Q. 1115-8).

¹ See Appendix 8, p. 236.

² Evidence, p. 66.

³ See also H.C. Deb. (1969-70), 787, cc. 1623-4.

⁴ Evidence, p. 145.

⁵ See also Evidence, p. 147.

69. Figures for the turnover of the several types of publication and for the overall profit of B.B.C. Publications for the four years up to 1967-68 are given in Evidence, page 148. They disclose an average profit over that period of approaching £900,000 a year. However, commercial profit is not the only objective of the department (Q. 1144), and their financial policy differs as between one type of publication and another. For instance, publications to accompany and support B.B.C. radio and television broadcasts to schools, which include tapes, film loops, wall pictures and maps, as well as books and notes, are regarded as a service and the aim is simply that they should be financially self-supporting¹. This aim has been achieved throughout the last four years (Q. 1132-3). Further Education publications, by contrast, do make a profit, but not a very substantial one (Q. 1133). The Radio Times Hulton Picture Library brings in a limited income in the form of fees from I.T.V. and outside publishers, but it is not profit-making and its chief use, apart from its inherent value as a national archive, is as a supplier of material for the B.B.C.'s own television services (Q. 1134-5). The only substantial loss is incurred in the production of *The Listener* (Q. 1081-2). In view of the action at present pending against the B.B.C. for alleged breach of their Charter in producing *The Listener* in its present form, Your Committee do not wish to comment on this matter (Q. 1100-3).

Radio Times

70. The largest operation in which B.B.C. Publications is engaged, accounting for well over 80 per cent. of its turnover, is the production of *Radio Times*. This is the largest selling weekly periodical in Britain, with a circulation of nearly 4 million in 1968, and is published in seven main regional editions. The B.B.C.'s policy with regard to this periodical is that complete programme information should be available to the largest number of people at the lowest economic price consistent with a reasonable financial return²; and a reasonable financial return is interpreted in practice as being between 10 and 15 per cent. on turnover (Q. 1036, 1038). The *Radio Times* is printed under a long-term contract by Waterlow and Sons Ltd., but B.B.C. Publications supplies the newsprint and photo-engravings and carries out all the work of distribution, the sale of advertisements, and promotion. The selling price, which had been 6d. since September 1963, was raised to 8d. from 28th September 1967, a proposed increase in the previous year having been deferred because of the national economic situation and the Government's Prices and Incomes policy³.

71. Sub-Committee D asked whether it would not be more convenient for the general public for there to be one publication including details of both B.B.C. and I.T.V. programmes under a single cover, in place of the separately-produced *Radio Times* and *T.V. Times*. The B.B.C. raised several objections to this proposal: such a magazine would be very bulky if it continued to contain editorial matter on the present scale, and the problem of the division of editorial responsibility between two independently constituted and competing bodies would be very difficult to resolve (Q. 1051-5); the B.B.C.'s regional divisions did not correspond with those of the I.T.V. programme companies and the system of regional editions would therefore be disrupted (Q. 1057); a further difficulty would arise over the provision

¹ Evidence, p. 147.

² Evidence, p. 145.

³ Evidence, p. 146.

that should be made for the B.B.C.'s radio programmes (Q. 1530); and it was unlikely that any substantial economies would result from any amalgamation (Q. 1058-9). The Director-General of the B.B.C. also expressed doubt as to whether the public had any real desire for a combined publication (Q. 1530-1). However, Your Committee note that there is an overlapping readership between the *Radio Times* and the *T.V. Times* of about two-thirds (Q. 1530), and they are of the opinion that an investigation into the demand for an amalgamated periodical is desirable. They therefore recommend that the Postmaster General should commission a public opinion survey, to be conducted under the auspices of the Consumer Council, in order to establish whether or not there is a public demand for a single publication giving details of both B.B.C. and Independent Television programmes.

AUDIENCE RESEARCH

72. The B.B.C. has had its own Audience Research department for more than thirty years, and in 1967-68 their expenditure on this work amounted to £250,000 (Q. 1351)¹. Over half this expenditure (£139,000) was devoted to the estimating of audience size (Q. 1352), the other activities of the department being the gathering of audience opinions and reactions to programmes and the undertaking of *ad hoc* studies on particular points, such as the timing of a broadcast or the impact of local broadcasting.

73. The B.B.C.'s estimates of audience size are based on the questioning of a sample of members of the public throughout the country on what they listened to or viewed the day before. Each day's sample consists of 2,250 persons, and different persons are interviewed each day. The end product of the survey is a "Daily Audience Barometer" showing the proportion of the sample who watched each programme. The assessment of audience reaction, by contrast, is not done by sample survey. The reason for this, the Sub-Committee were told, was that this method could not possibly yield a representative picture of audience reactions to a programme attracting only a small audience. The B.B.C. rely instead on a number of Listening and Viewing Panels whose members serve by invitation and fill in regular questionnaires on the programmes which they have heard or seen. There is a B.B.C.-1 panel and a B.B.C.-2 panel, and Listening Panels for each B.B.C. region and for the Third Programme. Service on the Viewing Panels is limited to a period of six months (Q. 1366-77)².

74. The only other organisation that engages in regular and systematic audience research in this country is the Joint Industry Committee on Television Advertising Research (J.I.C.T.A.R.), which represents the I.T.V. programme companies, the advertising agencies and the Society of British Advertisers. This committee's research programme is currently conducted for them under contract by the firm of Audits of Great Britain Ltd. (A.G.B.), whose method of research is quite different from the B.B.C.'s. Instead of sample questioning on a daily basis, meters are installed on a sample of television sets and record when each set is on and to which channel it is tuned (Q. 1340). A witness stated that both methods were regarded as generally

¹ See also B.B.C. Handbook for 1969, p. 92.

² See also B.B.C. Handbook for 1969, p. 93.

reliable, but the meter system was considerably more expensive (Q. 1341-4, 1353). There is in fact frequently a disparity between the audience size figures published by the B.B.C. and their competitors respectively, and this difference of method is one reason for that. Another reason is that the A.G.B. sample is of households possessing a set capable of receiving I.T.V. transmissions, whereas the B.B.C. take samples of the total population irrespective of whether or not they have television sets at all (Q. 1345-6). The possibility of a joint approach to audience research by the two bodies involved has been considered in the past, but the difficulties were stated by the B.B.C. to have proved insuperable (Q. 1347-8).

B.B.C. ENTERPRISES

75. B.B.C. Enterprises is the department responsible both for the sale of B.B.C. television programmes and film overseas and for the purchase of feature films, television series and film sequences for showing in this country. Its other functions include the sale of radio programmes and the sound tracks of television programmes in the form of gramophone records and tapes to the general public, the licensing of copyrights of programmes for theatrical presentation and for the manufacture of toys, games and other consumer goods, and the negotiation of co-production agreements. The trading figures of B.B.C. Enterprises over the last four years show that turnover has increased steadily, from £964,000 to £1,545,000 in 1967-68, while returns fluctuated considerably from year to year; the average profit over the period, however, was some £52,000 a year¹.

76. Sales of programmes abroad form the major part of the department's turnover, and it was made clear to the Sub-Committee that profit was not the primary consideration in this activity. The B.B.C.'s policy is rather to achieve the maximum exposure for British programmes overseas². In most cases it is impossible to impose a price on the buyer. Each market has its going rate; this figure is published and widely known, and no distributor is likely to get a higher price for his programme (Q. 1145). Some Commonwealth countries, for instance, can only afford minimal prices, and economic sales can only be achieved by sending out a single print of the programme, which can then be passed on from country to country. Apart from the United States, Britain and, to a lesser extent, Canada and Australia are almost the only countries concerning themselves with overseas distribution (Q. 1149). Over half the B.B.C.'s programme sales (which totalled 14,000 in 1968, by comparison with 1,200 in 1960) are to Commonwealth countries, but there is an expanding market in Europe and ready-dubbed programmes are being sold in the Middle and Far East and Latin America. One factor holding back sales in some areas has been the shortage of programmes available in colour, but this difficulty is progressively being removed as the B.B.C.'s colour output expands, and the expectation is that sales will continue to increase over the next few years (Q. 1163-4). Potentially the most lucrative market is America, but because of the nature of the programme material required sales have not so far been very extensive; but it is not the B.B.C.'s policy to produce programmes angled towards the overseas market (Q. 1148).

¹ Evidence, pp. 149-150.

² Evidence, p. 150.

77. During the four-year period to March 1968 purchase contracts averaged £1.3 million a year for feature films and £1 million for television series and other items. This is substantially in excess of the figure for programme sales ; but, because all the B.B.C.'s programmes are designed primarily for domestic audiences, the profit from an overseas sale is regarded purely as a bonus, the cost of the programme having already been met, in a strict book-keeping sense, by its showing in this country. For this reason it would not be correct to regard sales and purchases of programmes as the two sides of a balance of payments which could be in surplus or deficit (Q. 1154-5). In the purchase of programmes the Enterprises department, apart from handling the necessary negotiations, is responsible for investigating the material that is available ; but there is often consultation with the Head of the relevant programme section, and ultimate editorial responsibility lies with the Controllers of B.B.C.-1 or B.B.C.-2 respectively (Q. 1176-8).

78. The sale of radio programmes overseas is a separate activity which comes within the ambit of the External Services (see paragraph 90). But one section within the Enterprises department is concerned with the sale of B.B.C. programme material to the general public in the form of gramophone records or tape recordings. This section was first set up in the form of a separate department, known as Radio Enterprises, in January 1966 and was only amalgamated with the pre-existing Television Enterprises department in October 1968. Sales in 1967-68 amounted only to £16,000, and a profit has not yet been made on these activities (Q. 1172-4). Your Committee think it right that this section should be given more time to prove itself ; the amalgamation is less than a year old, and the necessary negotiations with the performers' unions over copyright clearance have not yet been concluded¹. But they do not regard this as an activity which should continue indefinitely to be supported out of licence revenue.

THE RESEARCH DEPARTMENT

79. The B.B.C.'s Research Department was originally set up in 1929, and first moved to its present quarters at Kingswood Warren, near Tadworth in Surrey, in 1948 (Q. 1185, 1189). The total number of staff in the department is 238 (Q. 1190-1), and expenditure in 1967-68 was £635,000 as compared with £527,000 in 1964-65 (Q. 1201). This expenditure is shared between radio and television in proportion to the amount of time which the staff spend on radio and television projects respectively (Q. 1212-13, 1216). The department's programme is planned by the Director of Engineering in consultation with the Chief Engineer of Research and Development, and is designed to take account of possible developments in domestic and international broadcasting, as well as of immediate problems referred to the department by other sections of the B.B.C. (Q. 1208). So far as is feasible, the possible benefits of all proposed projects are assessed in advance to enable selection to be based on the criterion of "value for money" (Q. 1214-5). Apart from these benefits there is a direct financial return on the department's activities from the sale of licences and royalties to other organisations ; in 1968-69 income from this source was about £120,000, the great part of which was in the form of fees from Independent Television (Q. 1200, 1202-3, 1234). This income is taken as a general reduction of the B.B.C.'s expenses and not credited directly to the Research Department (Q. 1214).

¹ Evidence, pp. 149-50.

80. The Research Department works in close co-operation with the B.B.C.'s Designs Department, which both produces special equipment for use in research work and also develops the Research Department's technical innovations, producing equipment for use within the B.B.C. (Q. 1232). However it is not the B.B.C.'s policy to produce their own equipment if the British electronics industry will produce it for them; and all new developments are made known to the industry in case the industry should wish to take out a licence to manufacture the equipment for sale abroad (Q. 1229, 1232). In addition there is a constant informal exchange of ideas and suggestions between the B.B.C. and industry for which no payment is made. When colour television started, for example, the B.B.C. evaluated all available British colour receivers and conveyed their criticisms and recommendations to the manufacturers (Q. 1230, 1247-9).

81. Your Committee wish to mention two aspects of the Research Department's work in particular. The first is the development, following earlier work by the Designs Department, of an advanced electronics standards converter, a machine designed to convert television pictures, including colour pictures, from one line standard to another, thus enabling the direct exchange of live television broadcasts between countries employing different line standards (Q. 1209). This achievement recently earned the B.B.C. the Queen's Award to Industry. Licences for manufacture have already been taken out by industry, and eventual royalties are expected to exceed £300,000¹.

82. The other work to which Your Committee draw attention is that involved in the planning of the U.H.F. transmitter network needed to provide coverage of the country for B.B.C.-2 and the duplication on 625 lines of B.B.C.-1. (In this connection it is significant that 13.5 million people in Great Britain are still unable to receive B.B.C.-2²). U.H.F. signals have a shorter range than VHF, and are more susceptible to interference from geographical and man-made obstacles. Planning the location, height and technical specifications of each transmitter is thus a task of immense complexity, but the Research Department has now developed a complete method for planning national networks, based on the use of a computer programme. Under the research agreement with I.T.A., the B.B.C.'s Research Department now does all U.H.F. service planning work for both authorities; and each site chosen will accommodate transmitters for all three television networks (Q. 1225-8). Your Committee welcome this co-operative arrangement, which is one that the B.B.C. previously resisted as impracticable (Q. 1306).

EXTERNAL SERVICES

Governmental Control

83. Unlike the Home Services, the External Services are financed by grant in aid unrelated to the licence revenue. This grant in aid is part of the overall budget for overseas information expenditure which is determined, either annually or for a period, by Ministers (Q. 172-3). The Government's powers of control over the External Services differ from those applying to the Home Services in two major respects. Specified government departments

¹ Report of B.B.C. Research Department for 1968, p. 1.

² H.C. Deb. (1968-69) 786, c. 46; see also Q. 596.

have the power to decide and prescribe the countries to which broadcasts should be directed, the languages to be used, and the hours of broadcasting; and the Government's powers of control over new expenditure schemes are more closely defined. All proposals for new expenditure over certain limits must be sponsored by one of the specified government departments and then submitted to the Treasury for approval¹. The government departments specified by the Postmaster General for the exercise of these powers (and known as the prescribing departments) are the Foreign and Commonwealth Office, the Ministry of Defence and the Board of Trade. Of these the Foreign and Commonwealth Office is "very much the department principally concerned" (Q. 123); the Ministry of Defence's interest is restricted almost exclusively to the monitoring services (Q. 418-420)²; and the Board of Trade's limited role is described in paragraph 86. The Post Office, as the department responsible for the Vote, sees the quarterly accounts of the External Services (Q. 197) and acts as a liaison between the prescribing departments, the B.B.C. and the Treasury (Q. 119-121); it also scrutinises the B.B.C.'s technical proposals to ensure that they do not conflict with international agreements on the use of radio frequencies and that they are efficiently conceived. These technical controls are no more nor less rigorous than those operating in respect of the Home Services (Q. 174-5).

84. In practice the same is largely true of the powers of financial control. The Post Office takes the view that expenditure is to a great extent determined by the decisions of the prescribing departments, and that there is therefore no scope for it to exercise control (Q. 169, 171, 191). And the Treasury, when authorising new expenditure schemes, is primarily concerned with the total limit of the overseas information budget and the likely incidence of the new expenditure over the years (Q. 432-5). Neither department subjects the internal management of the External Services to any closer scrutiny than the Home Services side of the B.B.C. (Q. 445, 450-1, 170). The External Services are however liable, just as much as the Home Services, to periodic examination by independent or governmental reviews and there have been a number of these inquiries, directed at the overseas information services as a whole, or specifically at the External Services, in the last fifteen years³.

85. The prescription of the amount of broadcasting to be directed to each country is reviewed each year at the time when the estimates for the succeeding year are being prepared, but *ad hoc* changes may be authorised at other times; the invasion of Czechoslovakia, for instance, occasioned an increase in broadcasting both to Czechoslovakia itself and to other East European countries (Q. 125-6). In exercising these powers of prescription, however, the Foreign and Commonwealth Office consults the B.B.C. and, where appropriate, may defer to the B.B.C.'s advice (Q. 127). It is important to stress, too, that the powers of prescription possessed by government departments do not extend in any way to the content of programmes. The B.B.C.'s only duty in this respect is that laid down in Clause 13(5)

¹ Evidence, p. 4, para. 13; pp. 6-7, paras. 13-15.

² For the monitoring services, see Q. 334-360, 421-8 and Appendix 5, p. 234.

³ 1954, Independent Committee of Inquiry (Drogheda Committee) into Overseas Information Services (Cmd. 9138); 1957, Hill Review of Overseas Information Services (Cmd. 225); 1959, Overseas Information Services (Cmd. 685); 1961-62, Inter-departmental Review (Bergin Review); 1964-65, Independent Review of External Services (Rapp Review); 1967, Review of Overseas Information Services (Beeley Review).

of their Licence and Agreement, namely to “obtain and accept [from the prescribing departments] such information regarding conditions in, and the policies of Her Majesty’s Government . . . towards, the countries so prescribed and other countries as will enable the Corporation to plan and prepare its programmes in the External Services in the national interest”. This provision is designed to ensure accurate reporting of government policies, and does not in the least exclude the B.B.C. from reporting criticism of government policies as well (Q. 137–9).

Industry and Exports

86. This same provision in the Licence and Agreement explains the Board of Trade’s position as a prescribing department. The Board of Trade supplies the B.B.C. with information about commercial policy and about particular British developments or products, which the B.B.C. then incorporate into their programmes as they think fit (Q. 404); as a result programmes and documentary features about British achievements in science, industry and technology now form a regular part of the External Services’ output¹. Apart from regular informal contacts between the Board of Trade and the B.B.C., there has been since 1964 an Advisory Committee on Export Promotion, incorporating the Central Office of Information and the British National Export Council as well as the B.B.C., the Foreign and Commonwealth Office and the Board of Trade (Q. 141, 406–7). The B.B.C. also has direct links with industry through its own Export Liaison Officer. All the evidence available to the Board of Trade suggests that the information put out by the External Services is an effective aid to export promotion; the B.B.C. is under no constraint about naming individual firms and products, and export inquiries can often be linked to a particular broadcast (Q. 391–2, 409). The Director of Information of the Confederation of British Industry, in a written submission², stated that the External Services were an essential part of the total overseas information programme and were particularly useful in correcting “the rather depressing picture of industrial activity in this country so often projected in the national newspapers”. His only criticism was that the B.B.C. could make more widely known what it does on behalf of industry in the External Services. The Board of Trade agreed, saying that they would like to see more publicity about the External Services given on the Home Services (Q. 410–3). Your Committee commend this suggestion to the attention of the B.B.C.

Output and Expenditure

87. The B.B.C. place great emphasis on the importance of continuity in External Broadcasting policy, because of the need to build up and retain their audience over a period of time; and they claimed that over the years “successive financial issues, mainly connected with the need to meet risen costs year by year, have contributed to a succession of cuts in output and services which would not in themselves have seemed to be justified only on grounds of policy”³. There will, of course, always be dispute about

¹ B.B.C. Handbook for 1969, p. 102.

² Appendix 6, p. 235.

³ Evidence, p. 33, para. 2.

priorities in the allocation of available funds¹; but in overall terms the level of output of the External Services has been fairly stable over the years. Between 1950 and 1955 annual output decreased from 643 hours to 558 hours; but since then there has been a continuous increase, and the figure of 719 hours in 1968 represents a 12 per cent. rise over the whole period since 1950. Over the same period output from some other countries has risen at a far greater rate; but even now only the U.S.A., the U.S.S.R. and China broadcast more than the B.B.C. and, among Western European countries, only West Germany broadcasts as much².

88. For the future the B.B.C.'s main pre-occupation is "to secure the maximum technical means of making its programmes heard in every part of the world to which it broadcasts", by continuing the modernisation of its installations in this country and opening new and more powerful stations overseas³. The planning of these improvements over a period of years demands a considerable degree of forward financial certainty, and, following the Beeley Review of the overseas information services, a programme of capital expenditure has been authorised for a four-year period. The funds for this are to be treated separately from those required to maintain the current level of activity⁴. Your Committee welcome this development in the financing of the External Services, which represents a partial acceptance of the principle already recommended by Your Committee for adoption in respect of the Home Services (paragraph 55).

Reorganisation

89. At the end of 1968 there was a major internal reorganisation of the External Services. Previously the basic division in the department had been a geographical one between European and Overseas Services. This geographical distinction has now been replaced by a functional one, between an Output Services Division and a Programmes Division. Of these, the former is responsible for putting programmes into their final form and onto to the air, while the latter acts as a central supplier of programme material (Q. 217-230). This rearrangement is being further adapted in the current year in the light of experience (Q. 232). It is expected that this new organisation will in the long term give rise to savings by cutting down diversification of effort (Q. 234); but the extent to which savings are achieved in practice will depend on the extent to which the individual output sections find that the centrally-produced material meets their needs (Q. 259-261). The previous Director of External Broadcasting, now the Director-General of the B.B.C., said that when instituting the reorganisation he had had a target of economies in mind, which he had reported to the Board of Governors; this target was within reach (Q. 1657-60). His successor and the Controller of Administration of External Broadcasting, however, both appeared unaware, when Sub-Committee D took evidence, that any such estimate had been made (Q. 235-6). While it may be true that the main aim of the reorganisation was not economy but "a better application of the

¹ Recent changes in prescription are summarised in Q. 361. The estimated apportionment of expenditure between different services in the years 1966-67 and 1967-68 is given in Appendix 2, p. 230.

² Appendix 3, p. 231. See also B.B.C. Handbook for 1969, p. 117.

³ Evidence, p. 32, para. 1.

⁴ Evidence, p. 33, para. 4; B.B.C. Report and Accounts for 1967-68, p. 11.

skills and knowledge in the External Services" (Q. 1659), Your Committee nonetheless take the view that the Director-General was at fault in not ensuring that his successor was informed of the amount of the savings which he had expected from the changes.

The Transcription Service

90. Departments within the B.B.C. External Services produce programme material for re-broadcasting by other radio stations in two main forms. The Radiotape Service handles mostly topical material, which is produced within the External Services and sent by air direct to subscribing radio stations. Subscriptions, which amount to between £10,000 and £12,000 a year (Q. 312), cover the cost of freight and the tape itself, but not the costs of producing the programme (Q. 302). The Transcription Service, on the other hand, sells programmes of a more permanent kind, mostly music, drama and light entertainment from the domestic radio services (Q. 315, 319)¹. The cost of this service in 1967-68 was £394,000, and receipts to offset this cost amounted only to £168,000, of which the major part consisted of fixed annual subscriptions (Q. 313-4, 317-8)². The B.B.C. is attempting to increase these receipts (Q. 377), but the loss is unlikely to be eradicated. The B.B.C. is the only broadcasting organisation in the world which makes any charge at all for services of this nature, and the opportunities for charging higher prices are extremely limited (Q. 303-4, 313-4). The loss is borne on the External Services grant in aid because it is judged to be in the national interest that programmes of British origin should maintain their place in the local services of foreign and Commonwealth countries (Q. 325-6); and the prescribing departments are able to keep under review the amount of the grant which should be allocated to this activity rather than to other services. It is for this reason that the Transcription Service has remained within the ambit of the External Services and has not been transferred to the Enterprises Department, despite the close similarity of the work involved (Q. 1665-6).

SUMMARY OF RECOMMENDATIONS

91. In the course of their Report Your Committee make eight recommendations. They are as follows:—

- (1) The estimated figure for deductions from gross licence revenue should be explicitly shown in the Civil Estimates in the form of a footnote or an expanded explanatory note to subhead E. 1 of Class IV, 26. (Paragraph 9.)
- (2) After consultation with McKinsey's, the B.B.C. should give the Post Office and the Treasury the fullest possible information about the changes made by them as a result of the McKinsey investigation. (Paragraph 22.)
- (3) The present informal working party on licence evasion should be re-constituted on a more formal basis when the new arrangements for licence collection come into force, so as to include representatives of both the Ministry of Posts and Telecommunications and the Post

¹ See also B.B.C. Handbook for 1969, pp. 106-7.

² See also Appendix 4, p. 234.

Office Corporation as well as the B.B.C., with the aim of keeping under review all aspects of licence management, in particular the progress made with the scheme for computerisation of licence records, and other possible counter-evasion measures, such as the compulsory production of a licence at the time of purchase of a set. (Paragraph 41.)

- (4) The Post Office should, as a matter of urgency, explore the merits of introducing a scheme for linking the car radio licence procedure to the road fund licence procedure or other measures to reduce evasion on car radio licences. (Paragraph 42.)
- (5) The Post Office or its successor should examine annually, in consultation with the B.B.C., a five-year forecast of the B.B.C.'s expenditure, so that any re-planning shown to be necessary may be undertaken in plenty of time and so that methods of financing new developments may be adopted at the same time as commitments to the expenditure are taken. (Paragraph 55.)
- (6) The cost of any welfare concessions on the licence fee should be borne by the Department of Health and Social Security and not by the B.B.C. (Paragraph 56.)
- (7) The B.B.C., in conjunction with the School Broadcasting Council and the Further Education Advisory Council, should discuss with the departments concerned the possibility of financing their services of educational broadcasting in whole or in part by an alternative method to that of the general licence revenue. (Paragraph 63.)
- (8) The Postmaster General should commission a public opinion survey, to be conducted under the auspices of the Consumer Council, in order to establish whether or not there is a public demand for a single publication giving details of both B.B.C. and Independent Television programmes. (Paragraph 71.)

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**MINUTES OF EVIDENCE TAKEN BEFORE
THE ESTIMATES COMMITTEE
(SUB-COMMITTEE D)**

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MONDAY, 27TH JANUARY, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. David Howell.
Mr. Arthur Lewis.

Mr. Macdonald.
Mr. Neil Marten.

THE RELATIONSHIP OF THE POST OFFICE WITH THE BBC

Memorandum by the Post Office

1. There is available to Government a wide range of powers over the BBC. Indeed, in principle, Government's powers are—subject only to its answerability to Parliament—absolute. But, since their first incorporation on 1st January, 1927, the BBC have themselves had full authority and responsibility for the day-to-day management of their affairs, including programme content. Successive Governments have affirmed as a constitutional requirement the independence of the BBC, and have limited the exercise of their powers to what is compatible with the requirement.

2. The powers available to Government are broadly of three kinds: those relating to the conduct of the services, those relating to the technical means of broadcasting, and those of a procedural kind. These three are explained in more detail below in reference to the two classes of service provided by the Corporation i.e. the Home Services (sound and television); and the External Services (sound only).

THE HOME SERVICES

3. For the control of the conduct of the Home Services the Government's main powers are:

- control of income, through prescribing (under the Wireless Telegraphy Act 1949) the amount of the licence fee and the amount, reckoned as a percentage of net licence revenue*, payable to the Corporation (Licence and Agreement†, Clause 17);
- scrutiny of the BBC's accounts and estimates (Charter‡, Article 18);
- power to require the establishment of additional stations (Licence and Agreement, Clause 3);
- control of the amount of broadcasting time (Licence and Agreement, Clause 15);
- control of capital expenditure (Financial Memorandum¶, paragraph 2);
- a continuing obligation of the BBC, to take account (in fixing the salaries and conditions of service of their staff) of the Government's policy on wages and kindred matters (Cmnd. 1770, paragraph 72). In practice this obligation is currently within the general requirement to observe the Government's prices and incomes policy;

* "net licence revenue" means the broadcasting receiving licence revenue less the Postmaster General's expenses in collecting the licence revenue, in the administration of the licensing system and in investigating complaints of interference with reception of the broadcasting services in the British Islands (Licence and Agreement, Clause 17).

† Licence and Agreement, dated 19th December 1963, between the Postmaster General and the B.B.C. (Cmnd. 2236).

‡ Royal Charter for the continuance of the B.B.C. (Cmnd. 2385).

¶ Memorandum on B.B.C. Finance and Principles Governing Expenditure. This is reproduced as an Annex on p. 5.

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[Continued.]

- a power to veto any broadcast or class of broadcast. Used only to proscribe the broadcasting by the BBC of their own views on matters of public moment and subliminal messages, this is a reserve power in the strictest sense (Licence and Agreement, Clause 14(4)) ;
- a power to require the broadcasting of Government announcements. In practice, this is confined to announcements relating to the normal routine of Departmental business and is a matter of day-to-day arrangement and not of formal requirement (Licence and Agreement, Clause 14(3)) ;
- prior Government authority required for capital expenditure above prescribed limits on Home Services civil defence work (Cmd. 9089 and paragraph 4 of the Financial Memorandum).

4. Procedural powers : the principal ones are to advise the Queen-in-Council on the appointment and dismissal of Governors of the Corporation, and on their remuneration. Others are : approval of the Corporation's auditors and the prescription of a quorum of the Board of Governors.

5. The technical powers of control stem from the Postmaster General's functions under the Wireless Telegraphy Acts and Telegraph Acts. They reflect his responsibility in regard to international allocation, and national regulation of the use, of radio frequencies ; for the installation and use of radio stations ; and for the telecommunications services of the Post Office generally. The effect of the powers is that the Corporation cannot establish a new station, or change the technical nature of their transmissions, without the Postmaster General's prior authority. In this way the Postmaster General is empowered to control new developments, e.g. the establishment of BBC2, of colour television and of the local radio experiment.

6. Of the powers described above, the following bear on the finances of the Home Services :

- control of income through the licence fee system ;
- scrutiny of accounts and estimates ;
- control of major developments through the technical powers ;
- control of the amount of broadcasting time ;
- control of capital expenditure ;
- the obligation of the BBC to observe Government's incomes policy.

In practice the Government is virtually in full control of the BBC's income. On the expenditure side, however, there is no detailed control. This is the policy that has been followed by successive Governments: as paragraph 2 of the Financial Memorandum records—

“ Subject to any terms or conditions* which may be attached to the Grants by Parliament or the Treasury the Corporation is empowered to spend the income granted to it under Clause 17 of the Licence and Agreement according to its own judgment in forwarding its approved objects (subject to such controls as operate in respect of the provision of foreign currency and Government control of capital investment) ”.

7. It is precisely because the amount paid to the BBC from the Consolidated Fund is related to the net licence revenue that the Corporation are not subject to the same kind of detailed control as is a Government Department. The licence fee system contains its own financial discipline. Any significant increase in potential revenue can only derive from an increase in the fee : and the Corporation cannot expect increases too often. In effect, the BBC have to persuade Government that it would be right to ask viewers and listeners to pay more. There is thus in the mind of the public a direct relationship between the services provided by the BBC and the amount of the licence fee.

* No conditions of this kind have hitherto been attached.

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8. For its own part, in considering what level of licence fee is required, the Government has regard to the developments in the broadcasting services which it first decides upon and then authorises through the exercise of the Postmaster General's technical powers of control, and his control of the amount of broadcasting time. Examples are: BBC2, colour television, the changeover to the 625-line standard, Radio 1, the local radio experiment, and extensions of coverage to the less populous areas of the country. Before deciding whether to authorise such developments, Government asks the Corporation to estimate their financial effects over a number of years, and what increases in the Corporation's income would be needed to support them.

9. These disciplines are reinforced in the following ways:

- (i) Scrutiny of the Corporation's estimates by the Post Office in order that they may be fully informed as to
 - (a) trends of expenditure and development, and
 - (b) financial provision needed for the Home Services.
- (ii) Control of capital expenditure. The BBC's investment programme is included in the report submitted through the Post Office to Ministers each year on public expenditure. The Corporation have, in addition, been called on to make cuts in their capital investment programme in times of special pressure on the economy, most recently in the summer of 1965 and the autumn of 1967. This control of BBC capital expenditure is used to ensure that the Corporation do not make excessive demands on national resources.
- (iii) Scrutiny of the BBC's accounts from time to time by the Public Accounts Committee.
- (iv) Incomes policy. The BBC have undertaken to abide by the Government's present incomes policy. In practice the Corporation seek the advice of the Post Office's Central Personnel Department on major wage and salary proposals and obtain, through them, Government clearance of such proposals. The purpose of this provision is similarly to secure the national economic interest.
- (v) External checks. The Corporation are liable to close examination at intervals of about ten years by independent Committees of Enquiry.

THE EXTERNAL SERVICES

10. Unlike the Home Services, the External Services (which include the Monitoring Services) are financed by Grant in Aid unrelated to the licence revenue, and their constitutional position differs in some respects. The chief powers available to the Government for the control of the conduct of the External Services are:

- control of income, through the submission to Parliament of the annual Estimates for the Grant in Aid (Licence and Agreement, Clause 18);
- control of issues from the Vote (Financial Memorandum, Paragraphs 9 and 18);
- the opening of the accounts and records of the External Services to the Comptroller and Auditor General (Financial Memorandum, paragraph 20);
- control of expenditure projects above prescribed limits (Financial Memorandum, paragraphs 13 to 15);
- prescription, by specified Departments of H.M. Government (at present the Foreign and Commonwealth Office, the Ministry of Defence and the Board of Trade), with Post Office and Treasury approval, of the countries to which, languages in which, and times at which, programmes in the External Services shall be sent (Licence and Agreement, Clause 14(5));

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[Continued.]

- the requirement that the Corporation should consult and collaborate with the specified Departments and obtain and accept from them information about the conditions in, and policies of H.M. Government towards, the prescribed countries so that the Corporation may plan and prepare their programmes in the External Services in the national interest (Licence and Agreement, Clause 14(5)) ;
- the obligation of the BBC to observe the Government's incomes policy, the reserve power to veto any broadcast or class of broadcast, and the power to require the broadcasting of Government announcements, as for the Home Services. (See comment in paragraph 3 above.)

11. Procedural powers: the Board of Governors, appointed and liable to dismissal on Government advice, are answerable for the External Services as they are for the Home Services. Other procedural powers include prior Government consent required before the Corporation enter into oversea concessions (Charter, Article 4).

12. The Postmaster General's technical powers of control are of the same character as those applying to the Home Services (see paragraph 5 above).

13. In practice, Government's control over the External Services differs from its control over the Home Services in two major respects:

- the more detailed control over expenditure schemes, appropriate to a grant-aided service ;
- the power to decide the countries to which broadcasts should be directed, the languages to be used and the times of broadcasts.

There is also, in accordance with Clause 14(5) of the Licence and Agreement, close liaison between the Corporation and the prescribing Departments so as to enable the latter to take their decisions on prescription, and the Corporation to plan their programmes, in the light of all available information, and thus to make the maximum contribution to the national interest that is possible within the funds made available to the Corporation from the total sum allotted to the country's overseas information effort. Day-to-day management remains entirely in the hands of the Corporation and there is no Government intervention in programme planning or content since the value of the External Services to the country is considered to depend in large part on their known freedom from Government control, and this in turn depends on their integration in a body whose managerial and editorial independence is unquestioned.

14. Formal responsibility for submitting to the Treasury the estimates for the External Services lies with the Post Office. The estimates, prepared by the BBC, are examined by the Departments concerned (Foreign and Commonwealth Office, information policy ; Ministry of Defence, monitoring services ; Post Office, technical matters ; Ministry of Public Building and Works, accommodation matters) before submission to the Treasury, which determines the estimates provision to be sought. The Post Office accounts for the Vote.

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[Continued.]

ANNEX**Memorandum on B.B.C. Finance and Principles governing Expenditure**

1. The financial relationship between the Government and the Corporation is governed by the Royal Charter (Cmnd. 2385) and the Licence and Agreement (Cmnd. 2236).

I. HOME (SOUND AND TELEVISION) SERVICES

2. Subject to any terms or conditions which may be attached to the Grants by Parliament or the Treasury, the Corporation is empowered to spend the income granted to it under Clause 17 of the Licence and Agreement (Cmnd. 2236) according to its own judgment in forwarding its approved objects (subject to such controls as operate in respect of the provision of foreign currency and Government control of capital investment).

3. The grants referred to in paragraph 2 will be provided for under subhead A1 of the Broadcasting Vote in the annual Parliamentary Estimates. For the purposes of the Estimate and the subsequent payments to the Corporation, the amount of gross licence revenue and the amount deducted from the gross licence revenue in respect of Post Office expenses will be estimated amounts in so far as this is necessary. Any short-payment or overpayment to the Corporation resulting from the use of these provisional figures will be adjusted as soon as practicable in the next financial year when the final assessment of the Post Office expenses has been made and the actual licence revenue is known.

4. Payments to the Corporation in accordance with the Supplemental Agreement of 19th February, 1954 (Cmd. 9089), in respect of Home Services civil defence work will be provided for under subhead A2 of the Broadcasting Vote. The following arrangements will also apply in connection with expenditure on this work:—

- (a) The Corporation will submit details, including the estimated cost, of individual schemes which are estimated to cost £5,000 or more, to the Postmaster General for approval before work is commenced. Those schemes estimated to cost £30,000 or more will be subject to authorisation by the Treasury and the B.B.C. will be notified by the Post Office when Treasury authority has been given.
- (b) The Corporation will furnish annual estimates of capital expenditure and the Defence Grant thereon for the ensuing financial year, and forecasts for the two next succeeding years. These will be in a form acceptable to the Post Office and will be furnished at the same time as the annual estimates and forecasts relating to the External Services.
- (c) Payments from subhead A2 of the Broadcasting Vote will be made in arrears on submission by the Corporation of statements showing the expenditure incurred and the amount of Defence Grant due. These statements to be furnished not more frequently than once a month and to show cumulative expenditure as well as expenditure in the current year, all schemes estimated to cost £5,000 or more being individually listed. A final claim should be submitted at the middle of March each year. Any further amount due in respect of the remaining expenditure up to 31st March will be paid in the following financial year as soon as a claim is submitted.
- (d) A statement of the expenditure up to the end of each financial year certified by the Corporation's auditors will be furnished as soon as possible, and in any case not later than the following 1st November.

5. In order that the Postmaster General may be fully informed as to trends of expenditure and development and may be in a position to make recommendations to the Treasury when necessary regarding the financial provision to be made for the Home Services, the Corporation shall furnish to the Postmaster General when required forecasts of expenditure and income (including income from publications) in such form as may be required by the Postmaster General, with an up-to-date estimate for the current year for comparison. Explanations will be given of substantial variations in operating expenditure from year to year.

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6. Copies of the audited accounts for the financial year will be furnished to the Postmaster General not later than the following 30th June.

II. EXTERNAL SERVICES

7. The External Services, which include all other services performed by the Corporation at the request of any Government Department, will be financed by Grants in Aid from the Broadcasting Vote in accordance with Clause 18(1) of the Licence and Agreement (Cmnd. 2236).

8. There will be three Grants in Aid, accounted for under the following subheads of the Broadcasting Vote:—

B.1.—Grant in Aid of Broadcasting Services

(i) Current Expenditure

(ii) Capital Expenditure

B.2.—Grant in Aid of Monitoring Services

(i) Current Expenditure

(ii) Capital Expenditure

B.3.—Grant in Aid for Civil Defence Expenditure.

9. The amount to be issued to the B.B.C. from each of subheads B.1 and B.2 will be a sum equal to the Corporation's actual net cash expenditure in respect of the services designated, adjusted by the amount of such variation in the working cash balance as may be approved by the Postmaster General in consultation with the Treasury. The amount to be issued from subhead B.3 will be the amount of the Corporation's actual net cash expenditure proper to that subhead. The sum issued under any subhead cannot exceed the amount provided in the Estimate under that subhead, whether or not there is a compensating saving under another subhead, without necessitating a Supplementary Estimate. Within subheads B.1 and B.2 overspendings may not be offset against savings as between capital and current expenditure without express Treasury authority.

10. The Corporation will inform the Postmaster General immediately if it appears in the course of any year that the amount provided in the Estimate under any of the subheads B.1, B.2 and B.3, or under (i) or (ii) of B.1 or B.2, is likely to be exceeded.

11. The Corporation will show separately in its published accounts the receipts and expenditure applicable to each of the above services including the sub-division between capital and current of the Grant in Aid receipts under B.1 and B.2.

ESTIMATES FOR GRANTS IN AID

12. For the purpose of determining the amounts to be provided in the Broadcasting Vote Estimate for each of the above services, the Corporation shall furnish to the Postmaster General as soon as possible before the 8th November in each year, estimates of its cash expenditure under each heading for the following year. When the amounts of the estimates have been approved, the Corporation will be informed in writing by the Post Office. The inclusion in the approved Broadcasting Estimate of provision for items which are outside the limits of the Corporation's delegated powers (see paragraphs 13 and 14) will not of itself constitute approval of the expenditure and specific sanction must be obtained in accordance with the procedure indicated in paragraph 15.

AUTHORISATION OF EXPENDITURE AND DISPOSAL OF ASSETS

13. The Corporation will have power, providing the character, nature and scope of any service is not altered and subject to consultation as necessary with the Post Office on technical matters and with the Ministry of Public Building and Works on accommodation matters, to vary the incidence of expenditure, sanction new

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[Continued.]

expenditure and dispose of assets, up to the following limits provided the totals of the Grant in Aid affected will not thereby be exceeded :

1. Current Expenditure :

(a) Non-recurrent self-contained expenditure—up to £10,000 in individual cases.

(b) Recurrent expenditure—up to £5,000 per annum in any one case.

Annual total of (a) and (b) together not to exceed £50,000.

2. Capital Expenditure :

(a) Replacements—not exceeding £10,000 in any one case.

(b) New expenditure—not exceeding £5,000 in any one case.

3. Disposal of Assets :

(a) Assets discarded, or transferred to the Home Services, which are being replaced. Prime cost value not to exceed £10,000 in any one case.

(b) Assets discarded, or transferred to the Home Services, which are not being replaced. Prime cost value not to exceed £5,000 in any one case.

14. Increases in expenditure due to rising costs may be incurred without reference to the Post Office provided the totals of the Grants in Aid affected will not thereby be exceeded ; but details of such increases should be shown whenever accounts or estimates are furnished to the Postmaster General. The term “ rising costs ” covers increases due to the excess cost of normal increments and promotions over savings due to retirements ; rising prices of materials ; and increases in rents, rates and taxes, etc. Any savings due to lower prices, etc., should be set off against the increases.

15. In the case of a proposal for new expenditure not coming within the Corporation's delegated powers the procedure will be as follows. The prescribing Department will consult with the Corporation who will frame an estimate of the financial effect of the proposal which will be sent to the prescribing Department. At the same time the Corporation will send a copy of the estimate to the Post Office for information. If the prescribing Department is willing to sponsor the expenditure it will inform the Post Office who will submit the proposals to the Treasury for sanction. When Treasury approval has been obtained the Post Office will notify both the prescribing Department and the Corporation.

The estimates furnished by the Corporation to the prescribing Department and the Post Office will show the estimated total cost of the scheme and the probable cost falling in each financial year. If it becomes apparent to the Corporation after a scheme has been sanctioned that the estimated expenditure authorised by the Treasury is likely to be exceeded by 10 per cent or £2,000 whichever is the less, the circumstances should be reported to the prescribing Department and the Post Office with a view to obtaining Treasury authority for the overspending. In the case of proposals for which no provision was made in the Estimates, it should be indicated by the Corporation when submitting their case, whether the expenditure can be met from savings or whether the Grant in Aid concerned is likely to be exceeded.

16. The Corporation may not dispose of or turn to other uses any of the capital assets of the External Services except as provided for by the delegated powers stated in paragraph 13, or by consent of the Postmaster General. Any proposals for disposal or transfer of such assets, beyond the limits of the delegated powers, will be submitted to the Postmaster General as they arise. An itemised schedule, in duplicate, showing, in respect of Broadcasting, Monitoring, and Civil Defence separately, (a) the value, at cost, of all assets at the beginning and end

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of the financial year, (b) additions during the year at cost, (c) the prime cost of assets transferred to the Home Services, (d) the prime cost of other assets taken out of service and (e) receipts from the sale of assets, will be furnished to the Postmaster General with the copies of the final accounts for the year. Amounts realised by the sale of External Services assets will be credited in the respective Grant in Aid Accounts.

PAYMENTS TO THE CORPORATION

17. Payments to the Corporation will be made by the Postmaster General in advance at half-monthly intervals within the limits of the Grants in Aid for the year. The payments will be subject to regulation in consultation with the Corporation in the light of the level of expenditure disclosed by the quarterly accounts described in paragraph 18 of this memorandum. The amount of the final instalment for each financial year will be decided by the Postmaster General, in consultation with the Treasury, on the basis of the Corporation's final assessment of its cash requirements under each subhead for the year. This assessment will be reported by the Corporation to the Postmaster General not later than the 10th March each year.

ACCOUNTS AND RETURNS

18. The Corporation shall furnish to the Post Office as early as possible and not later than the end of the second month of each quarter, a cumulative account for the period from 1st April to the end of the previous quarter of the year. Figures will be estimated so far as necessary and supported by statements.

19. Copies of the audited annual accounts for the financial year will be furnished to the Postmaster General (with those of the Home Services) not later than 30th June following. The Corporation will in the same month furnish the following additional information as regards the External Services :—

- (a) A memorandum explaining, for the purposes of the Broadcasting Vote Appropriation Account, the differences between Expenditure and Parliamentary Estimate under each of the subheads of the Broadcasting Vote.
- (b) An analysis of the total expenditure according to Services.

AUDIT

20. The Corporation's account books relating to the External Services will be open to inspection by the Comptroller and Auditor General and the Corporation will provide access to all connected records.

III. GENERAL—HOME AND EXTERNAL SERVICES

21. The Corporation will obtain any necessary Exchange Control permission for expenditure in foreign currency by application through normal banking channels.

The Corporation will maintain a record of all expenditure and receipts in foreign currency relating to the External Services and will furnish to the Postmaster General a statement of such expenditure and receipts in respect of any half year ending 30th June or 31st December in which (a) the expenditure is less than £100,000 or more than £200,000, or (b) the receipts are more than £100,000. Every such statement must reach the Post Office within five weeks after the end of the half year to which it relates, and will be in such form as may be indicated by the Post Office from time to time.

22. The principle governing the apportionment of common services expenditure between the Home and External services will be that any expenses which would remain in existence if there were no External Services will be charged to the Home account and additional expenses due to Overseas broadcasts and other services performed for Government Departments will be charged to the External Services account. A standing committee known as the Common Services Apportionment

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[Continued.]

Committee composed of representatives of the Treasury, the Post Office and the Corporation will examine and approve the basis used by the Corporation in apportioning expenditure in accordance with this principle.

23. The Corporation shall furnish to the Postmaster General when required and in such form as required, forecasts of capital expenditure showing for Home Sound, Television and External Services separately:—

- (a) a description of each major scheme ; and
- (b) the estimated expenditure on each major scheme in each of the years under review.

Note. The memorandum originally had 22 Appendices setting out the form in which estimates and accounts for the External Services were to be submitted by the BBC. These no longer apply, the BBC having agreed to supply the information in a form acceptable to the Post Office.

Examination of Witnesses

Mr. H. G. LILLICRAP, Senior Director (Planning) and Mr. D. G. C. LAWRENCE, O.B.E., Assistant Secretary (Radio and Broadcasting Department) of the Post Office, were called in and examined.

Chairman.

1-2. Mr. Lillicrap, we are very grateful to you for your Memorandum. I think the most constructive way to start would be to take a series of headings rather than the paragraphs in the document, confining ourselves at the outset to the Home Services. Then we can go on to the External Services as a separate discussion. Perhaps we could start with the heading of "Staff". Could you tell us something about the department which you require to discharge your responsibilities towards the B.B.C.?—(Mr. Lillicrap.) The staff primarily concerned with broadcasting policy are the broadcasting division, of which Mr. Lawrence is the head.

3. When you say broadcasting, are you deliberately meaning that or is it a word you use to cover television as well?—We use it to cover television as well as sound broadcasting. There are 25 members of the division and they have access to a wide range of specialist advice in other parts of the Post Office—in the central personnel department in respect of pay matters, for example, in the solicitor's department on legal matters and particularly on the engineering side. It is not possible to quantify the degree of support they have from the other departments, except in the area of

engineering where there is a unit of 12 engineering staff who devote a very high proportion of their time to broadcasting matters. Primarily, the Postmaster General gets his advice from the 25 staff in the broadcasting division on general policy matters and from the 12 engineering staff on technical matters.

Mr. Lewis.

4. There are two points I should like to put to you. The first is, are the salaries or wages of the staff paid either by the Post Office or out of the Post Office Vote and, to what extent are their wages and conditions of work freely negotiated with trades unions or other organisations represented? Does the Post Office have the authority to do this, or the B.B.C.? In effect, which would be responsible?—The staff to whom I have referred are all Post Office staff. They are all Civil Servants and their pay is subject to the normal Civil Service process of negotiation.

5. I want to be clear to what extent they are free to negotiate their wages, salaries and conditions direct through the Civil Service arrangement ; whether this would be done through the Post Office Vote or through the B.B.C. or, as they are Civil Servants, through the Treasury?—The proportion of the

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[Continued.]

time of the staff which is devoted to the administration of broadcasting and to the provision of advice on technical matters is borne on the Broadcasting Vote. The remainder of the time of the staff concerned would be borne out of Post Office funds, of course.

Chairman.

6. The machinery for their wages and conditions is that which is applicable to the normal Civil Service?—That is so.

Mr. Marten.

7. Could you explain the term, "Broadcasting Vote"?—The Broadcasting Vote is the Vote through which the B.B.C. receives a grant for the Home and External Services.

Chairman.

8. When you tell us that you transmit to the B.B.C. the net value of the licences, which you tell us means the gross collection less the cost of collecting, is the cost of this department part of the deduction made, as I have described, or is the cost of collecting something quite separate?—The cost of the department and the cost of the staff, to which I have referred, is not a charge on the licence revenue. It is included in sub-head C of the Estimate, but the greatest part of sub-head C is the cost of licence management and that is a deduction from gross licence revenue.

9. Would you tell us something about how the licence money is collected?—Basically, it is by the issue of licences over Post Office counters. Having issued a licence, the problem is to ensure that the licence holder continues to pay for his licence year after year. We keep records of licences of course, and shortly before they are due to expire we send out a reminder card followed, if necessary, by a second reminder card three weeks later. Three weeks after that, if necessary, we send out a letter by recorded delivery. On the first reminder 85 per cent. of licence holders renew their licences within three weeks; on the second reminder a further 5 per cent. renew their licences and on the letter reminder a further 2 per cent. renew their licences, leaving 8 per cent. who have to be followed up individually. Some of these people, of course, have ceased to use their sets and no longer

require a licence. Some have moved and have renewed their licences at their new place of residence. Some we have to prosecute.

10. Who are the people who do the following up?—Post Office staff.

11. Are they retained for this purpose only, or do they do other things?—This is only one of their duties; they have other duties.

Mr. Lewis.] I am very pleased to hear this because it seems, generally speaking, on the figures you have quoted, that this method is fairly successful in its ultimate result. To what extent have other Departments, such as the Ministry of Transport or the Home Office, applied for information on this with regard, for instance, to vehicle licences?

Chairman.] We do not ask the Post Office questions which are relevant to other Departments.

Mr. Lewis.] I wanted to find out to what extent their method has been used in other Departments.

Chairman.] You must ask other Departments this question. You can ask the Post Office to what extent they have used other Departments' experience in shaping their administration.

Mr. Lewis.

12. To what extent have you referred to the experience of the Home Office and the Ministry of Transport concerning vehicle licences, for example?—I am not conscious that we have drawn on their experience.

Mr. Howell.

13. On this immediate question of licence collection, could you tell us something about the problems you have experienced in finding out who own receivers and in recording new purchases?—When you say "finding out who own receivers" do you mean to establish who owns a receiver within a particular household where there is a receiver?

14. No, I mean the more general question of ownership?—This bears on the question of evasion. In 1966 we estimated that there were probably two million people with television sets who were not paying a licence fee, which amounted at that time to an evasion costing £10 million.

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[Continued.]

15. Did you have a similar figure for radio in that year?—Radio is relatively quite small beer. Television licences run at about 15 million, representing at the £6 licence fee, which came into operation at the beginning of this year, £90 million. Sound broadcasting licences at 25s. each bring in an income of about £3 million, there being about 2½ million of them. Our main efforts in countering evasion are directed towards television. The extent of evasion has been quite substantially reduced since 1966 by a combination of methods. First, we have a system of postal combing. In each Head Postmaster's area a section of the area is combed once every three to five years. The whole area is combed within the three to five year period. The process consists of comparing the lists of householders in the area with our licence records and wherever there is a household without a licence we write a suitably polite letter enquiring and, if necessary, after a second letter we pay a visit if there has been no satisfactory reply.

Chairman.

16. Do I understand that you write to people who, according to your records, do not have a television set to find out if they have one?—We write to people who have no licence to find out whether or not they should have one.

17. There is no evidence at the stage when the letter is sent that they are in possession of a set?—None at all.

Mr. Marten.

18. Therefore, in due course you write to everybody without a licence?—In due course, yes.

Mr. Howell.

19. Although I appreciate that the big money is to be found in television licence evasion, I was very interested in what you said about the radio side being small beer. Are you satisfied with your statistics and records of the rate of growth of the wireless receiver ownership? Is not there some feeling, and it may be absolutely unsupported by any evidence, that a very great many small transistor receivers are bought, and thrown away or acquired for which no licence is ever taken out?—I think I have used rather an imprecise term. We are talking of a television licence and that licence is a

combined licence for sound and television. The bulk of the transistor radios are owned by people who have a combined licence and they are, therefore, covered for the use of sound receivers. There is one area where we may have under-estimated the amount of evasion, and that is in car radio licences. It is a matter to which we are now devoting a good deal of attention.

Mr. Macdonald.

20. Concerning the machinery for following up evasion—the checking, the keeping of records and the issuing of letters—is this carried out centrally, or is it local to each postal area?—It is local to each Head Postmaster's office.

21. In the event that you discover that somebody has moved, is there any process whereby information can be transferred to the area of the person's new residence?—Yes, there is. This is a cumbersome bit of machinery that we hope to improve a great deal when we get our records on to a computer. They will then be centralised.

22. When I used to work for a hire purchase company it was common practice that if we had somebody who got into arrears for the second time, we would not go through the whole drill of polite reminders and then tougher reminders, because this was tantamount to giving him notice that he would have some time before people really got tough. If you find someone who does not pay on the first reminder or on the second and you even have to prosecute, do you make a special note on his record card so that the following year you start breathing down his neck straightaway, or do you go through the whole rigmarole?—I think the procedure starts all over again. I do not think we make a special record of a bad payer.

Chairman.

23. In other words you have no black list?—We have no black list.

Mr. Lewis.

24. Concerning methods to facilitate payment, to some people this payment in one complete sum can be rather heavy. To what extent will you use the Giro system to enable people to pay through Giro?—We are conscious of the problem here, particularly with the

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[Continued.]

increase in licence fee to £6 and the colour licence fee to £11. We have considered many times whether it would be possible to permit payment by instalments. We believe that this would put up our costs of administration a very great deal. The cost of collection is already high in relation to the cost of collection of other taxes. It is nearly 6 per cent. of the revenue collected compared to about 1.5 per cent. for income tax and to about 1 per cent. for customs. We would be reluctant to embark on short-term licences because they would put up our costs very greatly and also because we think they would increase the amount of evasion. We do provide facilities for saving up for the next licence by saving stamps on a special savings card and this is a facility which is quite widely used. In some European countries they have this system of payment half yearly. In one or two countries they have arrangements for monthly payment, but the costs of collection are extremely high.

Mr. Lewis.] It could not be expensive under Giro, could it?

Mr. Costain.

25. I want to go back to the honest citizen. You say that the licences are issued over the Post Office counters. How do you cost the amount necessary to issue these licences out of your 6 per cent.? You deduct 6 per cent. from the licence revenue before you pass it on. It is a very high figure indeed. In arriving at 6 per cent. how much do you credit the Post Office counter for their operation?—I cannot give you a breakdown later than 1966-67, when the cost of licence management per licence was about 4s. 4d. The proportion of that which was concerned with the issuing of licences was just over 1s.

26. For the Post Office to take the money and write out the licence is worth 1s. against the cost of running the local Post Office?—It costs 1s., yes. This is arrived at by measuring the time occupied in the transaction. This is done for all transactions at Post Office counters. The total cost of operating the counter services of the Post Office is apportioned among all the services in proportion to the aggregate occupied time.

27. I should have thought there was little difference in the time taken in writing out a radio licence and in writing out a postal order, which you do for 3d. How do you arrive at this extraordinary figure of 1s.?—I think part of the answer is that almost certainly our remittance services are run at a loss.

Mr. Costain.] So you make up for it this way.

Mr. Howell.

28. When we have added all the 4s. 4d.s together what is the total licence management proportion out of the £4,696,000 in the Vote?—I think it would be more useful if I gave you the current figure. The estimated figure for the present year is just over £5 million.

29. That is for licence management?—Yes.

30. On top of which there has to come the cost of your staff of 25 and your engineering and support services and so on?—Yes, that is about £123,000 each year.

31. Does the B.B.C. negotiate with you yearly? Do they raise the sort of questions we are raising with you now about costs of Post Office operations?—Not in quite the same way, but they are very much concerned at the level of our costs. I think they have been more patient with us in the last two or three years because of the very great success of our anti-evasion measures, which have been bringing them in a great deal of additional income.

32. Is there a regular and formal meeting each year when the staff of the B.B.C. meet with those of you in charge of the whole licence management operation and exchange experiences on these questions? Do they press you or have the kind of dialogue you have just described. "We will not press you so hard because we are pleased to hear you have raised this much more revenue"?—(Mr. Lawrence.) There is a kind of informal committee. B.B.C. representatives, people from my department and I meet as the occasion requires to discuss licence collection, the rate of evasion and things of this sort.

33. And the actual total figure?—This comes into it, but, as Mr. Lillicrap has said, in recent years this has simply

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not been to the fore because of the concentration on the prevention of evasion.

Mr. Marten.

34. I do not think this is very satisfactory. Just the B.B.C. and the G.P.O. get together to discuss this shilling. Is there no other representative there, such as a representative from the Treasury, to reduce this amount, to keep the pressure up to get it down, because it seems to be very high?—(Mr. Lillicrap.) The Treasury see the Estimate.

35. At the meeting about which we have just heard?—No, they do not take part in the meeting between the Post Office and the B.B.C.

36. Have the Treasury looked at this figure and have they expressed an opinion about it?—They have not. The cost per licence sale did not increase in real terms significantly between 1959-60 and 1966-67.

Chairman.

37. Is there any reason why it should?—I do not think so, no. Since 1966-67 there has been a very marked increase and the reason is simply that we have been putting a very great deal more effort into trying to get at some of the two million evaders I mentioned earlier.

Mr. Marten.

38. That is a very different type of effort. It is not the same people. We are talking about the counter clerks and the fact that it costs the counter clerks at the Post Office 1s. to issue a licence, which is a separate operation from finding the dodgers. Is the Post Office taking steps to get this 1s. reduced?—The scope for this is really very limited. The total cost of running a Post Office has to be met in full by all the services which make use of the counter. This means that the unoccupied time, the time when staff are inevitably not doing anything at all, has to be shared among all the services which make use of it. For each service the time of a transaction is measured and, therefore, the proportion of the total time attributable to each service will be determined.

39. Will it be substantially cheaper when it gets onto a computer?—I would hope so.

40. By how much? What is the estimate?—We would expect considerable savings, but it would be too early yet to quantify that.

Chairman.

41. Just to be sure that one understands what the exchange has been in the last quarter-of-an hour, this 1s.—which is the cost of issuing a new licence—is, presumably, a credit to the Post Office's operations because it is deducted from the amount paid over to the B.B.C. and is left in the hands of the Post Office?—Yes.

42. Please turn to your Report and Accounts. In the last line but two of Appendix 14, is that the sum of money represented by the 1s. we have been talking about?—No. I think the figures here are simply of the number of licences sold and of the gross revenue collected from them.

43. Can one find the amount of money represented by this 1s. in your Accounts?—No.

44. Could you give us a note as to what it amounts to, at your convenience?—I can do that now. It is, in fact, the figure of something over £5 million in respect of 1968-69, which I mentioned just now.

45. I thought the £5 million represented the 4s. 4d. Which is right?—It represents the 4s. 4d.

46. Therefore, we take a little over 25 per cent. of £5 million and we get the amount represented by the 1s.?—Yes. The current cost is rather more than 5s., but taking 1s. as still being the cost of issue of a licence—and I cannot be sure that this is so because I have no more recent analysis than the one for 1966-67—the figure for the issue of licences would be of the order of £1 million.

47. What I find strange and, perhaps you would enlighten me, is that licence management costs are of the order of 5s. and 20 per cent. of it, namely 1s., is the initial cost of issue and 80 per cent. of the cost is for checking in some form afterwards. What is represented by the 80 per cent; what are the functions concerned?—The issue is simply the transaction at the Post Office counter. The record keeping and the sending out

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of reminders, in terms of 1966-67, costs about 1s. 2d.

48. It costs more to renew than it does to issue in the first place?—Oh yes. That figure does not include printing and postage, which is another 6d. or 7d.

49. The initial 1s. did not include that either?—No. Would it be helpful if I gave you a complete breakdown of the 4s. 4d.?

50. Yes?—The issue of licences is 1s. 0·5d.; the records and reminders is 1s. 2·1d.; licence investigation—this is the anti-evasion activity—is 6·7d.; printing and postage is 6·5d.; Headquarters' cost is 1·7d. and interference investigation, which is a separate activity altogether, is about 10·2d.

Mr. Howell.

51. What is interference investigation?—This involves investigating cases of interference to sound and television broadcasting and complaints from members of the public that they are unable to get satisfactory reception. The Post Office has no statutory duty to do this, but since the Postmaster General has a power under the Wireless Telegraphy Act to make regulations in respect of interference from electrical apparatus he does investigate complaints of this kind. In 1966-67 that contributed by 10d. to the cost per licence.

52. Part of the licence management programme is this interference service?—Yes.

53. Costing 10d. for every licence collected?—Yes.

Mr. Costain.

54. Can we go back to this 1s. again. You have said that there is an allocation of time in the Post Office to arrive at this 1s.?—Yes.

55. Obviously the figure of 1s. is a national average. How often do you go through this complicated process of working out the counter costs? Is it done daily, weekly or yearly? What amount of effort is put into working out the individual cost?—It certainly is not done daily or weekly. I could not tell you how often it is done, but it is certainly at quite lengthy intervals.

Chairman.

56. What about the frequency of the tests?—I cannot tell you this off hand, but that information can be obtained if the Committee would like it.

Mr. Marten.

57. How does this compare with the cost of issuing a motor licence?—I do not know. In 1965 when the cost of managing the broadcasting receiving licences was about 4 per cent. of our gross income, the cost for motor vehicle licences was of the order of 3 per cent., but whether they have changed relatively in the interim, I cannot be sure.

Mr. Howell.

58. Am I right in saying that a substantial amount of this increase since 1965 is because you have invested a good deal more resources in anti-evasion techniques?—This is certainly so.

59. Therefore, the 7d. you gave us may have increased?—I would expect that to have gone up substantially.

60. Have you a measure of the consequent increase in revenue as against the investment of a fairly heavy kind in anti-evasion methods?—This is a little speculative, but in 1966, before we intensified our efforts, we estimated evasion as costing £10 million. This represented two million people who were not paying for their television licences. I think in the interim that number would have gone up to 2½ million. We were holding our own in terms of percentage, but as the number of households increased, we were actually losing in absolute terms. By now I think we would have had 2½ million evaders if we had not stepped up our activities. At the £6 licence fee this would represent a loss of income of about £13½ million. In fact, we estimate the number of evaders now to be 1½ million and at the £6 licence fee this represents a loss of income of £7½ million. Broadly, I would say we are bringing in more income, to the extent of £6 million a year, as a result of our activities.

Mr. Macdonald.

61. In the pursuit of evaders there comes a point when the cost of pursuit outweighs the yield from catching up with them. Has that point been reached, or is that some long way in the distance?

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—It is something that we certainly have to watch very closely. I do not think it has been reached yet. Going back to the figure I gave earlier of about 6 per cent. of gross revenue for licence management, I think the marginal cost of bringing in the evaders is probably of the order of 10 per cent. of the revenue that that activity produces. This is still worthwhile, but it needs to be watched very closely.

Mr. Costain.

62. Parliament has recently passed legislation putting very heavy penalties on people who evade their licences. Surely, since that legislation has been brought in there is not this same necessity for that long follow-up? You do not get reminders for the payment of other taxes which you have to pay with such frequency?—Although the penalties have gone up in the statute, they are not being applied with great vigour by the magistrates. The fines are still quite low. I think the figures I gave earlier of the response to the three stages of reminders give some idea of what degree of evasion we might expect if we did not go through that process: 85 per cent on the first reminder, 5 per cent on the second and 2 per cent on the third. I think it is not unreasonable to suppose that if we did not go through this process, at least 5 per cent. of licence holders would not voluntarily renew each year. That represents something of the order of £4½ million.

Chairman.

63. I seem to remember hearing about some device which went along the roads purporting to be able to identify those houses which had a television on and somebody noted the number and compared it to the ones which had licences. Is this a fairy-tale, or not?—This happens. It is not merely a matter of purporting to be able to do it. It can, in fact, do it. This is an ancillary weapon against licence evasion. We have ten cars of that kind equipped with detection equipment.

64. Are they very expensive?—They are quite expensive.

65. Could you give us an idea of the cost?—About £5,000 each car.* They

* *Note by witness:* 11 new cars are now being introduced at a cost of about £7,000 each.

are used mainly in conjunction with a general campaign in a particular area to make a concerted attack on evasion. It is publicised beforehand that they will be there and that in itself produces a salutary effect. It is usually in conjunction with a combing exercise.

66. If I was a dodger and you announced that your car was coming round and I did not use my television set until I was satisfied that it had gone, would I evade your attempt to find me?—The campaign usually lasts for several weeks.

67. Supposing I left it for a month?—You would evade, yes.

68. On what grounds is it thought politic to tell the public that your device is coming round when the result is to lose a great deal of the value of the machine?—I do not think we view it in that way. We feel that we gain more by this approach, by giving advance notice to the people who would not be prepared to dispense with their television sets for a period of two or three weeks.

69. When you announce that the car is coming do you get people saying, "Perhaps we had better own up and pay"?—Licences get taken out at two or three times the normal rate for the period of the campaign.

Mr. Howell.

70. Did I understand you to suggest that if there were higher penalties imposed by magistrates, this would help you in your task and enable you to reduce your anti-evasion expenditure?—Inevitably that would be the case.

71. Are there any other legislative or administrative devices which in your opinion would replace the need for this rather heavy outlay on anti-evasion techniques?—None I think.

72. For instance, checking at time of sale and so on?—This is a side of our activities that I have not touched on so far. In addition to the rest of our armoury, we do receive notification from dealers of sales of television sets. Again, this does not apply to radios because the burden of work both on ourselves and on the dealers would be out of proportion to what we would gain in the case

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of sound broadcasting. However, we have these returns for television sets coming in and this is also proving a very valuable addition to our weapons.

Chairman.

73. Is your estimate of 1¼ million people evading licence payment after taking into account the latest information from dealers?—Yes, it is. Here one has to remember that in the large conurbations there is at least a 10 per cent. turnover of population. The problem is, therefore, having got people in the bag, to keep them in the bag. We need to recognise that there is going to be a hard core which cannot economically be pursued.

Mr. Marten.

74. I should like to ask about the dealers. Are they under a statutory obligation to notify you?—Yes, under the Wireless Telegraphy Act, 1967.

75. If, after sending two reminders to a person, you then call upon the person who does not have a licence and who may not have a set at all and that person tells you to mind your own business, what is your answer to that? What do you do then?—We go away.

76. You have no statutory power to find out or to ask them this question?—No. It does not usually happen. In the last resort, of course, if we have real grounds for believing there is a set there, we can get a search warrant, but this is very much a last resort.

Mr. Howell.

77. Can I come back once more to the 1¼ million estimated evaders, which is in the region of £7½ million a year of lost revenue. When the B.B.C. officials get together with you do they discuss with you the desirability or not of spending very substantial sums in trying to draw out this £7½ million of revenue? In economic terms it would be worth a very large amount of expenditure indeed if you could draw out half this lost revenue. Does the B.B.C. ever say, "We would like you to spend another £500,000 on anti-evasion methods next year, in return for which we hope to increase our revenue by £3 million"?—(Mr. Lawrence.) The B.B.C. will try to think of ways which, perhaps, have not occurred to us and will make pro-

posals. These would, of course, involve expenditure. They could be proposals about publicity and things of that sort. To that extent the answer to your question is yes.

Chairman.

78. You have told us that the net cost of collection is deducted from the gross revenue. Do you, as a matter of policy, ever deduct more because you want to tighten up the expenditure under this heading by the B.B.C. or is it an unwritten law between you and the B.B.C. that you only deduct the cost of licence management?—(Mr. Lillicrap.) We only deduct the cost of licence management, yes.

79. Even though you would have the right to deduct more if you so required?—You are referring to the practice in earlier years of the B.B.C. receiving only a percentage of the net licence yield. At various times in the past there have been arrangements of that kind under which the B.B.C. received only a percentage and the rest was surrendered to the Exchequer. It was not retained by the Post Office.

Mr. Macdonald.

80. What were the circumstances in the past that caused that to be done which do not prevail now?—The situation was one where the licence fee was stable over a long period of time. This was accompanied by buoyancy of income through an increasing number of television licences being taken out. It was during the period when the number of sound broadcasting licences was going down and the number of more remunerative television licences was going up. Therefore the B.B.C., with a stable licence fee, were receiving a steady increment to their income year by year. In fixing the fee at, for example £3 for a lengthy period, inevitably at the beginning of that period the yield from the licence represented more than the B.B.C.'s immediate needs. Towards the end of the period, of course, their expenses were beginning to run into line with the yield from the income. To avoid frequent and rather small adjustments of the licence fee the device was adopted of keeping the licence fee constant, but of taking a proportion of the income for the Exchequer rather than

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giving the B.B.C. the whole amount. The situation in recent years has been a very different one from that. There was an increase of £1 in the licence fee in 1963; a further increase of £1 in 1965 and, of course, a further increase of £1 at the beginning of this year. The position of the B.B.C. through most of this period has been one of being in deficit. There really has been no period during which one could have said that the yield from the licence fee was more than the B.B.C.'s immediately foreseeable needs.

81. In the event that everybody this year takes out a colour licence, would you begin to think that you might apply this percentage formula, because presumably in that case you would go back to the situation you have just described?—If the growth of colour licences began to increase, this kind of situation could well arise.

82. Once that percentage deduction has been applied, is there any way the B.B.C. can claw it back again in a subsequent year when they find themselves running into deficit, or once it has been taken has it gone for good?—It has gone for good.

Chairman.

83. Turning to the technical side of things and your powers, how far would it be fair to say that the initiative for improvements and developments comes almost invariably from the B.B.C. and how far does it come from you?—I think it is very difficult to say. You have in mind developments like colour television?

84. As an example, yes?—Very often the proposals are formulated by the B.B.C., but often there is a close identity of objective between the B.B.C. on the one hand and the Government on the other. The proposals for most of the developments that the B.B.C. has undertaken within the last seven or eight years, in fact, reflect the recommendations of the Pilkington Committee of Inquiry on Broadcasting and are, in effect, the putting into action of the Government's decisions on those recommendations.

85. The actual implementation of these recommendations involves considerable sums of money and considerable technical expertise. How far is your department equipped to test or check the validity of any of the figures or plans

submitted to you by the B.B.C.?—Our engineering advisers are able to tell us whether or not the B.B.C.'s estimates are reasonable. However, they would not regard themselves as qualified to suggest that a particular project could be done in a different way and more cheaply than the B.B.C. propose.

86. So in effect you are very largely in their hands?—We are very largely dependent on them, yes.

Mr. Costain.

87. You have 12 men to do this?—We have 12 men who are concerned with all the technical aspects of broadcasting.

Chairman.

88. I thought you told us earlier that you had a substantial engineering department to whom you could turn for technical help and advice as needed. Would you turn to them in the case of plans put up by the B.B.C.?—We should turn in the first place to this unit of 12 people, which I have mentioned. They, in turn, have access if need be to the whole of the engineering resources of the Post Office. Most of the work would be performed by this unit of 12 men.

Mr. Howell.

89. Looking back over the years, is it on record, when it came to evaluating the expenditures which are now putting the B.B.C. into deficit year after year, that these expenditures would result in a run of years of deficit, or was that kind of calculation not considered the responsibility of the Post Office?—Over the last five or six years the B.B.C. has shown in its estimates what the consequences would be of implementing the developments which the Government has authorised. Broadly speaking, the increases in licence fee which they have been granted have lagged very considerably behind their own estimate of when a licence fee increase would have been needed to enable them to carry out these developments without running into deficit.

90. This would apply to the latest increase—the one to £6?—This is so.

91. To all intents and purposes the B.B.C. look like remaining in deficit under the present licensing system for

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some years ahead?—It is difficult to look ahead for a number of reasons, partly because the income from colour television licences may prove to be more buoyant than we are expecting, but certainly there is no indication that the B.B.C. are going to run into a heavy surplus over the next few years.

Mr. *Costain*.] May we just test the work of these gallant 12. Have you any example whereby you could say, "Because of their presence, something dramatic has taken place in the area of technical development in the B.B.C."?

Mr. *Marten*.

92. Could I ask a direct question which might give you the answer to that question. Let us take space and the use of satellites by the B.B.C. for transmitting television programmes. If the Government of the day, in its wisdom, should decide to put a national satellite above Great Britain for the purpose of relaying television programmes, would this staff—the one my colleague was referring to—be capable of assessing this, or would it rely upon the B.B.C.'s experts in this subject? How would you approach such a problem and who would control it?—In the case of a development of that kind, undoubtedly the Postmaster General would refer it to the Television Advisory Committee, or some similar body, perhaps constituted particularly for an examination of that project.

Mr. *Costain*.

93. Could I have my question answered. What examples can you give this Committee in the years this unit of 12 men has existed where they have said, "B.B.C. stop. You are wrong on this."?—I do not think I can give any examples and we do not see this as being their function. Perhaps I could refer to the paragraph from the Financial Memorandum, which is referred to in paragraph 6 of the Post Office Memorandum. It says, "Subject to any terms or conditions which may be attached to the Grants by Parliament or the Treasury the Corporation is empowered to spend the income granted to it . . . according to its own judgment in forwarding its approved objects". I think we would always want the assurance of our own technical staff that the B.B.C.'s proposals were not unduly extravagant, but I do

not think we would ever wish to suggest that in the field of broadcasting engineering our judgment was better than theirs.

Chairman.

94. The same would apply in the field of capital expenditure?—Yes.

Mr. *Howell*.

95. So what are the main functions of the 12?—Under the Wireless Telegraphy Act the Postmaster General is responsible for frequency allocation and an important part of their responsibilities would be to ensure that the frequency bands allocated to the United Kingdom are used economically for broadcasting purposes.

96. Would they also be concerned with the amateur wireless operator, or are these 12 only concerned with the B.B.C.? Would any pirate stations come within their responsibilities?—These are primarily on broadcasting. The amateur radio operator is dealt with by another side of the Post Office.

Mr. *Marten*.

97. Can the Post Office express any view on the question of satellites for television broadcasting? Do you have the expertise within the Post Office?—I think so, certainly.

98. But not among these 12?—Not among these 12, no. On a development of such wide importance, I think the Postmaster General would certainly want to be advised by a more representative group of people. He would want a committee embracing both broadcasting authorities, the industry and independent members, as he has at present in the Television Advisory Committee.

99. Which could advise on this particular point?—It probably could, yes.

Chairman.

100. One of the decisions the Post Office makes is to lay down what the broadcasting hours shall be. What are the criteria used in deciding that problem?—So far as sound broadcasting is concerned, the hours are prescribed by clock time. The actual hours are prescribed rather than the number of hours. I am drawing a distinction here between the nature of the prescription in the case of sound broadcasting and

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[Continued.]

television. In the case of television the number of hours per week are prescribed; in the case of sound broadcasting the actual hours are prescribed. Sound broadcasting goes on throughout a great part of the day now and perhaps there is not a great deal for me to say about the considerations that go into that.

101. Supposing the B.B.C. wished to continue its sound programme until one o'clock in the morning, permission would have to be given?—It would.

102. Have you ever been asked to authorise hours and have refused them?—Not to my knowledge. There may have been a time lag in agreeing to an increase. (Mr. Lawrence.) There have been occasions when, for some reason or another, a negative answer has been given.

Mr. Marten.

103. Why do you wish to control them? Do you know better than the B.B.C.—is that it?—(Mr. Lillicrap.) I suppose, in a matter of such social importance as broadcasting, the Government would wish to have a power to control hours. There is also the demand on national resources that has to be considered. These are the two main factors.

Mr. Howell.

104. If the B.B.C. come to you and say, "We wish to go right up to 6 a.m. on sound broadcasting on a certain channel, the additional cost in man hours and output is so and so", you could, although in the past you have not, say, "Sorry, it is not on"?—The Postmaster-General has these powers.

Mr. Macdonald.

105. Could I be told a little more about the reasons mentioned a moment ago when there was a question about an extension being approved? What sort of reasons are these likely to be? I know you have just mentioned the question of finance. If the B.B.C. decided to spread the same amount of resources more thinly over a longer period, how are the G.P.O. involved? What is the reason for this power?—Put in the way you have put it of an increase in hours with no increase in

expenditure, I think the case for control becomes rather thin. This is not, of course, the way in which the proposition normally arises. An increase in hours customarily does involve an increase in the total expenditure and in demands on resources. This, plainly, is a factor in the view that one takes of the point in time at which a further increase in licence fee may be needed.

106. Am I unkind in regarding this as a form of financial control? Is that too much of a simplification?—It certainly has an aspect of financial control, but I do not believe that this is the only point at stake.

Mr. Marten.

107. Is it that the Government of the day traditionally regards itself, in relation to its people, as their grandmother; they cannot listen to the wireless after midnight? Is that the sort of attitude that is taken, putting it figuratively, of course?—I would not formulate it in quite that way, but I think some concern for the social consequences is present.

Chairman.

108. Could we put it this way, it is thought—and this rests upon the proposition—that the number of hours of broadcasting, the hours when the pubs are open, the hours when the theatres are open, would all seem to be part and parcel of the same story. Would that be a fair way of describing it?—I think these are all part of the judgment of the social consequences of these activities.

109. You say that no request to change has been other than delayed; it has never been actually refused?—I think I was talking specifically of sound broadcasting.

110. Have there been any refusals on television hours?—There have been discussions about television hours over the years. Here the interests of Independent Television and the B.B.C. are rather different. Increased hours for the B.B.C. necessarily mean greater expenditure, but for Independent Television they mean greater income, though not necessarily greater profit. To that extent the interests of the two authorities tend to diverge. The Postmaster-General has certainly had proposals over

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the years to which he has not always been able to agree.

111. These powers apply just as much to Independent Television as they do to the B.B.C.?—Yes. In fact, the prescription is identical in respect of B.B.C. and I.T.A. transmissions.

Mr. Costain.

112. Surely the pressure might be the other way: that you might feel the public are not getting enough viewing time for their money? Have you ever told the B.B.C. that they must keep longer hours?—The Postmaster General has no positive powers of prescription. He could remove all limitations on broadcasting hours, but he has no power to require that the B.B.C. or the I.T.A. should fill those hours with television transmissions.*

Chairman.

113. Would you tell us a little about the Civil Defence work with which the B.B.C. are concerned?—This is the work that the B.B.C. undertakes to provide for the continuance of broadcasting in a time of emergency. I do not know how far the Sub-Committee would wish to go into this in an open meeting.

Chairman.] If we are not in a time of emergency, and we have not been for some time as far as I know—at least not the kind you are referring to—would it mean that there is no Civil Defence work going on?

Mr. Costain.] The point has been raised that we are sitting in public and the witness did wonder whether we should discuss this in an open session.

Chairman.

114. If the conditions under which Civil Defence work does not operate have been in force for some time, then one would not want to discuss those questions now. I understood the Memorandum to imply that in normal times, such as we have been in for some while,

*Note by witness : The Postmaster General's legal powers, in relation both to the B.B.C. and to the I.T.A., would enable him to require a minimum number of hours of broadcasting in any service. But by a convention established when the I.T.A. was set up, the broadcasting authorities observe a maximum, which the Postmaster General specifies. He does not specify a minimum.

Civil Defence work went on with the aid of the B.B.C. Ignore the emergency side for the moment. To what extent is the B.B.C. concerned with Civil Defence in normal times?—Expenditure is included in the Estimate for the current year for Civil Defence. In fact, the expenditure is unlikely to be as high as the grant. The current expenditure is almost entirely, or perhaps entirely, for the rental of Post Office lines that would be needed to maintain broadcasting in time of emergency. The capital expenditure is very largely for stand-by power plant that would be needed at transmitting stations in the event of interruption of the normal transmission.

115. This is A.2?—Yes.

Mr. Macdonald.

116. Are the projects prescribed by the Government or is this the B.B.C.'s concept of what fits in with national requirements?—This is a matter on which the Home Office primarily have a responsibility. The ceiling for Civil Defence expenditure is, of course, set by Ministers. Within that ceiling the Home Office would consider what proportion of it should be available to the B.B.C. for their Civil Defence projects. The Post Office would be concerned in giving technical appreciation of the proposals. Ultimately the decisions on the plan for broadcasting in time of emergency and on the value-for-money aspect of the expenditure would rest with the Home Office.

Chairman.

117. I do not think we ought to start on the External Services this afternoon. There is, however, just one general point which perhaps you would be good enough to answer. A number of the questions on which the Committee are likely to want to take evidence, such as the development of colour television, impinge on both the B.B.C. and the Post Office. We, in our ignorance, will be a little puzzled to which of the two to direct our questions. Would you have any advice to offer us on that? Would you suggest that we should make it our prime thought to go to the B.B.C. and if we find a need to come to you afterwards to do so?—Are you

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thinking of written submissions or the questions you might put?

118. Verbal questions?—It is very difficult to answer that without knowing what the questions might be. If it would help the Sub-Committee, I would

be happy to be here and to suggest at the appropriate time whether I might best answer or the B.B.C.

Chairman.] Thank you very much indeed for coming and answering our questions today.

MCNDAY, 3RD FEBRUARY, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. Cant.
Mr. A. P. Costain.
Mr. David Howell.
Mr. Arthur Lewis.

Mr. Macdonald.
Mr. Neil Marten.
Mr. Ben Whitaker.

Mr. H. G. LILICRAP, Senior Director (Planning) and Mr. D. G. C. LAWRENCE, O.B.E., Assistant Secretary (Radio and Broadcasting Department) of the Post Office called in and further examined. Mr. D. P. M. S. CAPE, Head of Information Administration Department, Foreign and Commonwealth Office, called in and examined.

Chairman.

119. Good afternoon, Gentlemen. There are several broad aspects of this External Service situation about which we should like to ask questions. We may wish to ask other questions on another occasion, but at present I am not sure. If the Foreign Office view is the more relevant, perhaps the Foreign Office would answer, or if views differ perhaps we could have the differing views. This part of the B.B.C. was looked at in 1952 by the Select Committee on Estimates and the role of the Post Office was then described as a clearing house between the Foreign Office and the other prescribing Departments, the Treasury, the B.B.C. and so on. Is that a fair description today?—(Mr. *Lillicrap.*) Very largely, it is, yes. I think our role is two-fold. First, we have responsibility for the machinery for formulating the grant-in-aid and for acting as the liaison for the prescribing Departments, the Treasury and the B.B.C. In other words, it is the clearing house function to which you referred. Of course, we are also concerned with issues from the Vote and

accounting for the Vote. Our second responsibility is a different one. We provide technical advice on the engineering aspects of the various projects.

120. If the prescribing Departments wish to bring any view to bear on the B.B.C., would they do it direct or through you?—I think it is true to say that they are in constant consultation direct with the B.B.C.

121. There is no question of being obliged to go to you for protocol purposes?—Certainly not.

122. In the Memorandum you say that the estimates of the B.B.C. are scrutinised by, amongst other people, the various prescribing Departments. I am referring to the External Services now. Is that done individually or in concert round a table?—(Mr. *Cape.*) Before the estimates are ever drawn up there will have been discussions between ourselves, the B.B.C. and the other prescribing Departments in so far as they are concerned. The estimates that are then drawn up by the B.B.C. reflect the outcome of those discussions.

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123. Would those prior consultations be one at a time or *en bloc*?—At present the Foreign and Commonwealth Office is very much the Department principally concerned and, therefore, the consultations may be between only the B.B.C. and ourselves or with others, for instance, the Board of Trade and the Ministry of Defence. However, possibly we would have reached an agreed view with the others and they would be content that we should then carry it forward with the B.B.C.

124. You tell us that one of the important features of this whole business is to preserve the independence of the B.B.C. in order to enhance its credibility at the receiving end. Could you tell us how the Foreign and Commonwealth Office view of news events is transmitted to the B.B.C. so that they may make such changes as they see fit, and how far, in such circumstances, could the independence of the B.B.C. be questioned?—I think we must differentiate between the prescription of the languages and hours, which in fact we do, as is laid down in the Licence, but which we do not do until after preliminary discussions with the B.B.C., and the programme content. Would it be helpful if I dealt separately with those two points?

125. Yes, please do?—Concerning prescription, if one takes a case in point, last August when Czechoslovakia was invaded we thought immediately that there was probably a case for increasing the broadcasting to Czechoslovakia in particular and also to the other countries of Eastern Europe. We got in touch with the B.B.C. and we had a discussion with them. We would say to them that we think they should step this up and they would come back, having thought it out, with particular proposals. Then we would discuss them and say that perhaps there should be a little more broadcasting to Czechoslovakia and a little less to another area. Then we would reach an agreement and that would represent a change in prescription. That is an example of a change in prescription which it is laid down that the prescribing Department shall decide.

126. I think it would simplify our reading of the evidence afterwards if we dealt with the prescription of time. You have told us how you might wish

to change the standing order, so to speak, as a result of some event, such as the invasion of Czechoslovakia. At the end of the year, when a review of the next year's timing is imminent, do you automatically discuss it with the B.B.C., or are things left to carry on until otherwise determined?—Clearly, at the time when one is preparing the estimates for the following year, bearing in mind the amount of money available, and deciding whether or not there are any changes required, this is a time for reviewing matters. In addition to this, so to speak, annual review—and clearly that is the most important time—on the 1st July the B.B.C. bring forward to us the existing prescription for confirmation. However, it is principally at the end of the year before the estimates that one is looking at the whole picture.

Mr. Marten.

127. In your previous reply about Czechoslovakia you said that you reached agreement with the B.B.C. and then went ahead. If you did not reach agreement with the B.B.C., who would have the final say and what would happen?—Constitutionally the prescribing Department has the final say because it is the prescribing Department that prescribes the hours, but in practice it is difficult to believe that the prescribing Department would wish to override the B.B.C. just like that. Obviously, in deciding what is going to be most effective, you have to take the advice of the people who are actually doing the job.

Mr. Macdonald.

128. In the event that you want to change a prescription within a financial year, to take the example you quoted perhaps, are we to understand that increasing the amount of broadcasting to a particular group of countries must involve some sort of cut-back in broadcasting to others? Are you working within the overall financial limit set or can you add a bit on if you think it is desirable?—Broadly speaking, we are working within the existing financial limits for overseas expenditure as a whole. We would normally try to keep something in hand for contingencies and also in the nature of things, as the year goes on, some things may fall behind,

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either within the broadcasting field or in other fields. In practice we would hope to be able to avoid the situation where we had to cut something else back.

Mr. Costain.

129. I can well understand the tragic events in Czechoslovakia prompting an emergency action. You have just said that you are not given extra cash to do it. What sort of event enables you to advise the B.B.C. to review the hours of programmes? Could you give us an example of when you have said that you will not be able to do so much?—The sort of event that causes you to reduce is probably a decision by Ministers taking the financial situation as a whole; the amount of money available to you for the following year is going to be less than would be necessary to do everything that you would like to do and you then have a choice of priorities.

130. You cannot recall an example where you felt you could cut down the hours of broadcasting in any part of the world?—During the past year there has been a decision to switch expenditure directed towards Israel into another field, that of the British Council.

Chairman.

130A. Can you recall any occasion when financial considerations have precluded you from stepping up the broadcasting time in a particular country where a particular event has occurred, and in this I would include some trade drives?—If one had all the money in the world, one could always think of places to spend it.

131. I am thinking of an event between the settling of the programmes of which you would have wished to take account, but the financial considerations precluded you from doing so?—At the moment I cannot think of an example which has occurred in the two years that I have been concerned with this matter.

Mr. Costain.] If the Board of Trade decide to have a British Trade Week in a country, would the Foreign and Commonwealth Office be aware of that and would there be any pressure to increase the programmes during that week?

Chairman.

132. We shall have an opportunity of asking the Board of Trade the same question, which, perhaps, would be a fairer destination for it?—I think it would be unlikely that the Board of Trade would wish or we would wish to increase the number of hours broadcast to that country, but we would both wish that the content of the programmes would take account of this event.

133. Moving onto the content, which is the other half into which you divided your original reply, taking this example of a trade fair in which you might not wish to increase the time but you might wish to see the content altered, would you think it proper or normal to invite the B.B.C. to change its programme to take account of such an event?—The B.B.C. is, of course, master of its programmes. We are in constant touch with them, giving them what information we have about events in the world and our attitudes towards these events. In the light of that, the B.B.C. decide what it should or should not put into its programmes. Similarly, in the export promotion field there is a very close liaison between the Board of Trade and the B.B.C. and they would certainly become aware of this event through that liaison. As a result of a normal consultation, one would expect them to reflect that in their programmes.

Mr. Whitaker.

134. Would you agree that the B.B.C. are fully entitled to criticise British foreign policy if they feel so inclined?—Certainly.

135. Do you have any criticism or their attitude for instance, at the time of Suez, when they did so?—I had nothing to do with the subject at the time.

136. I am not talking about your personal feelings, but was there any surprise in the Foreign Office that the B.B.C. should be independent enough to dissent violently from Her Majesty's foreign policy?—I do not think I can answer for the Foreign Office in this case, since it is a question for the Ministers in office at that time.

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[Continued.]

Mr. Howell.

137. I realise that this is obviously a delicate problem, because, as the witness says, the B.B.C. is independent and can choose to make out the shape of its services as it wishes. However, is it the Foreign and Commonwealth Office's aim or is it your job to try, in certain circumstances, in the face of world events, to change the emphasis, if you can, of the B.B.C.'s services, for instance at the time of the Greek coup, at the time of the outbreak of war between Biafra and Federal Nigeria or at the time of the Arab-Israeli conflict? In all these cases events come onto the scene; British policy takes up a certain view and your attitude takes a certain shape. Is it your entitlement and duty to try to influence the External Services to further the attitude formed in the Foreign and Commonwealth Office?—I would say it was our entitlement and duty, quoting from the Licence and Agreement, to make sure that the B.B.C. are aware of the Government's policy. I would suspect that the B.B.C. would consider it was their duty to their audience to make sure that they were aware of the policies. That does not mean that they may not also feel it their duty to make their audience aware of the criticism of those policies.

Mr. Lewis.

138. I should like to follow up this question of current events as against past events, such as Suez. We all know what happened about Suez. The witness has mentioned Israel. Today there is a divergence in the country, vis à vis the Arabs and the Israelis. Without going into the merits or demerits of this, would the Foreign and Commonwealth Office have the chance to get the B.B.C. to put a view either for or against the Arabs or Israelis, whichever the case may be?—It is for the B.B.C. to decide what they put out and it is for us to make sure that they have full information on which to take that decision.

Chairman.

139. If you regard yourselves as pursuing a certain foreign policy and the External Services are an aid to the promotion of that policy, in normal times the scope for transmitting views

and speeches, et cetera, to the people at the other end could, if it was used entirely as you would wish, serve your ends. To what extent, on the practical running of the services, would you like to see the medium of the B.B.C. used to greater effect in the promotion of your ideas than is the case at present?—We recognise that the value of the B.B.C. comes very largely from the fact that they are recognised as being objective. If we felt that in any particular broadcast they had not accurately described our motives or had not fully described the reasoning behind a particular policy, we might tell the B.B.C. afterwards, more in sorrow than in anger. However, this does not mean to say we would regard it as desirable that the B.B.C. should suppress part of the situation.

Mr. Costain.

140. Does the Foreign and Commonwealth Office monitor the B.B.C.'s programmes? How do you know what they say?—We cannot monitor them fully. They do supply us with scripts of certain programmes and we also know because our people in missions abroad and people in other countries listen to them.

Mr. Cant.

141. Could I revert, briefly, to the economic aspect of this problem. I understand that there is a sort of quiet, respectable revolution going on in relation to our embassies and consulates abroad in that they take far more interest in economic matters and have made many more appointments to help exporters. Could you say whether the actual content of our external broadcasts in any way reflects that change? Is more time given to economic information of almost any type. Finally, do you and the Board of Trade have any regular meetings to discuss this sort of problem?—I believe that there has been a change in the content of the B.B.C.'s programmes. I think it would be better for them to give you details of this rather than myself. I think mention is made of this both in the Handbook and in the Annual Report. There is an advisory committee on export promotion on which we are represented and on which the Board of Trade play a leading part. It is a B.B.C. standing committee.

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Mr. Whitaker.

142. In this field would you see the B.B.C.'s job as having the same objectivity as you have described concerning information; would you see their role more as advertisers; or would you like them to be absolutely impartial and if the British produce was less than perfect to say so?—I think the Licence and Agreement says that their broadcasting should be in the national interest. Equally, they are bound to have the same criteria in the political field—they must not undermine their own reputation for objectivity. However, this does not mean that they would regard it as being in the national interest to knock British goods.

143. Obviously I did not mean "knocking", but would you interpret "in the national interest" to mean primarily objectivity or primarily helping the national image?—Clearly, objectivity is a means to an end in one sense, but it is perhaps more in the selection of what goes on and in what is put out. They will put out information about new British achievements, about new British inventions and so on, and this should help.

144. To your knowledge has your Department ever asked for any information to be suppressed which is true but embarrassing?—Not to my knowledge.

Mr. Howell.

145. Has there ever been an occasion in your experience when the existence of an external service of the B.B.C. and its reception in a particular country has led to a deterioration in relations with Britain and has helped to activate any anti-British feelings?—I think it can have a temporary unfortunate effect. Inevitably, the fact that people do listen to the B.B.C.—if the B.B.C. says something about them which they do not like—is going to make things more difficult, although in the long-run one hopes that it may be beneficial.

Mr. Macdonald.

146. You mentioned that the Foreign and Commonwealth Office tends to take the lead among the prescribing Departments. I notice that among the prescribing Departments the Ministry of Overseas Development is not included. Have

they ever made representations to you or, perhaps, to the G.P.O., suggesting that they might like to have a say in the prescription for the External Services?—Not to my knowledge. (Mr. Lillicrap.) No.

Chairman.

147. Is there any liaison between the various prescribing Departments so that they can put their heads together to see how to handle things jointly?—(Mr. Cape.) I would say that there is very close liaison between ourselves and the Board of Trade in the field we have been talking about. There is also a close liaison between ourselves and the Ministry of Defence in the field of monitoring. Those are the chief fields. Referring to the Ministry of Overseas Development, we are in very close contact with them in quite a different field, which is that of the provision of technical assistance by the B.B.C. to other broadcasting organisations.

148. Has there been any saving in staff in relation to the External Services by the amalgamation of the Foreign Office and the Commonwealth Office?—Within our organisation?

149. Yes?—The information departments have been amalgamated for some years, after the Plowden Report but before the amalgamation of the two Offices. There has been a saving in the staff of the information departments as a result of a further reorganisation during the past two years. It is rather difficult to tie it specifically to the B.B.C. because we deal with the whole range of overseas information services.

150. Turning to finance, on the Estimates Notes on the second page there is a reference to other classes than Class XI Vote 1 concerning expenditures relevant to the External Services. What are these all about?—This is the £1.4 million on Class II, 1? This is the expenditure on the operation and also capital expenditure in connection with broadcasting relays, which are operated by the Diplomatic Wireless Service on behalf of the B.B.C. at various sites overseas.

151. I am not quite sure what is meant by the Diplomatic Wireless Service overseas?—The Diplomatic Wireless Service is a branch of the Diplomatic Service

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which is concerned primarily with the maintenance of our communications with missions overseas. However, it also operates, and has since at least 1940, a number of broadcasting relay stations. There is one in this country at Crowborough where there is both communications equipment and also a medium-wave transmitter, which was built during the war in 1940 and which is still operated to send the B.B.C.'s transmissions to Europe.

152. It is not sending out its own programme?—No, it is relaying the B.B.C.'s programmes.

Mr. Howell.

153. But it is a separate organisation?—Yes, it is a separate organisation. It is operated in near-Service conditions, particularly in difficult areas either politically or climatically where it has been found preferable that they should operate the relays rather than that the B.B.C. should have to staff them.

Mr. Marten.

154. Those are the same people who do the ordinary D.W.S. work for the Foreign and Commonwealth Office?—They are the same organisation, although you do get people specialising on the broadcasting side and on the communications side.

Chairman.

155. Have you any information on the value per person and the hours listened per person as opposed to broadcasts from other countries?—I think there is a great deal of evidence that the B.B.C. has a more trusting audience or a greater reputation.

156. I was thinking more of the actual pounds, shillings and pence; how our expenditure under this broad head of External Services is composed compared with that of some other comparable countries?—In total or for value-for-money?

157. In pounds. Whether or not there is any value in it?—Concerning value-for-money, my answer would be that the B.B.C. is giving value-for-money. I do not have details to hand of the expenditure of other countries, but if one compares the total number of hours broadcast by the other countries, which are mentioned in both the Annual Report

and in the Handbook, you can see that a number of them are broadcasting a great deal more and, therefore, spending a great deal more money than we are.

Mr. Whitaker.

158. Do you know if any other country has the same objectivity in its external broadcasting as we achieve?—I cannot think of another.

159. Obviously one of the reasons people prefer listening to the B.B.C. than to Radio Moscow in Eastern Europe is that on occasions the B.B.C. can criticise the British Government. Off hand, do you know of any other country that aspires to this ideal?—Off hand, I do not, but this does not mean to say that no other country does.

Mr. Costain.

160. Turning to the statement of operating expenditure on page 105 of the B.B.C.'s Report and Accounts, in which they set out the overhead costs of the External Services relating to the ordinary B.B.C. services, on the basis that the overseas services are really on a cost-plus basis and the other ones are against licence fees, I wonder whether the Post Office can give us any view as to why—taking the Premises account which includes rent and rates, telephones, household maintenance, et cetera—it is 12.23 per cent. of the expenditure compared to 9.54 per cent. on television broadcasting and 13.56 per cent. on radio broadcasting? What check does the Post Office make on these accounts?—(Mr. Lillicrap.) Off hand, I do not know the reason for that difference. It may be bound up with the fact that some of the premises used for the External Services are in foreign countries. This may have a bearing on the rent and rates element, which seems to be the one where there is the greatest disparity between the three services.

Mr. Howell.

161. Would the rent and rates disparity arise from the size and central nature of Bush House, which presumably is a fairly heavy proportion of the rents?—I do not know.

Chairman.

162. If I have interpreted Mr. Costain's question correctly, this was a question designed to find out how far the Post

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Office scrutinise and challenged the plans of the B.B.C. reflected in such things as these? How far do you regard yourselves as a watchdog on overhead charges as opposed to content of programme for the expenditure of money you give to the B.B.C.?—Generally speaking, we do not enquire very closely into the day-to-day management of their affairs so far as the Home Services are concerned. The general principle that Governments have followed is that within the sum of money available to them from the Vote, the B.B.C. are given freedom to spend their money to advance their objectives according to their discretion. For that reason we do not make detailed enquiries into their conduct of their affairs.

Mr. Costain.

163. There must be some check against their expenditure. Your programme content is almost the same percentage, 61.05 per cent., but engineering, which you are less able to check, is 23.70 per cent. against 20.74 per cent. Do we take it that no audit is put out by the Post Office on these expenditures?—I can think of no recent occasion when we have compared the breakdown of expenditure for the three services in quite the way you have described.

164. Taking it in a little more detail, do you make any check whatever on the expenditure which is put out for External Services, for which the Post Office pays the bill, or is it simply accepted without question?—On the engineering side, as I have explained, we do scrutinise the B.B.C.'s proposals and we have to satisfy ourselves that these represent an efficient and economic way of doing the job. On the programme side, we do not really feel that we are qualified to exercise that kind of judgment. We feel that this is something that must be left to the B.B.C.

Chairman.

165. When it comes to overheads, such as premises, would you regard that as something which, from your point of view, by convention is out of bounds?—Not necessarily so. For example, we took a great deal of interest in the proposals for the television centre. In the case of any major building project we should do the same. Apart from that, we should not.

166. If there was clearly something unsatisfactory you would not say to the B.B.C., "It is up to you to make changes because we are not satisfied"?—If we could see something that was unsatisfactory, we would do this, of course.

167. Are there any such points being investigated now?—Not to my knowledge.

168. Have any been investigated in the past?—No.

Mr. Howell.

169. Surely there is a difference of degree in the type of control exerted by the Post Office over the External Services compared to that exerted by the Post Office over other services? Is not one of the arguments in the Memorandum you have submitted to us that the licence fee exerts its own discipline over the B.B.C.'s activities on the non-grant-in-aid side, but that on the External Services' side, where no such discipline exists, you must of course provide a discipline of your own. Is not that right?—Yes, but the expenditure is, to a very large extent, determined by the nature of the prescription. Once the prescription has decided the countries to which transmissions are to be directed and the hours for which they are to be directed, this in itself determines the nature of the transmitter, the power of the transmitter, its location and to a very large extent, therefore, its cost. The hours for which the transmissions are to be made very largely determine the programme cost.

170. There is no difference in your approach to the auditing and internal management of the External Services and to the other services of the B.B.C.? The Post Office regard these as having the same relationship in either case?—Yes.

Chairman.

171. Did I understand your previous answer to imply that because the prescribing Departments have certain powers and rights which, if exercised, inevitably produce certain expenditures, you are really powerless to do anything about it because you have no power to stop the real cause of the higher expenditure?—That is so.

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[Continued.]

Mr. Howell.

172. Who does have control over that higher expenditure? I think that this question should be addressed to the Foreign and Commonwealth Office. Who tells you to halt if you, the Board of Trade and the Ministry of Defence are prescribing too much and the bill is going up too fast?—(Mr. Cape.) We are operating within a ceiling or expenditure limit on overseas information expenditure as a whole, which is decided by Ministers.

173. Annually?—Either annually or for a period. Clearly, if it has been decided for a period, it has to be adjusted annually to meet rising costs. Equally, the B.B.C. are under pressure. If they are over-lavish in a certain field, then they will not be able to do some things, they will have to cut down on other services.

Mr. Macdonald.

174. I can see that the prescription determines the expenditure, but surely it does not determine the efficiency with which that expenditure is carried out. Do you not examine, perhaps with the aid of the twelve men you mentioned last time, the engineering and the premises content of the External Services expenditure in order to ensure that the prescription is being administered with maximum efficiency, or do you simply accept the figures the B.B.C. produce?—(Mr. Lillicrap.) So far as the technical side of the External Services are concerned, we do examine the B.B.C.'s proposals first to ensure that the proposals are, from the point of view of usage of radio frequencies, in accordance with international agreements, that the proposals will lead to the coverage that the prescribing Department has prescribed and that the project is, in our view, efficiently and economically conceived.

175. Do you do anything in the programming field of External Services that you do not do in the field of home radio?—No.

Mr. Marten.

176. The licence fee controls the expenditure of the Home Services, generally speaking, but equally it is the expenditure on Home Services which forces up the licence fee from time to

time. Who examines this item of salaries and wages to see that the number of people employed is efficient and reasonable?—In a broad sense we do this. The B.B.C. provide us with the figure for the number of staff per hour of output of radio, television and External Services broadcasting. Provided that the trend is reasonable, we are satisfied, but if we see that the number of staff per hour of output is beginning to move upwards, we should want to know the reason for that.

177. Short of that, you do not commence an inquiry?—No.

178. With productivity increasing and with the same percentage being used on staff, what is your yardstick for judging whether this is efficient?—You are referring to the Home Services?

179. Yes?—I think this is a matter on which one can only apply a broad judgment. Over the years there is a trend and if this continues the presumption is that there is a satisfactory degree of productivity. If it begins to move in the wrong direction, then we should enquire.

180. Did you enquire last year?—In the case of the Home Services?

181. Yes, Home Service salaries, radio broadcasting?—No.

182. It went up from 22.94 per cent. to 23.48 per cent. This is under Programmes, salaries and wages and pensions. The trend is up, so you should have enquired?—But perhaps hours were also up.

183. Were they?—Off hand, I cannot say.

Chairman.

184. Is there an O. & M. department in the B.B.C.? You have your own, no doubt. Do you use the Organisation and Method department to scrutinise any of these figures or proposals?—No, we do not.

185. Does the Post Office have such a department?—Certainly.

186. Does the B.B.C. have one to your knowledge?—It has, indeed, yes.

Mr. Marten.

187. Its own?—It has its own, yes.

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[Continued.]

Mr. Costain.

188. May I revert back to the Premises, rent and rates on radio broadcasting which is paid out of licence fees. You have a drop of 3 per cent. on the cost of rent and rates between 1967 and 1968. An extra £30,000 has been spent on rents and rates for premises for External Services, but there has not been such a relative high cost for the other Services. Would not an item like that be worthy of investigation by the Post Office?—I cannot answer that question.

Mr. Howell.

189. I should like to ask a question on the philosophy of the Post Office in relation to the External Services. Would it be true to say, from the questioning we have had so far, that the External Services are regarded in the same spirit as the B.B.C., that is, they should be left to themselves to form independent judgments about their programme, despite the fact that their source of finance is really very different? It comes from a grant-in-aid and not from a licence fee?—That is so.

190. Is not it rather remarkable that with the difference in finance there is no difference in treatment?—(Mr. Cape). Could I just make one observation here, although I realise it is a little outside my field. I am only aware of the External Services side of it, but there there is a requirement—I am not sure that it exists on the domestic side—for specific authority for new projects and for new expenditure above, I think, £5,000 or in the case of recurrent projects I think only £2,000.* This means that throughout the year specific proposals are coming forward from the B.B.C. requesting Treasury approval for projects and the Post Office does require Foreign and Commonwealth Office sponsorship of such proposals. I think I am right in saying, for instance, that if there was a rent increase on Bush House, this would have to be justified in that way. I doubt if the same control exists over the domestic side.

**Note by witness:* These figures are incorrect. The correct figures are given at Evidence, pp. 6-7, para. 13.

Chairman.

191. The impression one gets, and if you want to alter it, please do, is that although there is a difference in the source of revenue and certain responsibilities are different, the fact that the prescribing Departments play an overpowering part almost in the discharge of the External Services, leaves practically no place for the Post Office to exercise that kind of control?—(Mr. Lillicrap.) I think that puts it fairly, subject to the point I made that the technical aspect of external broadcasting projects are subject to Post Office scrutiny.

Mr. Howell.

192. There is also someone sitting in the Treasury exerting very detailed control overall, over both capital and current projects at these limits of £5,000 and £2,000?—(Mr. Cape.) Yes. I should like to check that those were the figures put in in evidence.* Of course, we are not likely to support a proposal which will mean that there is less money available for actual programme hours. If you look at the number of programme hours put out over the last few years, which has now, I think, reached the highest level ever—certainly it is the highest level for fifteen years or so—and if you take into account rising costs, it does show that the B.B.C. has been getting more output out of the same resources.

193. Nevertheless, in the last resort it is this person or group of persons in the Treasury who exercise the ultimate control. Obviously you and the B.B.C. would not put up an irresponsibly expensive project, but if you put something up it rests with this individual in the Treasury to say yea or nay?—Yes, on this particular project, but the whole thing comes under the expenditure limit fixed by Ministers.

194. Is there any advisory group to that person in the Treasury or is he just sitting in a sea of figures and hoping he is getting the right ones?—I do not think I should answer for the Treasury, but they do have their own different divisions and if it was a question of rents in London, he would be able to go to some other part of the Treasury and be

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[Continued.]

told the correct rent for that part of London.

Chairman.

195. Reference has been made on more than one occasion to the limit placed by Ministers on the grant total and that whatever changes may be made, you cannot go above that figure. Does this mean, in practice, that there has been no supplementary estimate and that that limit has prevailed?—This limit has prevailed. As I mentioned earlier, one attempts to keep something in hand for contingencies, which may mean that the limit may be higher than the sum total of estimates presented at the beginning of the year. Secondly, and more important, is the fact that you may well have an under-spending owing to change of circumstances, for instance, by the British Council. At the same time you may require more on the broadcasting side.

196. Because of the inability to practise virement between the Departments this happens, but the grand total has nevertheless been adhered to?—Yes.

Mr. Macdonald.

197. Arising out of the little summary you put to the Post Office witness a moment ago which was accepted, it seemed to me that the role of the G.P.O. is a slight one. In the memorandum submitted it is stated that the B.B.C. must submit quarterly accounts of their External Services to the Post Office. If the role of the Post Office be as slight as this, what function do these quarterly accounts perform and why are they submitted?—(Mr. Lillicrap.) The statement of quarterly accounts enables us to see how the expenditure is running in relation to the provision in the Vote. Without that there is the possibility that we should issue from the Vote more than the B.B.C. is actually spending during the course of the year. The issue is in accordance with the statement of expenditure presented quarterly.

Chairman.

198. Moving on to monitoring, there is an item in the estimates for the cost of the Services and there is another

item, Appropriation in Aid, for the other Departments which make use of the information and pay for it. How is the bill to other Departments assessed?—(Mr. Cape.) In 1955 there was a working party which looked at the whole question of the cost of the monitoring service and the use made of it. It reached a rough and ready decision about the use made. The decision was that 50 per cent. might be ascribed to the B.B.C. itself for the use that it makes of the monitoring service as a source of news; that 30 per cent. might be ascribed to the Foreign and Commonwealth Office for the use we make of the monitoring service as a basic source of political and economic information and 20 per cent. might be ascribed to the Ministry of Defence for "intelligence" or basic information of interest to the Service Departments. That decision is followed in breaking up each year's estimates once they have been approved.

199. Has there been any review of that decision in 1955?—There has been no formal review. It has been looked at informally and has been the subject of discussion, but it was a rough and ready review and it has not been thought necessary to change it.

200. Do people outside the Government service regularly make use of the information?—The monitoring output comes out basically in two forms. One form is immediate news value, which is fed onto teleprinters to the Foreign and Commonwealth Office and to Bush House. I believe that there is at least one news agency subscribing to this service, but I think the B.B.C. could answer that question better than I can. Secondly, there are things called summaries of the monitoring reports, of which there are copies in the Library of the House. These come out daily and there is a weekly supplement. People can subscribe to these, and, indeed, I understand quite a number of not only newspapers but universities and so on subscribe.

201. Does the Post Office play any part in deciding how much the charge shall be for the use of such services to outside people?—(Mr. Lillicrap.) No.

202. It is left solely to the B.B.C.?—Yes.

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Mr. H. G. LILLICRAP, [Continued.
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203. Where does this income from outside bodies, such as it is, appear in the estimates?—(Mr. Cape.) I think it is netted before the sum total comes forward. It is paid direct to the B.B.C. and the figure in the estimates is a net figure.

204. We must ask the B.B.C. what lies behind that?—Yes.

205. Who decides what broadcasts can be monitored?—The B.B.C., the Foreign and Commonwealth Office and the Ministry of Defence in conjunction. There is also the complicating factor that the B.B.C. in this field work very closely with the American monitoring service and, indeed, split the world between them. Therefore, any decrease either has to obtain American assent or else can jeopardise this working relationship and perhaps lead to a denial of output.

Mr. Lewis.

206. We have to get American approval before we cease or cut down on monitoring services?—I am saying that if we did make such a cut in our monitoring services that the value of our services ceased to be of interest to the Americans, then they could deny us the output of their monitoring services and, therefore, this might not be a desirable end product.

207. Therefore, if one wanted to cut down on monitoring services, unless the Americans agreed they may retaliate by cutting down on their monitoring services to us?—This could happen. I am not saying that it has happened, but in the nature of any co-operative relationship this risk exists.

Mr. Cant.] There is nothing very insidious about this.

Chairman.

208. Would it be fair to say that the cut would have to be pretty drastic before you would fear retaliation?—I would hope so.

Mr. Costain.

209. On page 111 of the B.B.C.'s Report and Accounts under the External Services they shown grant-in-aid receipts and also figures for "other receipts". While this may be a proper question to ask the B.B.C., this does show some

rather shattering variations. In 1965 these other receipts were for £150,000. Then they dropped to £14,000 and then they went up to £19,000 in 1967 and in 1968 they went up to £43,000. I anticipate that that is where one finds the receipts from this monitoring service. Can the Post Office help us as to what other receipts they are likely to get. It is under External Services (Grant-in-Aid), Other Receipts?—(Mr. Lillicrap.) I believe the B.B.C. carry out some services for the "Voice of America" for which they get paid.

Mr. Macdonald.

210. Could I ask what the financial Memorandum attached to the evidence is. Was it prepared for the use of this Committee? It is the Annex?—This is the document which summarises the financial arrangements that exist between the Post Office and the B.B.C.

211. It is not something prepared for our use?—No, certainly not. It has been in existence substantially in this form since the war.

212. Could I refer in particular to the little note right at the very end of the Memorandum which suggests that at one stage there was some matter of dispute between the G.P.O. and the B.B.C. I do not want to go into this if that dispute was resolved before the war?—I think the note is ambiguous. I was conscious of it. The last sentence is not intended to convey the idea that the B.B.C. had previously declined to provide the information in a form acceptable to the Post Office. It was intended to convey that instead of having a rigidly prescribed form the B.B.C. would supply the information in such a form as the Post Office might prescribe from time to time.

Mr. Marten.

213. Concerning the Atlantic Relay Station, it is said that it will require an extra £185,000 grant-in-aid because the scheme has changed. Could you elaborate on that?—It is the Ascension Relay Station?

214. It is more the Atlantic Relay Station. This is an additional £185,000 in the grant required for 1968-69. It is to be found in the appendix for grants-in-aid?—I am not sure that I can give a detailed explanation of the £185,000.

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[Continued.]

215. I was more interested in the change and scope of the scheme which is referred to in a little arrowed note at the bottom. What is it all in aid of?—(Mr. Cape.) I think this goes back a great many years. I think that note may be slightly misleading. This scheme was originally conceived as being directed specifically towards broadcasting to parts of Western Africa. It was then realised that if we were going to put up a relay station, it would be desirable also to try to take advantage of it to cover Latin America. It was agreed that more powerful transmitters should be installed than were originally envisaged and I think the range was to be such as to enable broadcasting to Latin America and to Africa. I think this is what it refers to, but this did not happen in the last year or two.

Mr. Lewis.

216. On this question of the B.B.C. having the sole right to determine their programmes, how true is that in fact as against theory? If the Prime Minister wanted to make an overseas broadcast and the B.B.C. refused him permission—perhaps there might be a slight altercation between the Prime Minister and the B.B.C.—would I be right in thinking that the B.B.C. could have its way?—In fact I cannot conceive of the B.B.C. refusing the Prime Minister the right to broadcast.

Chairman.] I think that covers the ground we had in mind today. Thank you very much.

MONDAY, 10TH FEBRUARY, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. Cant.

Mr. A. P. Costain.

Mr. Macdonald.

Mr. Neil Marten.

EXTERNAL BROADCASTING

Memorandum by the BBC

It may be appropriate to amplify briefly under four headings—Audibility, Continuity, The Technical Future, and Finance—what is said in the BBC Handbook 1969 (pages 99 to 118) about the BBC's External Services.

Audibility

1. Broadcasting has shown a remarkable development in the last decade. The number of radio receiving sets in the world has increased by over 150 per cent. and the volume of broadcasting, both domestic and external, has expanded to an even greater extent. This has meant greater competitiveness for all external broadcasters. In this increasingly competitive situation, the BBC is not mainly worried about the competitive quality of its product. This is not to say that the BBC is complacent. On the contrary, necessary improvements are part of a continual process of change. But there is ample evidence that people all over the world continue to want to listen to the BBC and that its international reputation is as high as ever it was. The BBC's main preoccupation, therefore, is to secure the maximum technical means of making its programmes heard in every part of the world to which it broadcasts. A good deal has already been done, for example to modernise its installations in the United Kingdom, which mostly date from the war, but there is still much to do. Over one-third of the U.K. short-wave installations have still to be modernised though there has recently been some improvement to medium wave coverage for Europe from the U.K. Overseas, the short-wave relay station on Ascension Island has now come into service; a medium-wave station for the eastern part of the Arab World and large areas of Pakistan and northern India will shortly be available on Masirah Island, and it is also hoped soon to modernise the BBC's Far East (short-wave) Relay Station. Further steps need to be taken

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[Continued.]

in the next few years to increase the BBC's short-wave capability, to improve its medium-wave access, especially to Europe, Africa and south-east Asia, and to continue the process of modernising its existing installations. Plans for developments of this kind depend on adequate capital provision and on sustained political support.

Continuity

2. Broadcasting, like commerce, is a long-term business. To gain an audience and retain its loyalty, particularly in the face of increased competition from other broadcasters, domestic or external, demands a clear and consistent external broadcasting policy. This is not compatible with a series of short-term responses to political or financial problems. Part of the difficulty here lies in dealing with the problem of risen costs. While the BBC would not wish to claim any special immunity, experience over the years suggests that successive financial issues, mainly connected with the need to meet risen costs year by year, have contributed to a succession of cuts in output and Services which would not in themselves have seemed to be justified only on grounds of policy.

The Technical Future

3. For the foreseeable future both short-wave and medium-wave external broadcasting will continue to retain their present importance. The development of the cheap transistor radio has brought to a very rapidly increasing number of listeners access to medium-wave and short-wave broadcasts. All the signs are that the momentum of this advance will become greater. Technical developments have also enabled greater use to be made of resources whereby programmes can be heard more easily overseas, e.g. by the "feeding" of relay stations by single sideband transmitters, and by the sending of programmes by cable either to relay stations for onward radio transmission or direct to overseas broadcasters.

Finance

4. The provision for 1968-69 was £9,837,000 for Broadcasting and £896,000 for Monitoring, a total of £10,733,000. Proposals for 1969-70 have been submitted to the Treasury and will be laid before Parliament in due course.

On long term capital schemes the BBC's plans assume expenditure of rather less than £1 million in 1969-70 and £1.5 million to £2.0 million in each of the four subsequent years.

Mr. O. J. WHITLEY, Managing Director, External Broadcasting, Mr. J. H. MONAHAN, C.B.E., Controller, External Broadcasting Services, Mr. R. W. P. COCKBURN, Controller, Administration, External Broadcasting and Mr. E. B. THORNE, Chief Accountant, B.B.C., were called in and examined.

Chairman.

217. We think the most convenient way to arrange this meeting would be to tackle the subject under four heads, organisation, broadcasting services, re-broadcasting and monitoring, confining our questions to the external side. The Committee have all read the relevant part of the handbook which has given us quite a lot of information for background purposes, but I am bound to say I am not the only one who is a bit confused by what is said under "Organisation" on page 102. It refers to two divisions and then goes on to

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explain what those are in language which I find very confusing. I wonder whether you would restate the position in different language?—(Mr. Whitley.) Before I do that may I say one thing in general, that my colleagues Mr. Cockburn and Mr. Monahan have had long, unbroken experience in external broadcasting. I returned to it on January 1st of this year after ten years elsewhere. So with your permission I shall have no hesitation in relying on them extensively to answer questions. But on organisation, as referred to briefly in the handbook on page 102. I would like

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10 February, 1969.] Mr. O. J. WHITLEY, Mr. J. H. MONAHAN, [Continued.
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to say that from the beginning of external broadcasting before the war the external services have grown up historically. Hitler invaded a new country or two and a new service came into operation and it was added either to the European side of the house or to the overseas side of the house, and supporting services were divided between those two big divisions according to common sense and a desire to keep them more or less equal in size. Then last year, for the first time since the beginning, there was this major reorganisation which abandoned the division between European and Overseas as the big deciding factor and put under Mr. Monahan the output services to Europe, to overseas, in foreign languages and in English, comprising the English network which in turn includes the world service; and under Mr. Hodson, who would have been here today if he had not got 'flu, the supply services, the organisation of programmes of talks and other programmes which have a common bearing on the total output. So that instead of having a geographical division between Overseas and European you have a division between the output, the Latin American, the Rumanian, the Czechoslovak, all these services, and the supporting organisation which is necessary to supply them with their material, in so far as that can be commonly organised.

218. Could I put my finger on what we found confusing, not being used to some of the words you are using? The output one would expect to include the programme?—Yes.

219. But the programme is not in the output division?—This we all admit is confusing and unfortunately the quest for perfectly clear nomenclature baffled us. Obviously we are now baffling you!

220. What is meant by the phrase "output"? What is covered by that phrase?—(Mr. Monahan.) The actual programmes on the air.

221. Reference is made in one line to the output services division and about four lines further on to the programme division. This sounds like two divisions. If the output services division is responsible for the programme, what is the programme division responsible for?—Supplying a lot of the material centrally

which is used by the programmes. My half of the output takes the central supply and puts it on the air and also provides a lot of programmes of their own which are also put on the air.

Mr. Costain.

222. Is the programme division a library?—No. Possibly a clearer word would be the "supply" division.

Chairman.

223. Would it be right to say that division supplies a great deal of information some of which you use and some of which you reject?—Information is not quite the right word. It is actually material for broadcasting some of which we use, some of which we reject theoretically, but the rejections are extremely small.

Mr. Macdonald.

224. Is this material that is supplied script tapes, or briefing notes, or what?—It is scripts, scripts plus speaker, it is features, it is discussion, it is the whole gamut really.

Chairman.

225. Instead of being a vertical division based on geography it is a horizontal division? Would it be over-simplification to call it raw material which is selected and presented by the output department?—That still would not be very accurate, with great respect, because while the supply side or, as it is called, the programme side, does provide a certain amount of raw material, the vast proportion of what it prepares each day is directly for broadcasting either in English, i.e. completely direct, or for translation and then broadcasting.

226. If exception is taken by the Foreign Office or anybody else to a programme, is it the programmes department or the output department which answers the challenge?—It would be the output department.

227. The output department takes responsibility for what goes over the air overseas?—(Mr. Whitley.) Yes.

Mr. Marten.

228. They organise the programmes?—(Mr. Monahan.) Yes, and also put a lot of stuff of their own into it.

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Chairman.

229. They do not create the programme in the first instance?—In part, yes.

230. Except in so far as they themselves add to what is offered to them?—That is strictly true, but when you say add, they do write a lot of their own programmes.

231. That was what I meant by adding. The reason you have already given virtually for the new set-up is because it originally happened haphazardly, is that right?—(Mr. Whitley.) It originally grew for historical reasons. The reason for the reorganisation was that a number of people in the external services had increasingly become convinced that if it were reorganised on these lines it would be more efficient and in all probability more economical.

232. What is the regrouping that is referred to at the foot of that page?—There will be some regrouping during 1969. This refers to the feeling that this big reorganisation all in one fell swoop would probably not be sufficient, we would not have the ideal reorganisation in all details in one go. For example, it might seem wise when we have had some experience of this new set-up to group three of the strands in the supply division into two.

233. Are you expecting in addition to improving the service any economies from the regrouping, the changes that you have now made?—Yes.

234. Could you give us any indication in what fields and of what magnitude?—I am afraid it is too early to indicate at what magnitude, but the reason for such economies would be that greater use would be made—and we hope is being made, and we hope we shall see it as soon as we have had a bit more time—of centrally produced material, thus making it less necessary for a diversification of effort.

235. Was any estimate made of the savings to be expected from the regrouping before you put it into force?—I do not think any estimate was made. The emphasis was on greater efficiency with, we hope, some savings, but I do not think any estimate has been made of what they would be.

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236. Would it be fair to say that the financial benefits would be so small as to play only a small part in your decision?—They would be, I think, in tens of thousands rather than hundreds of thousands, and we would be doing quite well if they were in tens. (Mr. Cockburn.) Yes. I think the financial benefit was not quantified, but it is hoped that this reorganisation will put us in a better posture to achieve in the long term greater efficiency and economy.

237. We understand it is not quantified, but it is of interest to the Committee to know what interest you take in economies, therefore either they were not worth estimating because they were so small, or an opportunity was missed to pay more attention to them. I am trying to find out which?—It was not thought possible to evaluate them at the early stage of the reorganisation.

Mr. Cant.

238. I am a little worried about this. It hardly seems to accord with the spirit of scientific management which we find in some areas of business. Mr. Whitley said that it might be more efficient and would probably be more economical. Surely it is possible to get some sort of quantitative evaluation of the project? It may be if you have made no such evaluation that in fact it might be the reverse, it might be more expensive?—(Mr. Whitley.) I thought I said it would be more efficient. If I said "might", may I withdraw and substitute the word "would"? I do not think any of those concerned in the external services at the time had any doubt it would be more efficient. What was extremely difficult to see was what economies would also emerge.

Mr. Marten.

239. Would there be any economies, for example, in personnel, which is one of your increasing items of expenditure?—Yes.

240. Have you any idea of what order?—It is really too early for us to say, I am afraid, of what order it would be.

Mr. Cant.

241. Is there an operational research or organisation and method department in the external services department?—

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Yes, there is a branch of the B.B.C.'s organisation and method service which is detached and works all the time in the external services department.

Chairman.

242. Is the McKinsey inquiry confined to the home service, or is it operating in the external service as well?—It is operating at the moment in the external services only in one area where I particularly asked that it should, since its brief confines it broadly to the domestic services, and that area is the area in which the transcription service and topical tapes and other services of that kind are supplying programmes in different forms to overseas users for repayment in various different ways. This is an area in which, as I think you may imagine, there is potentially overlap, and I was anxious that the McKinsey experts should look at this, and they are doing that at this moment.

Chairman.] Maybe we shall touch on that area a little later on.

Mr. Marten.

243. Who gave McKinsey their brief?—The brief was given to them by the Board of Governors of the B.B.C.

244. And excluded specifically external services except that portion which you have just mentioned?—Yes.

245. For what reason?—I should like, if I may, to ask Mr. Kenneth Lamb to answer this question.

Chairman.

246. We are confining our attention to the external side. We could perhaps ask that question on another occasion when other members of the B.B.C. are here. To what extent is there a separate financial division for the external services and to what extent are the common services arbitrarily apportioned costs?—(Mr. Thorne.) The finance division is centralised, but we have got an accountant who obtains the whole of the external service accounts and liaises with Mr. Cockburn, who is in charge of external service administration.

247. No doubt we shall be looking in rather more detail at the finance itself, but where is the authority for dividing

overheads that are common to both into parts?—There is a shared services committee which comprises members of the television, radio and external services that I as chief accountant chair. It is our responsibility each year to examine the whole of the shared expenditure that is common to the three services and every department is looked at and each representative, as it were, argues his own case, and from a series of meetings we do arrive at the apportionment of each departmental charge individually.

Mr. Macdonald.

248. Do I understand it is done on the basis of a discussion, or does the committee make some attempt, even if only a partial attempt, to quantify the actual apportionment?—The whole thing really is to quantify. We obtain the cost of every department and then we find out in various forms, either in the percentage of staff effort that has been assessed by the head of the department, or the work that he has done for each of the three services, the proper apportionment in terms of £ s. d. for each department. Over the period of years, of course, there has been a substantial reduction in the amount we have charged to external services, largely as a result of the growth of television. This has been the effect, that the external services have received substantial credits over the years as a result of this exercise.

Chairman.

249. Moving on to broadcasting services as such, are we right in thinking there are three services broadcasting in English, B.B.C. Europe, the world service and the overseas regional services?—(Mr. Whitley.) Yes.

250. What means of co-operation between the three do you have?—(Mr. Monahan.) One would have given a different answer a year ago to the answer we give now, because this too has been subject to extensive reorganisation at the same time as the other reorganisation we were talking about. What is happening now is an integration of these three elements that you have mentioned, the world service, the English service for Africa, and B.B.C. Europe. They are becoming in effect one service working under one head with the European and

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African elements having, at certain times, breakaway programmes with special wavelengths, in the case of Europe particularly when they have got the medium wave. But the whole thing is integrated in a way that was not the case before.

251. What has prompted you to integrate?—Some of the same considerations as prompted the other reorganisation, namely, that it would be an economy and more efficient.

252. Could you be a little more precise? These are splendid words but we do not really understand what lies behind them?—What lies behind them in this case is that previously there was, we thought, too much duplication on the air of, say, a certain kind of programme. A programme would be going out on the world service and something very much like it might be going out on the English service for Europe, and similarly as between the world service and the African service, in fact among all three. Also there was a wasteful use of wavelengths before, that is to say, when one service could have been very well heard all over Europe, for instance, the fact that you had the wavelengths distributed between the world service which, though not primarily intended for Europe was inevitably audible in Europe, and B.B.C. Europe, the specific English service for Europe, was, we thought, a wasteful use of wavelengths. The sum total of these considerations led us to make one service of the whole thing with, as I say, its very specific breakaways when you would, at a certain time of the day, talk specifically to Europe and/or specifically to Africa.

253. Confining the question at the moment to this wavelength aspect of it, what have you done with the wavelengths you have saved?—We have not saved wavelengths, we have used them, but not for a divided service, for one service.

Mr. Costain.

254. Your world service, Africa and Europe service are at about the same time scale, but surely you have a different type of programme for breakfast time and supper time, do you not? Or do you disregard the time of day it is going to be received?—You do not disregard the time of day, you try to pay

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attention to the time of day in that part of the world where this particular service, the English service in this case, will be most readily audible. This, I think, is your guideline in fixing the type of programme. Of course, since the world service is a shortwave service this is not an exact science, since shortwaves can be heard in many other areas besides what you may choose to regard as the main target area.

255. But the fact of different time schedules has not worried you with regard to integrating the programmes?—The fact of different time schedules is a considerable consideration in our thinking, but it is not an insurmountable difficulty.

Chairman.

256. I am not quite clear, you say that one of the considerations was that you were using more wavelengths when you were split into three parts, yet you say you are still going to use just as many when you are integrated?—It must be seen against a background of an insufficiency of wavelengths anyway. Rather than send out different programmes to different areas, it seems to me more sensible to take all those wavelengths and concentrate on one very good programme.

257. With a view, presumably, to relieving the not required wavelengths for another purpose?—You would use them all for the one programme.

Mr. Costain.

258. Would it not explain it more easily to say that there are different wavelengths that have different degrees of reception in certain areas, and by using them in combination you get a bigger coverage and better reception?—Precisely.

Mr. Cant.

259. Could we come back to this question of economy again? We have this aspiration of greater economies. I would have thought in effect the providing body is engaged in an exercise which consists of a network of operations. Now in some way you are going to realign this, you are going to make it more efficient, and you hope that this will be

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more economical. What surprises me is that you cannot do this realignment in theory and make an assessment of the cost of it, the release of manpower that you could hope for, and so on. I have spent a lot of time on local authorities and when an organisation and method team goes into a department and does a thorough survey it says in its report in the end that the economies which one can reasonably expect are x thousand pounds a year, for these reasons?—(Mr. Whitley.) May I try and answer that? The natural tendency when setting up or allowing something to grow which has a job like the B.B.C.'s external services is that the staff who have responsibility for broadcasting in a certain language to a certain area regard it as a point of honour to make those programmes as exactly geared to the understanding and needs of their target audience as they possibly can. There is a natural tendency, which comes from a good element in human nature, to regard it as essential that they must be specialised and nobody can do it as well as that little group of people. At this point in time when this reorganisation was instituted it was felt that really we must adopt a different principle and try to extract the absolute maximum of good that we could from a greater centralisation of supply. On January 1st there was nothing short of a revolution really, bearing in mind how many years the other system had been in operation. Before anybody could tell how well it was going to work there had to be experience taking the form of the people in Mr. Monahan's output division seeing what they thought of this newly organised supply division, the one under Mr. Hodson; was it going to provide talks and other programmes which, although centrally produced, really met their needs or met most of their needs, or not? I do think that it would have been a rather artificial exercise, until we could see this actually happening, to assign a figure to the economies that were expected, because so much depended upon the interaction of the new method of supply of common programmes and the people who were responsible in the output division for ensuring that they were properly geared to the character and inclinations and interests of the audience overseas.

Chairman.

260. Would it be fair to draw the conclusion from what you have said that this change was one that commended itself in theory, but if the personalities and the built-in prejudices, if you like, the vested interests, if you like, proved too strong the theoretical advantages could not be brought forth in practice, and there would be an expectation of going back to where you were before?—My colleagues who were there before this happened rather than after might like to chip in here. I would have thought when you have braced yourself to such an enormous upheaval you do not in fact really contemplate going back to the *status quo ante*.

261. You really cannot quantify this because it depends so much whether it is accepted or works in practice? If that really be the true justification for not attempting to quantify it one must assume that if it did not come off, so to speak, you would go back?—What was in the balance was not success or failure but the degree of success, and this harks back to the fact there will be some regrouping during 1969, because we felt certain we were on to a good thing but not certain as to how good it was, thus how many staff could be dispensed with in the long run, or how much economy could be made.

Mr. Marten.

262. Did your O. and M. team advise you on it?—(Mr. Cockburn.) Yes, they were brought in on the discussions.

263. What was their advice?—They agreed with the proposals.

264. Did they see any quantifiable economies?—I do not think that the question of seeing quantifiable savings really arose at that stage in the proceedings.

265. What were the discussions for?—This was a structural change. I do not think they were invited to give a view on the quantifiable savings.

266. Had they been invited to do so would they have been capable of doing so?—I doubt it myself at this stage in the proceedings.

Mr. Macdonald.

267. I can see very clearly the argument that reorganisation, admirable in

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theory, might run into practical snags when you encounter the zeal of people in particular departments. This is certainly understandable. But am I to understand that there was no appreciation of any savings that might arise on the maximum possibility of no idiosyncrasies and no snags in development? Is there no appreciation of the savings that might arise if reorganisation proceeded entirely according to plan?—(Mr. Whitley.) In my answers before I put the emphasis on greater efficiency as the first consideration and economy as the second. If you are convinced that major reorganisation is going to bring greater efficiency, is it not legitimate to leave the quantification of the savings which are going to emerge until you are able to see how it is actually working? It was clear that there would not be greater expense so you could not lose on economy and we were sufficiently confident that we were going to gain in efficiency.

268. I find it a little difficult to dissociate completely the concept of improved efficiency and improved savings. I do not necessarily imply you would cut down on expenditure and find sums available for some other project you had had in mind for some time. This is a form of saving arising from efficiency, yielding resources that you can divert to some other desirable purpose. Am I to understand there was no quantification of that kind?—As far as I am aware there was no quantification when I took over this job on January 1st. (Mr. Monahan.) I simply do not believe there could possibly have been. What we knew was that we were going to get all our central talks writers, who were scattered, as it were, all over the building, some attached here, some attached there, and put them together, and we knew for certain that, given that lot, we would save something. But to measure it would be quite impossible, because the question of the quality and their satisfactoriness to my mind would remain as a completely open question and would have to be answered eventually. What we were reasonably certain of was that there would be some economy there but it was not measurable. What we have in mind are certain projects which, given the amount of

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money which we hope and think will be saved, we will be able to reinforce. There will be increased efficiency in fact by strengthening this central supply department in ways which were not in the output at all before. But I simply do not think you could possibly quantify the economy because you would not be sure of the initial quality.

Mr. Costain.

269. Would it help the Committee if we could know a little more of what you mean by the word efficiency? It occurs to me you might be referring to the fact that efficiency meant more people would hear the programme because of your radio wavelength, and in fact efficiency is not only the cost, if you relate the cost per head of receiving public. Is that the way you get efficiency?—It means two things. There is perhaps a danger of confusion here in talking about these two reorganisations which overlap but are separable. There is the reorganisation as between supply and output on the one hand, and on the other the integration of the English services. The two projects overlap but they are not the same. In the case of the reorganisation into supply and output, the efficiency there would mean talks which were at least as good, and you would hope better, than those you were getting before—by talks I mean to cover all the spoken word material that they are providing—plus a rather smaller use of manpower. There would be a slight query about that second item, but you would strongly hope and expect it. That would be efficiency plus a certain degree of economy. Now, on the integration of English services, there what I would take efficiency to mean would be that you would be able to get better or at least as good programmes which were much less overlapping as between one English service and another. The ultimate end of this, of course, would be that your programmes would be more acceptable.

Chairman.

270. Has this integration affected the amount of material going out in English as opposed to the language at the other end?—As opposed to the vernacular, you mean?

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271. Yes?—Yes, it will eventually reduce the amount of English that is going on the air, therefore a change in the proportion.

272. Will that present problems of getting more people qualified to use the vernacular?—No. It is perhaps a technical point. When I say that there will be less English going out on the air, if you add it up at the end of a day the number of different programmes that have gone out on the air in English before the reorganisation would have been more than there are now, but the amount of time on the air in English will not have changed. There will be English going out for just as much time on the air but it will be much more in one stream.

273. You regard your responsibilities as requiring priority use for the English language or priority for the vernacular?—That is unanswerable, they are both absolutely indispensable. I mean that truly. If you want to talk to anything like a mass audience and to have the power of getting to everybody in a given country, you must talk in the vernacular. But the English language is spreading so enormously as a *lingua franca* over the world that for this country to neglect to speak extensively in English in that overseas area would be silly.

274. It is a fact, is it, that the potential listeners to the English language are growing all the time?—This is undoubtedly true.

Mr. Macdonald.

275. Is it a matter for your own professional judgment within the B.B.C. as opposed to the prescribing departments to determine how much time to a particular country shall be in English and how much shall be in the vernacular?—It certainly is a function of ours but we do not have the final say. (Mr. Whitley.) If somebody could decide definitely whether it is more important to broadcast to the elite of the country than to the masses of the country, perhaps we might have the beginnings of the answer of the relative importance of vernaculars and English, but that in itself is a most unanswerable question in the long term.

Chairman.

276. You do not attempt to answer it yourself pending better advice?—No, and in the meantime we do both.

277. Still on this question of languages, on page 117 there is the external broadcasting as put out by the different countries. Is it possible to give the Committee a split between the home language of one of these countries and the vernacular used by that country?—(Mr. Monahan.) Is it possible to give that breakdown?

278. Yes, not necessarily now verbally, but could you give it to us in writing at a subsequent occasion, because this Committee would be interested to see what proportion other people regard as appropriate to them to be broadcast in their own language as opposed to the vernacular?—With of course the difference that not many of them have got English as their own language. No other language in the world is a *lingua franca* to the extent that English is.

279. Perhaps to avoid confusing ourselves would it be more appropriate to see what proportion of other people's broadcasting is done in English? Is that part of the information you have available?—Yes.

280. You can draw that out of the information?—(Mr. Cockburn.) We have a table showing the languages used by the six major broadcasters, the U.S.S.R., China, Egypt, B.B.C., Voice of America and the German Federal Republic.

Chairman.] The Committee would be very interested to see that.*

Mr. Macdonald.

281. Is this the point to ask what kind of listener research is carried out? I appreciate it must be entirely a matter of subjective judgment here to know what reaction you are getting. But do you make any attempt to relate the cost of broadcasting in a particular language to the reception that you are able to assess that you are getting?—(Mr. Whitley.) I do not think we have ever related the cost to the reception. We have often, indeed we do so

* See Appendix 3, p. 231.

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constantly, asked ourselves what is the value to the British interest of broadcasting to this or that country in relation to the audience research statistics that we get.

282. So although you do make attempts to assess the number of listeners among the potential audience in a country you would relate that, if I understand you, rather to an assessment of the value, cultural or political or otherwise, of broadcasting to that country and not so much to the pounds, shillings and pence of mounting those programmes?

—Yes. Of course, the greater includes the lesser. It is always possible to relate the audience research results to the cost of a service in Czechoslovakia, or whatever it may be, because the figures are available, but in our own thinking we have to consider the wider question of how valuable is it to the British interest to be doing it in relation to international affairs and the state of that part of the world at the time.

283. I would presume that would be a matter you would discuss from time to time with the prescribing department?—Indeed.

Chairman.

284. World events prompt the prescribing department to ask you, in consultation, to change the emphasis to particular areas. Would you regard the reasons that prompt that change as sufficient to warrant your changing your assessment machinery at the same time? Assessment machinery is a sort of shorthand for finding out the degree to which your voice is listened to?—Yes.

285. Are you prompted by the changing world events to change the degree of trouble you take to find out the extent to which you are listened to?—I think so, if I may say what we do and leave it to you to decide whether that is the answer to your question. At any one time there are a large number of audience research projects which are in being in different parts of the world and a certain amount of switch reaction is possible to sudden events and certain amount of switching of effort from one place to another. So that it is possible, and it is done, that if Czechoslovakia comes very much into the news, whether or not our transmissions are increased

as a result thereof, we can mount fairly quick audience research projects to find out how effectively we are getting through to Czechoslovakia. To take a somewhat different example, the query was raised not long ago whether in the Arab world our listeners stayed on after the news and comment to listen to other programmes. The obvious implication being, how worth while are they? We sent I think it was 50,000 questionnaires to the Arab world designed specifically in order to get an answer to this question, and in due course we got it.

286. Would it be fair to say you have considerable faith in your ability to assess the listeners?—Yes.

287. Even though, of course, it cannot be scientific?—Yes. As you yourself obviously are aware, Sir, it is very much more difficult than audience research by the B.B.C. into its domestic audience, for reasons too obvious to need to enumerate them. But even taking that into account and the greater fallibility of results, we do set great importance upon it.

Mr. Costain.

288. Is this research done by the embassy overseas or the British Council, or have you your own agents who are out there doing it?—One of the things one must do when one has the whole world as one's parish and a very small staff and not very much money with which to do it is to make use of every possible form of auxiliary help that we can. It is for that reason that we co-operate with Unilever and other British firms who may be willing to help us, with U.S.I.A. for example, to mention one official agency, and with, very often, other broadcasting organisations in other parts of the world with whom we may be able to strike a fruitful bargain. "You find out something for us and we will tell you something which may be useful to you".

Mr. Macdonald.

289. Do you receive critical or hostile receptions from individuals rather than Governments in the territories to which you broadcast? If so, do you take account of these when framing your programmes?—(Mr. Monahan.) We get these, I am glad to say they are not anything like so numerous as the other

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kind. But we certainly take account of them, as indeed we take account of all we hear in the way of response, in framing our programmes.

Chairman.

290. Moving on to rebroadcasting, it is clear from the handbook that more of your programmes are rebroadcast than any other nation's. Is that an absolute total, or is it a relative comparison?—I am not sure. I think that in all we rebroadcast more absolutely than any other international external broadcasting station in the world. I think that is true.

291. I am not thinking now so much of rebroadcasts taken up by a foreign country for its own internal use because they think it would be useful to them, they happen to like what you have got and they wish to use it and they do use it. I am not thinking so much of that, I am thinking of the broadcasts from here which require to be picked up by our own overseas stations and transmitted afresh?—Our relay stations?

292. Is that done for technical reasons, that you have not got the strength to push it all the way in one go, or for what reason?—(Mr. Cockburn.) It is mainly to give the signal a boost to the more distant targets. It may also, of course, be to convert it from a short-wave signal to a medium wave signal thereby making it more accessible to an audience who may be more accustomed to listening on medium wave. The basic purpose is to strengthen the signal either by increasing its strength on short wave or by converting it into medium wave, or indeed doing both.

293. Have you any difficulty in getting as many facilities for rebroadcasting overseas as you want, do you have any trouble?—Do you mean for relay stations overseas?

294. Yes?—There is always an absolute shortage of facilities of this kind if one is trying to reach a wide audience all over the world.

295. Is it lack of money, or sites, or goodwill?—It is a combination of all these factors. Sites are liable to be difficult to obtain in foreign countries. Stations are not particularly cheap to put up and operate. Both these factors have a great bearing on this.

296. Has the creation of independence in many countries all over the world affected your relay sites?—In the days when there were a number of colonial stations these tended automatically to rebroadcast B.B.C. programmes, therefore there was not any particular need to have a relay station in the area. This position has, of course, altered with the development of independence in the Commonwealth.

Mr. Marten.

297. Would your problem be overcome if you had geostationary satellites?—(Mr. Whitley.) The political problem would be overcome.

298. That is your difficulty, is it not?—The financial problem would be correspondingly more acute because it would be a very expensive operation at the moment, as far as we can see beyond practical possibility. (Mr. Cockburn.) Nobody yet has done this.

299. But it would only be a minor part of the use of the satellite, I am suggesting. Technically it would be preferable, am I right? It would make it politically and technically better probably?—(Mr. Whitley.) Assuming one could get facilities very cheaply from a defence satellite or something of that kind, there would be a good deal to be said for it, but not, I think, in the foreseeable future, because it would mean, I believe, adjustments to receiving facilities among our audience. Their aerials would have to be reorientated, and even if you could imagine the financial difficulties being overcome it looks to us to be quite a long way into the future, notwithstanding the difficulties of getting land based sites which we have just referred to.

Chairman.

300. Turning to rebroadcasting by overseas stations for their own purposes material which you have authorised them to use, presumably by sale, could you tell us something about the areas where sale of your material is practicable?—(Mr. Monahan.) This relates to two kinds of rebroadcasting. There is the transcription service which is a very massive organisation which is sending out timeless programmes, the spoken word in English, and music programmes, all over the world. There is also the radio tape operation, as we call it, which

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sends out not timeless, not immediate, but pretty topical material. Then there is a certain amount of what we call loosely special projects which may either overlap with the radio tape operation technically or may be given to the receiving and ultimately broadcasting station by a line from here. These are roughly three separate categories. Special projects we do not get in effect any money for. The taking station may pay for the line, normally does pay for the line, and rebroadcasts it, and that we consider is a benefit to British interests. The radio tape people dealing with the more or less topical, certainly not timeless, material pay for the freight and the tape. The only money in this game which is at all significant is in the transcription services, the timeless programmes which are sent out.

301. I take it the first of the three you mentioned in relatively small anyway?—That is quite true.

302. Now the topical tapes, you say that the cost of the tape itself and the cost of transmitting is covered, but the creation of what is on the tape is not paid for?—No, we pay for the programme.

303. Why is it that is not saleable at all?—I am afraid my experience of that does not go far back enough to know the answer, but in fact it never has been paid for and it is our earnest belief that it could not be. (Mr. Whitley.) There is no doubt it could not be. One has to look at this whole area of activity with the knowledge that the B.B.C.'s transcription service—these are the big programmes, more expensive and timeless, as Mr. Monahan said—are the only ones that are charged for.

304. Before we come to the timeless ones, I want to probe a little further into the topical ones?—Even with those bigger ones that are more expensive we are the only broadcasting organisation in the world which charges for them. So we are operating in a world which is accustomed to get this kind of facility from the Germans, French, Japanese, and every channel, free. Now if that is so with the larger, more expensive, timeless programmes, *a fortiori* it would be difficult to get a currency for our topical tapes and charge for them.

305. This assumes the topical tape has less interest than the timeless one, is that the case?—I do not think it is a question of less interest, but the nearer you get to topicality and direct broadcasting, which nobody charges anybody for in the world, the more intense is the disinclination all over the world to pay. We are doing rather well in fact, in covering the cost of the tape and the freight.

Mr. Costain.

306. If you were broadcasting a heavy-weight fight, would you get nothing for that? It would be broadcast free?—Yes.

Mr. Marten.

307. What happens if you have to pay a fee to someone who has performed when it is rebroadcast; do you pay that fee?—The broadcasting organisation pays the fee.

308. So you would in fact end up making a loss if you had a substantial fee to pay?—Yes.

Chairman.

309. What sort of scale are we talking about for the topical ones now?—The best way to give you that would be to show you a list of the topical tapes going out in any week.

310. Where would we find the money you collect for the limited aspects of that transaction?—(Mr. Cockburn.) It is brought net into the cost of the service.

311. Where would you find it in the B.B.C. accounts?—I do not think it would be brought out as an individual item.

312. Could you bring it out for us to give an idea of the sums we are talking about?—There are receipts of £10,000 to £12,000 a year under the topical tapes.

313. Turning to the transcription service, the timeless ones, which is much the largest as I understand it, you are the only people who can get any money for this kind of thing? Could you tell us a little more about that, where the demand for the programmes comes from and the sort of scale of pay you get for them? How do you assess what to charge?—(Mr. Whitley.) To answer

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the last question first, we assess it on the basis of what the market will stand, the largest sums are got from what used to be called the Dominions, broadly speaking Canada, Australia, to a lesser extent New Zealand. These countries at the present time pay an annual contribution. £30,000 is the biggest.

314. Between them?—No, Canada and Australia pay of that order, and it is a fairly constant battle to keep them screwed up to that amount. They are always anxious to pay less. The rest of the receipts of the transcription service tend to be more penny numbers from a great multiplicity of smaller countries.

315. What are the most sought-after articles you sell?—Subject to correction from my colleagues, I would have said music and drama in the transcription services, and light entertainment.

316. Presumably there is only a sale to English speaking countries?—Mainly to English speaking countries, but not exclusively to them.

Mr. Macdonald.

317. Are the payments from Canada and Australia in the nature of an annual fee, or are they making a payment for each item they take?—The big countries like Canada and Australia pay an annual fee which gives them a free choice from the transcription catalogue, which is a B.B.C. volume which sets out all the programmes which are on offer. It is only the big countries which are willing to operate on that basis and which find it convenient to do so. With the smaller countries we tend to transact a great number of more circumscribed transactions.

318. With the big countries you have an annual negotiation to determine the amount of the fees?—It may not necessarily be annual, but it is frequent.

Mr. Costain.

319. Do these programmes include your overseas and home service which are available for sale, or are they only overseas ones?—Very far from being only overseas ones, they are mainly the B.B.C. domestic programmes, because these are the ones which are most desired. It is not, I hope, an aspersion on the quality of the overseas pro-

grammes, but because we produce relatively few of these kinds of programmes, big musical or entertainment programmes, partly because they do not go very well over shortwave, but also for financial reasons.

320. What about the Performing Right Society, do they get extra grants when these tapes are sold?—There is a great web of negotiations with at least four unions which has to be sorted out by the head of the transcription service, among which the P.R.S. comes.

Chairman.

321. Is the home service credited with the proceeds of the sale, or is it paid to the external side?—There is a net loss on the operations of the transcription service so that there are no proceeds to credit anyone with. We try as hard as we can to recover as much as we can in order to reduce as far as possible the subsidy which H.M.G. gives the transcription service.

322. I thought the bulk of the stuff that is transcribed and sold has already been produced for home consumption, and therefore the cost is nil from that point of view? Is it not something that is available for external purposes because you have already paid for it?—No, alas, there are extra payments that have to be made, for example to the musicians. (Mr. Cockburn.) Broadly speaking the fees paid by the B.B.C. domestic service simply cover broadcasting rights within the U.K., therefore any export of that programme involves additional fees to artists, performing rights etc., and it is these that are paid for by the B.B.C. external services against which receipts are offset.

323. Fees which come under the heading of "Performing Right"?—Yes.

324. They are more than swallowed up? The revenue is not sufficient to cover even those?—(Mr. Whitley.) That is so.

325. Then what is the point of doing it?—The point of doing it is because it is judged to be in the national interest that programmes of British origin should not be entirely swamped from the local air of foreign and commonwealth countries, and therefore when deciding upon

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the distribution of programmes or negotiation with other broadcasting organisations in Commonwealth countries where it is known there is little money available to pay for them, costs are not necessarily covered.

Mr. Macdonald.

326. Getting back to the overall financial position, the loss that you inevitably make, as I understand, is charged as an item on the external services?—Yes.

327. The prescribing departments discuss with you the amount of broadcasting and will no doubt have regard to financial considerations. Suppose that you were successful, if that is the word, and I think it is, in increasing the output of these transcriptions, you would in effect increase the loss that is being borne by the external services? Does this not detract from the amount of finance that the prescribing departments think will be available when they determine the direct broadcasts to countries overseas?—(Mr. Cockburn.) I would not quite say that the more successful one was the greater the loss. This is contained within financial limits. That is to say, one clearly must have regard to the income and expenditure position before deciding whether or not to distribute a particular programme or a particular series of programmes. In fact over the years the figure tends to remain relatively the same. We have been successful in increasing a bit the income from transcriptions, and this either enables you to include more items or conceivably it could be applied as a reduction to the total grant in aid.

328. I understood that there was a catalogue available from which countries overseas might select items that they wished. Do you have a time limit, do you say you cannot afford to put out any more, or what stop would you put on them if in fact there was some very popular programme and everybody wanted this?—(Mr. Whitley.) There is a constant traffic of correspondence and consultation by people travelling overseas round the customers which gives the people responsible for the transcription service a pretty shrewd idea of who wants what and who will pay what for what. To give an example of the kind of thing

which I think you are thinking of, The Archers has for many years been in the transcription service catalogue and it has had a sufficient number of subscribers, particularly in the old Dominions, to cover its costs, or at any rate make us feel it is worth while going on with it. For reasons that we need not go into, one or two of the major subscribers to the transcription service have said they are no longer interested in The Archers. We do a hasty calculation and we see that this being so it is no longer financial sense to go on making it available, and we shall stop it.

Mr. Cant.

329. Is this why The Archers is being dropped in future, because you cannot get overseas revenue for it?—It is not being dropped.

330. According to the *Financial Times* today it is?—Is it? I have not read the *Financial Times*.

Mr. Costain.

331. You say other overseas services do not charge anything for these tapes. Do you never use any of their tapes?—The domestic services use their tapes.

332. You do not in the external services?—(Mr. Monahan.) Virtually not.

Chairman.

333. The Committee might be interested if you could let us have some figures on the transcription accounts, because they cannot be extracted from the general figures you have given us and would give us an idea as to how it works and the order of magnitude, and so on? * Could you kindly do that? Does any of the cost of the topical tapes or the transcription service get transferred to the Ministry of Overseas Development, because it is, in a sense, part of their function to use material such as you have available for their purposes? Are you able to shuttle off any of the cost to them?—(Mr. Cockburn.) Not as far as I am aware, no. (Mr. Monahan.) It sounds an excellent idea!

334. Now on the monitoring service, who decides which of the services coming in shall be monitored?—(Mr. Cockburn.) This is really a matter that has to be looked at between the B.B.C. and

* See Appendix 4, p. 234.

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the Government departments who are interested in the product, together with the American monitoring service with which there is a reciprocal exchange arrangement. This is looked at periodically and broad patterns of interest established within which, of course, the actual monitoring day-by-day will vary a great deal according to world events, what is happening at different times.

335. If it varies from day-to-day, does that mean the 7 o'clock programme from Prague may be monitored on Monday but not on Tuesday because the chap listening reckons it is of no interest to anybody? Or how is the discretion to vary from day to day exercised?—There will be probably some standard patterns of listening to certain established bulletins from different stations that will be laid down. But this may have to be varied because of the limitations on available staff. If you decide you do not want to listen to Prague radio and would rather listen to Moscow, you would have to make a choice between one or the other because you would only have one monitor in a given language available at that time.

336. I am trying to find where the seat of discretion lies for the decision to switch from one potential monitoring service to another immediately?—This would lie within the monitoring service day by day.

337. Are they given a certain degree of discretion to use their own judgment as to what is worth recording, or is it pretty standardised with very little scope for discretion?—(Mr. Whitley.) They must have a certain discretion. If you would care to visualise a situation in which the Moscow home service is monitored all the time always because one or more of the customers of the monitoring service require it to be done, so you have a team of people to do it. They have a certain amount of spare time and they have a certain number of spare languages. It is therefore possible from time to time to switch one of them to listen to some other service, let us say the Yugoslav home service in Serbo Croat. This may actually be done either because the monitoring service receives an urgent telephone call from one of the customers saying, "Please do it if you can", or because they are intelligent

and eager people who try to use their common sense and anticipate demands. They like nothing better than to be already listening to a service that the B.B.C. news service wants them to listen to before they are asked to do it. This is the kind of actual situation which obtains in the monitoring service.

Mr. Marten.

338. Are your customers exclusively Government departments?—No.

339. Do you have commercial ones such as an oil company wanting coverage of a Middle East country?—The B.B.C.'s own news service of course is a very important customer. While I could not off-the-cuff give you details of other customers, there are non-governmental customers.

Mr. Cant.

340. If I am right in assuming that the Americans and the British have divided the world up as far as the monitoring service is concerned, what is the relative cost of this (a) to Britain and (b) to the United States?—(Mr. Cockburn.) The balance is substantially on the United States, the major part of the cost would certainly fall on the Americans. But I am afraid I have no precise information on this point.

Mr. Cant.] I wonder if we could have a brief note on this?

Chairman.

341. I thought I had seen the cost of the monitoring service. It does not put, on the other side of the balance sheet, what other people give us free of charge because we give it to them, which I take it is the case. But the information is to be found on page 105?—I understand your question was, how much does the American monitoring service cost?

Mr. Cant.] If we divide the world up, how much does it cost the Americans to do their part of the monitoring in accordance with the Anglo-American agreement?

Chairman.

342. Have we any information on what Americans spend on monitoring what we get free?—I am afraid I have none, but I will see if we can get this information.

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343. We cannot influence what the Americans are spending on their monitoring service which we get. I do not think we need put you to the trouble, unless there is some other purpose that I have not detected. But we have got, I take it, quite a bit of information about the cost of our own monitoring?—Yes.

Mr. *Cant.*] It may just be possible we are bearing an undue burden in terms of this arrangement.

Chairman.

344. Where else do we get a free monitoring service from?—(Mr. *Whitley.*) I do not think we get it from anywhere else. It is a very mutually advantageous arrangement.

345. You get it from America, as I understand it, and not from anywhere else?—We get it from the Americans in various parts of the world.

Mr. *Macdonald.*

346. Is this Anglo-American agreement between the B.B.C. and some American broadcasting company, or between the G.P.O. and some department, or is it Government to Government?—I understood it always to be between the B.B.C. and the American authorities with the blessing of H.M.G. who get a lot of monitoring which it would be enormously expensive to get through British agencies, because posts would have to be established overseas, and so on.

Chairman.

347. By what channel do you get the information? How does it reach you?—The American monitoring information comes by all the usual communications channels into our monitoring station at Caversham.

348. Does it come through the air, or what?—Cable, telex, all sorts of ways.

349. From all parts of the world?—Yes.

350. What about from the States?—It is the same, I think. I have been, during the last few days, down to the monitoring service, and one sees banks of machines on which it comes.

351. Perhaps if the Committee wanted to see it, you could arrange it?—Certainly.

352. Reference was made on page 116 to the limited number of subscribers to monitored reports. Could you elaborate that? I will read you the exact line I am referring to, "They are also supplied to the libraries of both Houses of Parliament and are available to a limited number of subscribers who include the press . . ." etc?—There is in the monitoring service a list which includes these subscribers. We could give you information about them if you wished. I cannot give you particulars of any of them off-the-cuff.

353. It is these people who pay, as I understand it?—They all do pay, I think.

354. How do you assess the proper charge to make?—They tend to get different parts of the total output of the monitoring service, and they are assessed according to what they get.

355. Is it a question of charging as much as you can or so much a page, or what?—It is a question of charging as much as we can. For example, I learned on Friday when I was down there that it had been decided that we ought to make Commonwealth Governments pay, and I think there is no doubt that some of them will say they do not want the service if they have to pay. I mention this as an indication of the purposefulness with which we are determined to try and get a bit of money back even if it means the subscriber decides to go off the list.

Mr. *Marten.*

356. Is it cost plus or cost minus?—I could not say that off-the-cuff, I am afraid. (Mr. *Cockburn.*) These documents are, of course, produced in the first instance for Government departments and the sale of them to the public at large is a subsidiary matter. The charge really is calculated as being the highest that one can expect to get them to pay.

Chairman.

357. I am a little puzzled because the book does not refer to Governments at all, the book refers to the press, academic institutions and commercial organisations, implying a sort of *ad hoc* world which might be interested from which you collect a certain amount of

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money. Now you are telling us about the overseas Governments. Are there Governments on your list of subscribers?

—(Mr. Whitley.) Yes, as I understand it they are on our list of receivers at the moment, and as part of the business of trying to recover as much money as we can the decision has been taken to ask them to pay. But this is all part of the whole distribution list which includes Governments, private subscribers, commercial interests, the press, and so on.

Mr. Marten.

358. Is there any charge, even notionally, to Government departments?

—(Mr. Cockburn.) To British Government departments, no.

Chairman.

359. Where do we find the revenue from this?—It is embodied inside the overall cost of the monitoring service. (Mr. Thorne.) It is put in as an expenditure.

360. It is deducted?—Yes.

Chairman.] Could you give us a note so we can see what the revenue amounts to, and a general note on the subject would be of interest?* I think that is as far as we should carry it today. Thank you very much indeed.

*See Appendix 5, p. 234.

MONDAY, 17TH FEBRUARY, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. William Hamilton.
Mr. David Howell.

Mr. Arthur Lewis.
Mr. Macdonald.
Mr. Neil Marten.

Mr. D. P. M. S. CAPE, Head of Information Administration Department, Foreign and Commonwealth Office, called in and further examined. Mr. R. J. J. TUIE, M.B.E., Chief Information Officer (B), Board of Trade; Mr. D. E. EVANS, O.B.E., G.M., Head of the Office of the Director of Management and Support Intelligence (Defence Intelligence Staff), Ministry of Defence; Mr. C. H. W. HODGES, Assistant Secretary, and Mr. J. T. CLIFFE, Principal, Finance: Development (General and S.E. Asia), Treasury, called in and examined.

Chairman.

361. Our questions might affect anybody. In so far as we are dealing with particular Departments I will try to confine the talk at that time to the Department. Can you say whether there have been any changes in the pattern of external broadcasts over the last few years? We have been told that continuity is a vital link in the whole process and we have had reference to Czechoslovakia. Have there been any significant changes in the pattern?—(Mr. Cape.) If I may go backwards I would say in general there has been an

overall increase in hours which is brought out in the table in the B.B.C. handbook. I will go backwards to explain the most recent developments. On 1st December last year there were changes in the prescription which put in a more definitive pattern the changes made immediately at the time of the invasion of Czechoslovakia. They consisted basically of almost all of the eastern European languages, including German for Eastern Germany and also some increase in French and English. That was a total increase of the order of nearly 30 hours a week. Slightly earlier we had had the

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deprescription of the Hebrew service, to which I referred last time. Those were, so to speak, the main changes during 1968. During 1967 the main changes were on 1st April, and they were designed mainly to make the best possible use of the new Ascension Island Atlantic Relay which was then just being completed. There was an increase in the number of hours broadcasting directly to Africa, mainly in the English services and also in French and an increase in the Spanish and Portuguese for Latin America. Somewhat earlier, but coming into effect at the same time, there were the changes which had been decided upon in order to provide the resources necessary for these increases at a time of financial stringency, which were a cutting back somewhat in the hours of Arabic and the deprescription of Albania. Those were in 1967. Two to three years earlier there were increases in the Far Eastern languages spread over a period.

362. I think you said in that description that the most recent in course of time included an increase in broadcasting in Hebrew?—The ending of broadcasting in Hebrew.

Mr. Macdonald.

363. When assessing the merits of any possible changes in prescription do the prescribing departments have information at their disposal about the effect of the broadcasts to support the information that the B.B.C. no doubt produce, and if so what is the nature of this information?—Of course, the information which the B.B.C. produce is the most valuable. I would say that the second most important source to us is naturally the reports of our missions in the countries concerned, from the contacts they have and all other sources of information that are at their disposal. One does also get information from other sources, letters, and so on, but those are the two main sources.

364. I am anxious not to be too precise. It might be invidious to name languages. It must be an agonising position to decide you are going to stop broadcasting in a particular language. Is this the prescribing department's decision recommended to the B.B.C. or is it

a mutual decision between the prescribing department and the B.B.C.?—The decision is the prescribing department's decision. It is not a decision taken without full consultation with the B.B.C.

365. I take it you are constantly working within an overall limit of finance?—Yes.

366. The decision to increase the amount of finance available would be a policy decision?—The decision would certainly be a policy decision, and the decision to increase the overall amount of finance available to the overseas information services would clearly be a major ministerial decision. Within that limit there might as a result of circumstances be a possibility of increasing the amount available for broadcasting at the expense of one of the other areas. But basically it would be a ministerial decision.

Mr. Costain.] On the question of broadcasting in local languages, you broadcast to Africa in five different languages. When we look at the monitoring services we are told that other governments broadcast in 14 different languages to Africa.

Chairman.

367. Could I intervene to ask one preliminary question? Whose decision is it as to languages to be broadcast?—The prescribing department's. I think basically the answer is the amount of money available. The countries which are broadcasting in a great number of languages to Africa, I suspect, are the Soviet Union, China and Egypt. Leaving aside Egypt as a special case as a country which is in Africa, it is clear that the other two have very much larger amounts of money to spend on broadcasting than we have.

Mr. Costain.

368. Do you not consider we are broadcasting too much in English to deal with the African population? It would not cost much more to broadcast in an African language?—It would be a great deal more. This is for the B.B.C. to answer. In broadcasting in our own language we are broadcasting in a language to which people are prepared to listen. If we get into another language we have got to have a great

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[Continued.]

number of other languages. There is evidence that particularly senior heads of government and so on from a great many countries listen to the B.B.C. broadcasts in English.

369. What you are saying is that you know that the B.B.C.'s policy appeals to the governments or the senior citizens, where the U.S.S.R. and Egypt are appealing to the masses?—I would say that with a limited amount of resources your best value for money is getting the more influential people who may not be on the government side, but the leader and the potential leader, in a number of countries may well be prepared to listen in English. To mention ex-heads of state one can think of two or three who have, I believe, listened to the B.B.C., such as ex-President Nkrumah and others like him.

Mr. Marten.] I see from the analysis of the external broadcasting output that we do not broadcast at all to our three Scandinavian partners in E.F.T.A.

Chairman.] I was going to come straight on to the whole Board of Trade topic. Could we for a moment confine ourselves to the significant changes either in language or in country of the whole services. I suspect that the question you asked would fit more logically in the next series of questions.

Mr. Marten.] Yes, I will come back on that.

Chairman.

370. Yes. Are there any significant changes in the offing which are already being discussed but have not yet seen the light of day?—Yes. As a result of the new transmitter being completed on Masirah Island in the Persian Gulf area there are going to be certain increases, principally in the Hindi, Urdu and Persia languages, within the coming year in order to take advantage of this new medium wave transmitter which for the first time will provide the B.B.C. with a medium wave in the Indian Sub-continent.

371. Presumably that will increase costs. What is going to be sacrificed to enable that to happen?—I think the B.B.C. are able to find economies on broadcasting overheads. It is not a very great increase.

Mr. Marten.

372. What did this station cost to put up?—Of the order of somewhat in excess of a million pounds. It was an existing transmitter that at one time was in Somaliland and then at Perim near Aden. It has been reconstructed and improved in the process.

373. Is the agreement to have it there continuous after the withdrawal if it happens?—Yes.

374. So you have got an agreement with the local governments regardless of our troops?—Yes.

Mr. Howell.

375. Does the Foreign and Commonwealth Office, or other prescribing departments, have an interest in packaged and taped broadcasts?—The transcription service?

376. And also the taped topical programmes and so on?—Yes, we are interested in this.

377. Is this something you would like to see more of or less, or do you feel it is going about right?—I think it is probably going about right. What we are very encouraged by are the steps which the B.B.C. have been taking to keep the net costs of the transcription service down by getting increased receipts.

Mr. Macdonald.

378. Still on the general pattern of prescription, I wonder if I could put a question to the Treasury witnesses. Does Treasury interest extend down to the changes in prescriptions and the changes in the countries and the languages that take place from year to year and if so does the Treasury make any attempt to assess value for money? Suppose some sceptic arose and said it is an entire waste of time broadcasting in Malay. Is this the kind of question the Treasury concerns itself with?—(Mr. Hodges.) Yes, Sir. We have to be consulted for changes in prescription involving increased expenditure. We would, year by year, keep an eye on the total pattern that is displayed. On value for money, we have ourselves raised this sort of question. We have to rely very much on the Foreign and Commonwealth Office reports and judgments on this. They

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Mr. D. P. M. S. CAPE,

[Continued.]

Mr. R. J. J. TUIE, M.B.E., Mr. D. E. EVANS, O.B.E., G.M.,

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are assessing priority for external broadcasting within the total for overseas information. We have ourselves recently had an interest in audience research. You will see the material in the B.B.C. annual report on this. So to that extent we do try to satisfy ourselves this is not a waste of money. I do not think we would normally seek to raise particular queries on particular countries unless something comes to our notice.

379. I have no hostile implications underneath this. Am I right in understanding that your assessment is, and is bound to be, very largely subjective and it is impossible to quantify and say precisely, we are getting a return on the money we have spent?—I would say it was largely qualitative rather than quantitative. We do not have precise results of surveys to guide us in our qualitative judgment.

Chairman.] Turning to the particular interest of the Board of Trade in this business, a question arose which I thought might wait for a moment.

Mr. Marten.

380. I see from this analysis of external broadcasting output that we do not broadcast to our three Scandinavian partners in E.F.T.A. in their language, yet the Germans do. Most Norwegians speak English and equally speak German. Can you explain why the Germans do it and we do not? Would the Board of Trade like to do it for the promotion of trade?—(Mr. Tuite.) We would like to see the Scandinavia Service reintroduced. There are Finnish programmes. We do have a fair amount of evidence that the world programme in English is listened to extensively in Scandinavia. We would not regard this a proper substitute for the Scandinavian tongues. At the time we did regret eliminating the service but our view did not prevail in the interest of the economy at the time.

381. Whose view was it?—It was a ministerial view.

382. Which department shared the view against you?—Presumably, the overseas departments who are responsible for this money.

383. With the Foreign Office?—Yes.

384. Did the Treasury oppose this proposition?—(Mr. Hodges.) I am not familiar with the particular proposition. Perhaps the Board of Trade will know whether we were in it. I have only been on this work a few months. I think it will have been a ministerial decision on the total available for overseas information.

Mr. Howell.

385. Surely the responsible department is the Post Office. It is their vote on which the money is carried?—(Mr. Tuite.) It comes on the Broadcasting Vote but within the overseas information expenditure total.

Chairman.

386. Did the Foreign Office have a view on this one?—(Mr. Cape.) This decision was made in 1958 on the recommendation of the Drogheda Committee, which was not a Government committee. It was an independent committee which reviewed the whole of the overseas services. One of their recommendations was—as against many recommendations for expansion—that broadcasting in Scandinavian languages should cease. I think I am right in saying the Government accepted their recommendation.

387. Has this question of whether it could be revised been a subject of discussion between the departments since that decision ten years ago?—(Mr. Tuite.) Not to my knowledge.

388. The Board of Trade regretted the decision at that time and would like to see it restored, but it has not been a subject of discussion?—As far as I know it has not been a subject of discussion. From an export promotion point of view we regret the withdrawal of any service. But we have to be realistic in shaping the broadcasting programme to be compatible with our financial support.

389. Are there any programmes you would see modified to enable this one to be restored?—This aspect has not been considered, as I understand it. Our thinking is that the shape of the present output is about right within the limits of our financial resources.

Mr. Marten.

390. Was it last year or the year before that we had our great trade fair

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in Oslo? There was one other. Did you make application to have, running up to both those trade fairs and the British Week, some time on the air in the Scandinavian language?—No, Sir. We got full support from the external services for reference to these manifestations on the world programme. It was well covered in their English language programme. With such major events as the ones you mentioned, particularly the one in Oslo and the trade drive in Denmark, we got a considerable amount of coverage from the indigenous radio stations and from their representatives in London. So we were getting coverage on their own home stations.

Mr. Macdonald.

391. From the point of view of the Board of Trade are you able to point to any concrete evidence of financial value from these broadcasts, or, I will put it the other way round, do you find any adverse effect when broadcasting in a particular language ceases?—It is very difficult. One gets expressions of regret, of course, from people who listen to these programmes. It is impossible to determine whether the withdrawal of a programme is having any effect on the trade returns. You cannot determine this. But conversely we do have ample evidence that many of the programmes are very effective in terms of export promotion.

392. What evidence would that be?—This is evidence from British industry, from our overseas posts, and the best of the lot is evidence in the shape of correspondence that comes from overseas listeners wanting to enquire about items or products heard on the B.B.C.

393. You are in a position to trace exports enquiries in this country from time to time with a particular broadcast?—Very much so. The correspondence goes to the B.B.C. They have the problem of translating it. It then goes direct to the firm concerned and a copy to us.

Mr. Marten.

394. Clearly you would like to get Scandinavian time?—We would like to get time anywhere.

395. What would four hours a week in a Scandinavian language, which all

three can understand, cost?—I do not know the answer.

Chairman.] I think the question might well be put to the B.B.C. in due course.

Mr. Marten.

396. Does nobody know?—(Mr. Cape.) I could make a guess.

Mr. Hamilton.

397. Could I put a general question? We have got a letter here from C.B.I.* which states that the external services succeed to a considerable extent “to correct the rather depressing picture of industrial activity in this country so often projected in the national newspapers”?—(Mr. Tuite.) We would subscribe to that, Sir. We think this is one of the many useful contributions made by the external services—giving an objective picture of events in Britain without depression which is reflected in the national press.

398. Do you regard that as a fair proportion of your activities, to counter this propaganda in this country?—We would regard it as being one of the functions—to give the facts—yes.

399. Which are not being given by our own newspapers?—Perhaps many of them do, of course, but you know the problem we have. Many of the foreign press in London send stories back to their newspapers which are culled from the front pages of our more sensational newspapers, and perhaps give the wrong impression in the home country. The B.B.C.’s listeners are fully aware that what they are hearing on the B.B.C. is an accurate picture of what is taking place.

400. You presumably have got evidence to suggest that they prefer to believe the B.B.C. rather than our own newspapers?—In some cases, yes. In some cases we have been invited by overseas posts to cover particular things and to put them in correct perspective.

401. Could you give examples?—I recall enquiries of this nature from one of the Latin American posts at the time of the foot and mouth epidemic.

Mr. Costain.

402. When Sub-Committee F were investigating exports and the Board of Trade gave evidence, there was some criticism of the amount spent on press

* See Appendix 6, p. 235.

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advertising in this country. Would it not be a good idea to transfer that money to broadcasts overseas? If you accept that, how do you switch the vote?—(Mr. Tuite.) Transferring money to the overseas vote is one of our bureaucratic problems. It was Sub-Committee F's recommendation that we had a different approach. They were not criticising the advertising campaign as such.

403. They felt a lot of money had been spent on it?—Yes.

Mr. Costain.] It is the bureaucratic idea of flogging the enthusiasm of manufacturers. It is the bureaucratic process which interests this Committee. How do you switch that money to broadcasting overseas, which seems a sensible idea?

Mr. Marten.

404. What percentage of total overseas broadcasting is on behalf of the Board of Trade? Do you know that?—I do not think that would be possible to determine within our liaison with the external services. We keep them informed of industrial activities going on in Britain. We supply them with a certain amount of information. They would use it as they saw fit—in a women's programme or a scientific programme. I do not think it is possible to give a percentage.

Mr. Macdonald.

405. Does the Board of Trade ever express any view about the balance of the content? Presumably, some programmes output will be of an entirely cultural nature and in no way related to the Board of Trade's own interests. Does the Board of Trade watch the balance at all in case programmes in which they are interested occupy perhaps a diminishing part?—No, Sir. We do not watch the programmes. We get transcripts of some programmes. We tell the B.B.C. what our objectives are. We endeavour to specialise with our publicity, to gear it to known requirements in a particular market. Having got this information we then inform the B.B.C. that Germany is going to be our main market—as it is this year—and what commodity headings we wish to specialise in. Then we leave it to their competence and experience to handle it as they see fit.

Mr. Howell.

406. Could we get further into the detailed mechanics in this liaison with the B.B.C.? Do you go regularly, say, once a year, over all their foreign language programmes and external programmes comparing them with your needs? Or do you just go to them from time to time?—There is a systematic review. It used to be monthly when we were trying to establish a liaison. It is now roughly quarterly. It is a policy liaison we have quarterly. We are in daily touch with the B.B.C. and the various programme producers. We have this quarterly advisory meeting where we refer to the whole situation generally. We are notified by the B.B.C. and the Foreign Office representative of any alteration in the programmes, any increase or decrease on any particular programme, and we endeavour or the B.B.C. endeavour to fit our needs and requirements into the particular programmes going out overseas.

Chairman.

407. Could you tell us something on the part played, in what we have been talking about for the last few minutes, by the Advisory Committee on Export Promotion on which the B.B.C. is represented and in which you play a leading part? Can you tell us the part played by that committee in fulfilling the role of the Board of Trade as a prescribing department vis-à-vis the B.B.C.?—This committee was set up in 1964 following the Rapp Report on External Services. The report, as I recall it, thought there should be much closer relations between external services and the Board of Trade and we accepted this. When the committee was established it sat monthly. On the committee at that time was the Foreign and Commonwealth Office, the Central Office of Information, the British National Export Council, and ourselves. This committee was primarily established to collect commercial and industrial information put out by the official information services and predominantly the Central Office of Information. It let the B.B.C. see what it put out. That was one of our terms of reference. The other one was, of course, to give the B.B.C. every conceivable assistance in feeding them and

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supplying them with detailed information and commercial policy information so that their broadcasts, which included a trade promotion content, were not being wasted.

408. We were told the B.B.C. has a direct link with industry, notably in the field of science. What part, if any, does the Board of Trade play in that or are they on the side lines?—We like to think we have made a very substantial contribution to making industry aware of the services which are available to them from the B.B.C. We have had in the Board of Trade Journal supplements about the B.B.C.'s services. We frequently have articles and references in all our export publications to the B.B.C.'s services, and we have assisted the B.B.C. in the distribution of their own printed material.

409. Do you encourage the naming of firms?—Very much, Sir. We have found from the evidence that has come back that it is the fact that—unlike the home services—they are not inhibited with the use of names of products or firms that is a very important selling point when you get the returning trade enquiry.

Mr. Hamilton.

410. If I might refer again to a point raised in the C.B.I. letter,* they make the comment that "the B.B.C. could make more widely known what it does on behalf of industry in its External Services". What do you think they are getting at?—We know how difficult it is to get our message home to industry. We constantly meet prominent exporters who have never heard of the Government's services for exporters.

411. That is their fault?—Yes, it is. Our regional controllers throughout Great Britain give publicity to the services available from the B.B.C. We give Ministers frequent help in their speeches to chambers of commerce when they tell of the availability of the B.B.C.'s services. But I agree there are large sectors of industry, mostly in the medium sized category, who still are not conscious of the services available.

412. Do you think there is anything else the B.B.C. could do that they are

*See Appendix 6, p.235.

not doing now?—On the home television services the external services have been given publicity to which there was an incredibly good response. I would like to see more publicity about the external services given on the home services. I do not think there is enough of that.

Chairman.

413. On this question of using the B.B.C. to promote exports and to draw attention to particular products or companies, and correct any balance of over-depression there may be, how do our efforts in this country compare with comparable efforts in that field with our trade competitors?—I have had a certain amount of experience in the German overseas services and America but I am not in a position to compare one with the other. What I do know, by talking with foreign competitors and those engaged in exports, is that they envy the fact that we have the B.B.C. working for us.

414. You do not have people saying, why do you not make more use of the air as so and so does?—I have not heard that.

Mr. Lewis.

415. May I come in on the remark about home services not advertising external services enough. Is it not possible for them to do an advertisement in place of the chart that they use for testing? A testing chart advertising the B.B.C.'s external services in the home which would not cost anything much. I wonder whether, in place of that chart, you could have a similar sort of testing thing giving up to the minute advice on what the B.B.C.'s external services are doing. It would not cost anything?—I would not have thought so.

Mr. Macdonald.

416. I had not realised before that the external services mentioned firms and products. I wonder if I could put two questions? It might be unfortunate having mentioned a product if it turned out to be unsuitable. Does the B.B.C. or does the Board of Trade make any check about the merits of a product before it is mentioned? Secondly, on the subject of mentioning individual firms and products—I hardly like to ask this

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—but are the firms paying anything for this?—On the first point a very careful check is made of all the material which is put out by both the Central Office of Information and the B.B.C. Every once in a while we slip up, but surprisingly enough it is very rare considering the amount of material that goes out. There are the B.B.C.'s regional officers and the Ministry of Technology has its regional officers, and there are many ways of checking this. But the material comes from reputable firms. When in doubt the B.B.C. do turn to us or our regional controllers. On the second point, no payment is made that I know of.

Mr. Costain.

417. To put the record straight I think Mr. Macdonald has the wrong impression. Is it not the fact that the B.B.C. will advertise by saying that Leyland have an order for 400 buses for Teheran?—The B.B.C.'s home service would do that. The external services will mention a product but that in itself is not enough. If there is a new ball-point pen they would not use this in a story unless it was substantiated by a demand in a particular market.

Mr. Howell.] I want to ask some questions on Treasury control.

Chairman.

418. I think we will come to the Treasury. I would like to move on to the Ministry of Defence, and ask how the Ministry of Defence sees itself as a prescribing department?—(Mr. Evans.) The Ministry of Defence does not prescribe in the sense that prescription is being talked about now. We make no direction to the external services themselves and do not regard ourselves as a prescribing department for them in any shape or form. Our prescribing is limited solely to the monitoring services.

Mr. Lewis.

419. Could I follow that up? Would you not think you should be in a position of prescribing?—I do not think so.

420. You have never desired it?—No. This is not to say there could not be discussions between the appropriate desks of the Ministry of Defence and the Foreign and Commonwealth Office.

The Ministry of Defence would not wish to impose any form of prescription on any external services. It would be a solely advisory function.

Mr. Hamilton.

421. Your Ministry does examine preliminary estimates of the B.B.C. Can you tell us how detailed that examination is?—Yes, the examination is very detailed. We are responsible under the agreement made on the proportion of monitoring service costs. Our proportion is agreed at 20 per cent. This item has to be justified not only on the budget of the B.B.C.'s external services but on internal budgets as well. This leads to a thorough examination of the way in which the money is spent and the value we derive from it. We do examine closely the proportion of time spent in monitoring on various programmes and the productivity of those programmes in the terms of information which is of value to us. It has to be of a rather general nature. One has to be satisfied with the subject, the amount given and the amount of information received. Information is a difficult commodity to cost.

422. Is there any serious conflict between the Ministry of Defence and the B.B.C.?—There is a good deal of discussion on details. This discussion on details goes on throughout the year, quite independent of any particular review phase.

Mr. Macdonald.

423. There is an arrangement with the Americans that they monitor part of the world's broadcasts and the B.B.C. monitor the other part. Is it split fifty fifty and do the Ministry of Defence feel we are getting from American monitoring a reasonable flow of information justifying our monitoring with them and supplying them with information?—There is an arrangement with the American monitoring service; not between the Ministry of Defence but between the B.B.C. and the Americans, which we support. We would find it a little difficult to proportion the amount of return from the B.B.C. and the F.B.I.S. There is a question of balance. Some programmes are more audible to some stations than others. This is an interwoven fabric. The net return is

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that we feel we gain immensely by the American monitoring service. The answer in terms of volume is that the return is greater than we get from monitoring services alone. In terms of value it would be very difficult to say.

424. Is it possible that you are asking the B.B.C. to monitor certain broadcasts not because they are of special value in themselves but because if we did not provide a certain amount of stuff for the Americans we would lose out because they might object to providing stuff to us?—This is a very conscious issue. In any co-operative arrangement there must be a certain amount of give and take. We are aware that some of the programmes are monitored primarily because of the American interest. One could not say such and such a thing is being done specifically for the Americans.

Mr. Marten.

425. As this is quite overt what value do you get out of this as a department?—We get considerable value from it, Sir. It is open, but one needs a great background of this open information in addition to any confidential source material. Indeed there is a basic quantity of overt information which means that one can narrow the field for methods by which one must get information which is more difficult to obtain. This is one of the great values of overt sources. It has the added value that the conclusions based on overt material are attributable and one can discuss them more readily.

426. Presumably your requirements overlap with the Foreign and Commonwealth Office's?—Yes.

427. You share the prescription?—We share the prescription and there is a very close relationship in the way it is exercised.

428. There is no waste in this?—There is no waste at all. There is undoubtedly an area we could do without. There is probably an area the Foreign and Commonwealth Office could do without, but this is something we decide between us and we would not feel there was any waste in the system at all.

Chairman.

429. Could we hear the part played, if any, by the prescribing departments in the transcription services?—(Mr. Cape.) I think, Sir, that really our main interest in the transcription services is the one I mentioned earlier. In recent years it has largely been a financial one related to the general problem of getting the best value over the whole field of information expenditure. That means we have encouraged the B.B.C. to do what is possible to get the receipts increased from the transcription services so that the net total cost has, if anything, decreased despite risen costs. That fact has largely determined our approach to the transcription services because the B.B.C. in their turn, in order to obtain increases in receipts, have needed a pretty free hand in their negotiations with their customers. So that, although looked at from the point of view of support for our policy objectives, one might not give a great deal of priority to, for instance, making recordings of new British music, very often the balance could be tipped by the fact that this is an essential part of the package which the B.B.C. sell to other broadcasting organisations.

430. What part, if any, is played by the British Council in all this?—Again the liaison in this field is more direct between the British Council and the B.B.C. than through us. I really would rather the B.B.C. answered that point.

Chairman.] I think we now come on to the Treasury aspect of this.

Mr. Howell.

431. I would like to start with the central position. We are dealing here with an annual programme, which is about £9½ million for all the external services?—(Mr. Cliffe.) Ten million pounds altogether.

432. Is it the policy of the Treasury in this area to aim within that annual budget for as much delegation of authority, for how it should be spent, for the decision to be taken by the kind of process we have been discussing, or does the Treasury like to keep a more detailed control on changes in the pattern of spending in the programme?—(Mr. Hodges.) The broad approach is one

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of delegation on the distribution of programmes and so forth. The formal delegations of authority are laid down in the Memorandum on BBC Finance. You will see they cover current and capital expenditure. These form part of the basis on which we approach control on this programme; but, more broadly, we look at it in the light not just of the broadcasting total, but of the total limit of overseas information expenditure, although every year we have to look closely at the broadcasting component of that.

433. Is it your feeling that any strains arise from the degree of control which you feel yourselves required to exert? Is there ever a demand for a freer hand?—This seems to have been thoroughly accepted. We have had no evidence, certainly not for many years, of any undue shoe pinching.

Chairman.

434. We understand that the overall total has been settled at ministerial level. Do you regard it as requiring of you more than making sure that that limit is observed, or do you consider it necessary to go beyond that and see if in practice you can get what you need at a lower figure?—We have to go beyond keeping within that overall limit. We are exercising a reasonable control on the external services within that limit and financed by grant in aid. We do not consciously go out of our way to press for reductions in the total for the B.B.C. within the overall limit unless there is some really difficult situation when we are faced with not being able to agree with our colleagues in the Foreign and Commonwealth Office with a tight overall limit.

435. You have to sanction capital expenditure for external services. How do you judge proposals that are put to you?—The proposals vary somewhat in character. You may get a pretty large capital project or you may occasionally—there are not a great number of these that come to the Treasury in practice—get something fairly small and technical. On the latter kind of thing we would have regard to what advice we could get from the Post Office if it was a matter of some engineering services. We would look at it also in the light of the general

position of the estimates. With the larger project one is normally looking at something liable to spread over more than one year, and where the pattern of expenditure may be uneven. In those cases we would have to look more carefully not only at the basis on which the whole thing is set up and the way it is produced, but at the incidence of expenditure over the years because this could have an important effect.

436. This ceiling that has been established, is it over a period which is fixed or is it a fixed figure per annum?—It is settled by Ministers as part of the general planning of public expenditure.

437. So it is a question of taking one year with another as is done in other spheres, is it not?—Not really. I think public expenditure planning needs to be done over more than one year. The total amount to be available for overseas information has to fit into that.

438. In practice, if the B.B.C. and prescribing departments and the Treasury between them contrive to do what needs to be done at significantly lower figures, can that be carried forward for future spending?—Not necessarily. It would depend on the circumstances governing public expenditure and other claims besides overseas information. But I think it would be fair to say that if a major programme was going to achieve the necessary objective at much lower costs than a *prima facie* case might exist for not taking it back but allowing it to be available for other forms. But this would have to be looked at in the circumstances.

439. In the subsequent period?—Yes.

Mr. Howell.

440. Are you satisfied on the whole with the techniques of cost control within the external services and its budgetary system?—We are satisfied in the sense that we have good reason in general to believe that the B.B.C. operate in an efficient way. This has been confirmed in various reviews and inquiries. We also know what the Post Office is doing on the more technical and accounting side. We have the opportunity which

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is provided by the cases which come to us outside the delegated limits of seeing what is going on and how particular matters are being handled. This is indeed one of the values of the particular case.

Mr. Macdonald.

441. The B.B.C. balance sheet shows external assets at cost. Do you feel this is desirable? Would you like to offer any comment on that?—I would not like to comment on that offhand. I suspect this is a matter we would have left to be sorted out between the B.B.C. and the Post Office. Perhaps Mr. Cliffe could help.

442. Perhaps I could put another question whilst thought is being given to that one. The charter says the B.B.C. may raise money by debentures but not by charging assets that are used for the external services. What is the reason for that restriction?—I suppose it is because external services are largely, if not entirely, financed by grant in aid from the public purse.

443. But if a lot of these capital projects are spread over a number of years, as they must be, would the Treasury see any necessary financial objection to fund the cost over a period?—I think we would have to look into this in the light of Parliamentary control.

444. You would see a difference in that respect between the external services and the home services because of the different way they are financed?—I would, yes. I do not know much about the home services' arrangements, but certainly for the external services this would be my view.

445. In the estimate for the expenditure during the current year which has been made available to us it would appear that the percentage of the overall total spent on salaries and wages in connection with programmes has increased. Is that the kind of thing in which the Treasury would expect to take an interest?—I think our interest in this case would be within the general framework of the requirement on the B.B.C. to take account of the Government's incomes policy. The arrangement they have enables them to increase costs without special authority. We do

not have the same kind of concern with salaries in the B.B.C. as, for instance, the Civil Service Department would have for a Government Department.

446. While there is an incomes policy you might feel it a subject of concern, but you, assuming there to be no incomes policy, would not investigate an increase of this nature?—It would be a matter of concern if the B.B.C., for example, were giving very large pay increases and this, taken with risen costs, began to put pressure not only on their own share of the resources for overseas information, but also on the limit as a whole.

Mr. Marten.

447. Are you interested in the numbers employed when they go up?—We do not concern ourselves directly with the staffing arrangements for the B.B.C. Perhaps I can ask Mr. Cliffe if he has any comments. (Mr. Cliffe.) Perhaps I could suggest that the increase in the proportion of the expenditure attributable to management as between 1966-67 and 1967-68 is not all that significant. The increase appears to be from 2.94 to 3.02.

Mr. Marten.] I am looking at another figure.

Mr. Macdonald.

448. I was look at the third figure down?—(Mr. Hodges.) We have only just seen the 1969 table.

Mr. Marten.] The increase is about 2.4.

Chairman.

449. Leaving aside the question of figures you say you are not concerned with numbers. Also you are not concerned with what people are paid?—Could I put it this way: Our control over external services expenditure is not of the kind which involves us in a duty to control, in any detailed way, the staffing and pay arrangements of the B.B.C. We are concerned for economic reasons in the incomes policy aspect of what the B.B.C. does on pay. To the extent that they are claiming risen costs and the total amount of money asked for year by year is going up, we would

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be interested if it turned out that this was because of, to take an absurd example, a wild staffing policy. Beyond that we do not know, except to the extent that the statistics indicate, how many people are employed.

450. Is your relationship with the B.B.C. any different to your relationship with any Government Department?— I think it is, except that the Civil Service Department attends where the Treasury attended before to staff numbers in the Departments.

451. What about the civilian department?—That is for the Civil Service Department to look after. (Mr. Cliffe.) I would say it is quite normal that the Treasury do not exercise a detailed control over the complementing of staff in grant aided bodies. I think a further point that has to be borne in mind is that the external services represent part of a larger organisation, and you cannot really make a basic distinction between the staff of the home and external services.

452. Can you tell us, is your direct concern with staffing problems in the B.B.C. home services any different to the staffing of some other Government Department, say the Home Office?— (Mr. Hodges.) I only deal with the external services of the B.B.C.

453. We have just learned that you cannot deal with the external services in isolation; they are wrapped up in the home services. Is the Treasury review of home or external services any different in this respect from their relationship with the Home Office?— Yes, I think it is different as it is a grant aided body where control is of a broader kind than over a Government Department where the Treasury interest in staffing matters is now transferred to the Civil Service Department.

454. There appear to be three types of department with whom the Treasury have relationships in the financial context—the grant aided, the traditional and the department such as the home side of the B.B.C., which derives its income from licences, and in which, we have been told, the control is quite a different

one, because it is derived from licence fees, to what it would be if it was derived from the orthodox method of Treasury provision of funds. There are three different kinds, are there not?— I think one can look at the home side of the B.B.C. as a third kind. Could I answer your point in this way: if you are thinking of the external services in the B.B.C. then we approach that as we approach other grant aided bodies, such as the British Council. The fact is, however, that the staff of the B.B.C. is a unity within the home and external. This is probably an added reason why we should not try to get too deeply involved in their day to day staff management. Equally, I think it is a reason why we should give them different treatment. They are not treated like an ordinary Government Department. But even though the home and external sides are different and they are differently financed, there are reasons why it is not possible to give them different treatment.

455. As a result of the special circumstances it would be fair to say there is not the same nor cannot be the same supervision of the B.B.C. as would be provided to the Home Office?—That is so. That applies to other grant aided bodies.

Mr. Howell.] That is to say there would be an annual checking on the objectives of such a grant aided body before the £10 million is put in the estimates yet again for another year.

Mr. Marten.

456. Do you regard British colonies as grant aided bodies?—This is rather different because we are talking here about an agency which is operating for a Government purpose. On the other hand, you are talking about a territory which is being helped in one way or another through grant in aid.

Chairman.] Two or three questions have cropped up, and for general convenience we will ask the B.B.C. representatives, who I happen to know are here, if they would be so good as to answer them.

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Mr. O. J. WHITLEY,
Mr. J. H. MONAHAN, C.B.E., Mr. R. W. P. COCKBURN
and Mr. E. B. THORNE.

[Continued.]

Mr. O. J. WHITLEY, Managing Director, External Broadcasting, Mr. J. H. MONAHAN, C.B.E., Controller, External Broadcasting Services, Mr. R. W. P. COCKBURN, Controller, Administration, External Broadcasting and Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined.

Chairman.

457. There are four particular questions which arose during the course of our earlier questions this afternoon. Perhaps we could hear from the B.B.C. about each of them. Reference was made to the significant changes in the pattern of external services broadcasting in 1968. A question was asked as to the cost of the changes. We are waiting for you to give us the answer?—(Mr. Cockburn.) The East European services cost about £50,000.

458. That was the main cost item in the changes during that year?—Yes.

459. Questions were asked as to the number of languages which were put out to Africa from this country as compared with the number of languages to Africa from other broadcasting countries. One reason given for the fact that we did not give more dialects was the cost, and it was suggested that it would be very much more expensive as I understood it, to switch from English programmes to vernacular programmes. Could you give us some indication what is the magnitude in all that?—I think it would be very difficult, Sir, unless one knew exactly what one was comparing with what. Perhaps I could help in this way by saying that the cost of one of the smaller services in a foreign language which we operate comes to about £25,000 per annum.

460. The cost of what?—One of the smaller vernacular services comes to about that. I think this probably provides one with a reasonable yardstick to assess the cost of a limited operation in any vernacular service, whether African or Scandinavian.

461. I think we were told that at the moment you are using five languages in Africa. Even to get that up to nine would be of the order of £100,000?—I think that would be a fair assumption.

462. The next question arose about not broadcasting to Scandinavia. What would be the cost of broadcasting in a Scandinavian language for four hours?

—One can only give a good estimate, say, about £25,000 for about five hours a week.

Mr. Marten.

463. Throughout the whole year?—Yes.

464. Could you lay it on for, say, three months before a trade exhibition, or would it be relatively more expensive?—I think it is bound to be relatively more expensive when one is doing it for a limited period. (Mr. Whitley.) I think it would be relatively less desirable because you have to build up your audience and this takes more than a matter of weeks or months.

465. How do you arrive at the figure of £25,000? What is the rough breakdown for five hours a week throughout the year?—(Mr. Cockburn.) This would mainly be related to the salary bill: the foreign language staff one is employing, the translators and announcers. This would be the main component.

466. The mechanical side is not really very great?—For 45 minutes a day the overhead costs are not very great.

Chairman.

467. Then we learned there was a direct link between the British Council and the B.B.C. Could you tell us something about that?—(Mr. Whitley.) There is a very close relationship between the British Council and the B.B.C. over English language teaching. The B.B.C. is in constant touch with the opposite numbers in the British Council staff over these programmes in both mediums. There is not, as far as I am aware, any close liaison with the British Council and the B.B.C. outside the field of English language teaching which is done by the B.B.C., both direct over the air and in the provision of recorded programmes. There is a means for the development of close liaison between the two bodies in that I am a member of the British Council's executive committee.

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Mr. O. J. WHITLEY,
Mr. J. H. MONAHAN, C.B.E., Mr. R. W. P COCKBURN
and Mr. E. B. THORNE.

[Continued.]

468. Do you use the British Council to gather information overseas as to the effect of your broadcasts and the needs?—We do get information from the British Council offices. I should also have mentioned one other thing: The B.B.C. helps to train British Council officers, both in the form of refresher courses and before they take up their posts overseas. When they are overseas they have considerable opportunities for broadcasting in the territories they are in.

469. In these overseas broadcasts by other countries is there any other source from which they could derive information from other than the B.B.C.? The reason for that question is that when the Central Office of Information was examined some years ago a reference was made to tapes provided by them to overseas broadcasting stations as a seemingly separate source of information about Britain than the B.B.C. Does that practice continue?—It does continue, Sir, yes.

470. Is that all you want to say about it?—I was going to say that since 1951 and 1952 the liaison between the two bodies has been considerably improved. There are quite frequent contacts between the staff involved in the provision of recording material by the C.O.I. and by the B.B.C. There is a document which I have looked at recently and I am going to examine more closely which seeks to set out, in about as much detail as could be, the demarcation line between the C.O.I. and the B.B.C. It is difficult to draw boundaries.

471. What prompts you to say you want to look at it more closely?—I have newly come to my present job.

472. The liaison is satisfactory as far as you have discovered?—I know it is very much more satisfactory than it was on the previous occasion. I would not like to say, until I have gone into it more thoroughly, whether it is capable of improvement.

Mr. Howell.

473. Would it be thinkable—going on in this line of discussion—that the services might be interested in some way. Would it be possible, for instance, for the C.O.I. to contract the B.B.C. to provide these tapes or perhaps it does that

already?—We already give them help in the provision of translation and this kind of thing. I think it would be impossible for a total integration of this because there are certain things that it is entirely right for the C.O.I. to do which the B.B.C. would not want to do.

Chairman.

474. We were told—I think it was last week—that the overhead costs as divided between home and external services had been effected by the growth of television. Is there anything more to it than the fact that television can justifiably be charged a larger slice than it used to be? What lies behind this?—(Mr. Thorne.) We look at each department separately and we assess the volume of work that has been done for each service. The growth of television has been such that progressively the percentage charged to television has increased and the percentage charged to both radio and external have gone down. It is only in the examination of each department that these percentages can be traced and fully explained.

Mr. Macdonald.

475. As we are on finance I wonder if I could ask Mr. Thorne the question I asked earlier? What is the reason that the assets of the external services are shown at cost and without depreciation being charged?—We do show the amount of depreciation that would have been charged in the footnote of the accounts. We do say in Note 1 that if depreciation had been calculated on the same basis the net book value of such assets would be roughly £3 million.

476. Could you say what the reason is for recording it in a note rather than on the balance sheet itself?—Yes. I would think that the whole of the external services assets are replaced when they have got to be replaced. We are not building up any specific fund in the case of external services and I have no other reason that I can put forward why these are shown gross and not net. (Mr. Cockburn.) I think there was a reference to that in the Estimates Committee's Report of 1951-52.

477. I am much obliged; I shall have to check that. There is another item

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[Continued.]

in the balance sheet which refers to debtors and unexpired charges. I think Mr. Thorne mentioned last time that any income is not shown in the published account. Could we know what is the turnover of which these debtors form a part and what percentage of annual turnover are these figures roughly? Last time the only figure mentioned was about £10,000 for the topical tapes?—(Mr. Thorne.) In the balance sheet of 31st March 1968 approximately one half of these debtors, £114,000, are for broadcasting organisations. Predominantly America accounts for about half of the £114,000, and there are similar figures for other broadcasting organisations. We have also included in debtors some unexpired charges. Those are rates paid in advance and the like. But the figure of £114,000 on the basis of turnover would roughly be twenty per cent.

478. Could you let us have, if not now, in a note, the actual turnover figures for the sales made by the external services department? Is it possible to ask that?—I would say they would be of the order of half a million. I am subject to correction.*

Chairman.

479. At what rate do you get your debts? What is the time lag?—I would say the normal commercial time lag. It would be one, two or three months.

480. Which of those is it?—Taking the Americans, where we do get payments through the American Embassy, we have been as much as four months behind.

481. With payments from America?—Yes.

482. Is it getting better with America, or worse?—It does fluctuate. I would say it is getting better.

483. What about your other debtors?—These are so small in relation to the turnover that the collection is very good.

484. So there would not be much, outside America, that goes beyond 4 to 6 weeks?—I would have to analyse the £57,000 for the other broadcasting

*Note by Witness: The exact figure for sales by the External Services in 1967-68 was £567,000.

organisations. I will do it if you would like me to.

Mr. Macdonald.

485. Still on the financial aspect, on page 102 of the Annual Report and Accounts the grant in aid account is set out. Under income there is an item for interest—on what?—It is basically the interest on the money we have received for grant in aid. We receive this in two monthly instalments—that is every two weeks. When we obtain the money we are, as it were, in funds, rather like with one's salary cheque. One is in funds for the first few days of the month. In these circumstances we invest that money on short-term deposits, and this has the result of giving interest to the external services. During the year there was £19,000 obtained in this way.

486. I suppose it is six of one and half a dozen of the other. I suppose if you did not have it the Treasury would be investing it?—Yes.

487. Where do you put it?—We put it with merchant bankers. It is all tied up. We put it on overnight call and obtain the best interest we can.

Chairman.

488. One last question because time is getting on. Could you say a brief word about the relationship between transcription services and Radio Enterprises, referred to on page 59 of the Handbook?—(Mr. Whitley.) The transcription service produces programmes in recorded form for broadcasting services overseas. Radio Enterprises is a much more recently created unit whose job it is to sell programmes to anyone else.

489. Other than overseas broadcasting stations?—Yes.

490. Can you tell us how it is getting on?—It is making slow progress.

491. How long has it been going?—It has been going now for three years, I think. It is a difficult market to break into.

492. It is sold in tapes or records? Is it tapes for people to put on their machines?—Either on tape or disc. They try to sell them anywhere in the world, including this country where it has had some success, but it has not

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[Continued.]

quite got to the stage of breaking even yet.

493. It is losing money?—It is a domestic B.B.C. service and not an external service.

Chairman.] We can learn a little more about it when we come to home services. I think that finishes our questions for today. Thank you very much.

MONDAY, 3RD MARCH, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. David Howell.
Mr. Arthur Lewis.

Mr. Macdonald.
Mr. Neil Marten.
Mr. Ben Whitaker.

B.B.C. FINANCES

Memorandum by the B.B.C.

1. Licence Fee Negotiations since 1962

The Committee on Broadcasting 1960 under the chairmanship of the then Sir Harry Pilkington reported in June 1962. The Government in its Memorandum on the Report of the Committee (Cmnd. 1770) authorised the B.B.C. to start on large scale expansions in Television and Radio which the Committee had recommended. The most important of these recommendations were the opening of a second television service on 625 lines, the introduction of colour television, the extension of hours on radio, more Welsh and Scottish television, and further educational programmes for adults on B.B.C.-1. The Government recognised that these proposals would mean increased expenditure. The White Paper (paragraph 59) added "The Government accepts its responsibility to see that the B.B.C. can secure sufficient income to finance adequate services".

The combined licence fee at the time of the Government's Memorandum in July 1962 was £3. An additional charge of £1 had, however, been levied by the Government as Excise Duty since 1st August 1957 making the cost to the licence-holder £4 in all. (The Duty, retained by the Government, amounted to over £66 million during the six years it was in operation.) The radio only licence had remained unchanged at £1 since 1st June 1946.

The B.B.C., in view of the large potential increase in expenditure as a result of the approved extensions, asked the Post Office in July 1962 that the combined licence should be increased to £5 and the radio only licence to 25s. from the 1st April 1963. Alternatively, it suggested that it should receive the proceeds of the £4 licence from the same date provided the fee was raised to £6 on the 1st April 1965.

The Government did not agree to either proposal. It gave the B.B.C. the full proceeds of the £4 licence, but from 1st October 1963 rather than 1st April 1963.

In October 1964 a new phase began in the long series of discussions between the B.B.C. and the Post Office to determine the licence income that would be required to meet the additional expenditure arising from the major developments already described. The B.B.C.'s first request was for a £6 licence from 1st April 1965 with a 25s. licence for radio, but the Government decided only to give £5 (radio 25s.) from 1st August 1965.

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[Continued.]

Shortly before the licence fee was increased to £5, the Government instituted its own review of broadcasting affairs, which involved a searching examination of the B.B.C.'s finances and its claims for a £6 licence. The Government told the B.B.C. in February 1966 that it was not anxious to increase the licence fee for the time being, particularly as it was calling for restraint in public expenditure elsewhere—this was at a time when, for example, reductions in defence expenditure had been heavy.

The B.B.C. said that, if its expenditure had to be considered in the same drastic terms, it could survive on £5 for the next two or three years with the aid of its borrowing powers. These calculations rested on two important assumptions. First, the willingness of the Government to introduce in 1966 legislation to reduce licence evasion which was losing the B.B.C. some £10 million a year. Secondly, that there would be no extension of television hours. Large savings and deferments in expenditure were planned. But the need for an increase in the licence fee by 1968 remained, particularly after the introduction of Selective Employment Tax. The B.B.C. consequently asked the Government in May 1966 that the licence fee be increased to £6 on 1st January 1968 which might then well enable it to carry through until well into the 1970's without further increase.

In December 1966 a further White Paper on Broadcasting was published (Cmnd. 3169). It contained the following words:—

Paragraph 8

“The Government have completed their enquiry into the B.B.C.'s Finances.”

Paragraph 11

“The Government have decided that there should be no change for the present in the arrangement whereby the B.B.C. are financed through the licence fee system. But at a time when none may be content to rest upon present standards of efficiency and financial performance, good though they may be, the Government have thought it right to expect of the B.B.C. that they should set themselves even more exacting financial objectives. They have accordingly asked them whether, assuming the expenditure ceiling which would be implied if there were no increase in the licence fee for the present, the Corporation would be able to maintain their present services, and to proceed with extensions and developments either already authorised or proposed below. The B.B.C. have reported that, by making special economies, they will—on certain assumptions—be able to do so until 1968 when they would need an increase of £1.”

Paragraph 15

“The Government recognise the efforts which the Corporation are making to defer their request for an increase in the licence fee. The increase will be required in due course, but, given the combined effect of the special economies to be secured by the B.B.C. and of the further measures to be taken to combat licence evasion, the Government are satisfied that no increase in the fee will be required before 1968.”

Broadcasting is not a static service, and in January 1967 the B.B.C. was asked by the Government to incorporate into its estimates a major development which had not been included in the developments authorised by the Government following the Report of the Pilkington Committee. This was the duplication of B.B.C.-1 on 625 lines in U.H.F. in colour. The B.B.C. was able to contain this development within its estimates without asking for the increase in the licence fee to be advanced to a date earlier than 1st January 1968. It was able to do this by eliminating the provision for extension of hours planned for B.B.C.-2.

The Wireless Telegraphy Act was amended in July 1967. It gave powers to the Postmaster General to enable him to deal effectively with licence evaders. Higher fines were introduced and the Postmaster General was enabled to obtain the names and addresses of new rental customers and of purchasers of television sets. This scheme is already in operation. The Act also empowers the Postmaster General to obtain similar information about existing customers of television rental companies.

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[Continued.]

This power has not yet been exercised. It is reasonable to assume that there could be many of the estimated 1¼ million remaining evaders within this group. A pilot survey could assess the likely percentage. The B.B.C. naturally would wish for the greatest drive to be made against these remaining evaders since a licence income of £7½ million is at stake.

In October 1967 the B.B.C. was once again asked to make a study of its financial needs, of possible further economies, and ways of raising the needed money.

The B.B.C. said they could see no way of raising the needed money other than increasing the licence fee. The £1 increase on which the B.B.C. had counted would yield some £15 million a year or £60 million in the four-year period to March 1972. It would be impossible to find this kind of money from economies and postponements of expenditure. Borrowing would be no solution. Without the £1 increase in 1968 there would have to be a reversal of policy and slashing cuts in programmes. The major items of increased expenditure were B.B.C.-2, colour, and duplication in colour on B.B.C.-1. The cost of colour on both networks and duplication in colour on B.B.C.-1 would amount in the six years to 31st March 1972 to rather more than £40 million. The complete abandonment of B.B.C.-2 would save about £50 million up to March 1972. Had these fundamental reversals of policy been decided upon money already spent would have been wasted. The B.B.C. felt that further denial of the increase should not be made but offered to accept a postponement of the increase from 1st January 1968 until 1st September 1968 at the latest.

In the event, the combined licence fee was increased to £6 on 1st January 1969, while a supplementary licence of £5 had been introduced for colour television a year earlier.

2. Present Position

The B.B.C. has had to operate for a considerable time against a general background of financial uncertainties. It has had to exercise its borrowing powers from time to time, but by economies, deferments, and careful planning it has retained a firm grip on its finances. While it is estimated that there will be a deficit at 31st March 1969 of some £3 million, it is also estimated that it will be extinguished by the end of the next financial year.

In April 1968 the B.B.C. retained the services of McKinsey & Co. Inc., an international firm of Management Consultants. They were asked to advise on the means by which the B.B.C.'s resources could be managed more effectively. McKinseys have completed their diagnosis and have said that the B.B.C. in general has done a good job in planning and controlling the available resources. They are working on certain recommendations in conjunction with members of the B.B.C.'s staff.

3. Specific Subjects

(a) Colour and Transmitter Developments

A major development to which the B.B.C. is committed is the spread of the U.H.F. transmitter network for B.B.C.-2. The total estimated cost to the B.B.C. is £40 million, of which some £8 million will have been spent by 31st March 1969.

The B.B.C. began regular colour transmissions on B.B.C.-2 on the 1st July 1967. The service has been extended until now most of B.B.C.-2's output is in colour. The colour service on B.B.C.-1 will start at the end of this year or the beginning of next. The cost of colour in the six years ending 31st March 1972, including provision for additional programme costs of some 19 per cent. over and above those in monochrome, the capital cost of converting studios and equipment for colour working and the initial outlay on the duplication of B.B.C.-1 transmitters is estimated at £40 million.

It is estimated that the yield from the colour supplementary licence in the period from inception on 1st January 1968 to 31st March 1972 will be £7 millions.

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[Continued.]

(b) Local Radio

The Government White Paper of December 1966 (Cmnd. 3169) authorised the B.B.C. to embark on an experimental service in Local Radio with nine V.H.F. stations. The service started in November 1967 with the opening of B.B.C. Radio Leicester. Eight stations are now in operation.

The White Paper expressed the hope that income should derive so far as possible from local sources and not from a general licence fee. It was also hoped that contributions would be received not only from local authorities, but also from various other bodies, e.g. chambers of trade and commerce, local councils of churches, art associations and other bodies active in the social and cultural life of the community.

In practice nearly all the contributions which the B.B.C. has received have come from local authorities. They have been sufficient to meet rather less than half the operating costs of the stations. The whole of the capital cost of some £300,000 has been met by the B.B.C.

In the period to 31st March 1969 total operating expenditure will be about £800,000 and total income some £350,000.

20th February, 1969.

Sir HUGH GREENE, K.C.M.G., O.B.E., Director-General, and Mr. J. G. L. FRANCIS, C.B.E., Director of Finance, B.B.C., called in and examined and Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined.

Chairman.

494. Good afternoon, Gentlemen. I think it would be convenient if we used the Memorandum which we have been sent as a peg on which to hang a series of questions. You tell us that there was a major investigation of the finances of the B.B.C. in 1965 and I think that a similar one took place after that. Could you tell us something about the areas and the methods which were adopted for this searching investigation by the Government?—(Sir *Hugh Greene.*) This was, first of all, an investigation by a committee of Civil Servants representing the Treasury, the Post Office, the D.E.A. and other Departments concerned. It was the committee which dealt directly with the B.B.C. I appeared once or twice. Mr. Francis, our Director of Finance, was the main B.B.C. witness and that committee then reported to a committee of Ministers. As I recall it, they went pretty thoroughly into the whole area of our financing and, in particular, into the reason we were asking for an increase in the licence fee.

495. Was it to see whether the case you had advanced would stand up to examination, or was it to see whether further savings, which you had not thought of, would alter the picture?—It was to see whether or not our case

stood up. It was also to form a view as to whether our finances were efficiently conducted. I can remember that at the second of the two meetings which I attended in person, which was towards the end of this investigation, the chairman of this committee congratulated the B.B.C. on its productivity.

Mr. Costain.

496. Does that mean that no possible savings were found by this committee?—So far as I can remember this committee did not point to any savings. Of course, at that time we were very much concerned with finding savings in order to get through to 1968 without an increase in the licence fee.

Chairman.

497. Subsequent to the investigation in 1965, you refer in your memorandum—I think it is on page 4—to considerable savings that were, in fact, brought about. What was the nature of those savings?—They were in a variety of fields. Some of the savings, particularly those in the area of capital expenditure, were in the nature of deferments, things that it was absolutely necessary for us to do at some stage, but which we were able to delay in the interests of getting through to 1968 without a further increase in the licence fee. Some were the abandonment of various projects, for

3 March, 1969.] Sir HUGH GREENE, K.C.M.G., O.B.E., [Continued.
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instance, I think I am right in saying that we abandoned an extension of colour in B.B.C.-2 at that time. Some of the savings we made for that reason were quite painful ones to make. Also, at that time we looked very carefully at our main supporting services, the line of communication troops, so to speak, to see what savings we could make in the interest of having the maximum amount of our income to spend on the reason for our existence, namely, our programmes.

498. You say that part of the savings were brought about by major deferments?—Yes.

499. Could you say a little more about that. How did you contrive to maintain the service as before, if capital expenditure which was projected was, in fact, deferred?—Some of this capital expenditure was a deferment of major building works in the regions, for instance, in Manchester. I think Mr. Francis might be able to give you a better list. (Mr. Francis.) I do not have the figures.

500. Was it a question of making the old car last a bit longer?—(Sir Hugh Greene.) It was in a sense making the old car last a bit longer, yes.

Mr. Marten.

501. Presumably, now they are being done they are costing more than they would have done?—That is one unfortunate result of deferment.

Chairman.

502. One of the considerations you had to bear in mind was whether the objections to borrowing were so strong that you could avoid it. Reference is made to the fear of undue supervision when you go in for borrowing and so forth. How far, in fact, have you borrowed and how far has that fear been realised?—That fear does not exist with the first £10 million of our borrowing powers. We can borrow up to £10 million without the approval of the Post Office and the Treasury. The consideration of supervision of our expenditure arises if we borrow more than £10 million. In fact, during the years most concerned, between 1966 and 1968, we only borrowed temporarily and within that £10 million.

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(Mr. Francis.) The maximum amount borrowed was £6½ million just before the £4 licence went up to £5.

503. That has been repaid?—That was repaid and we have been borrowing again to a lesser extent recently before the £5 licence went up to £6.

Mr. Macdonald.

504. According to the charter you can borrow up to £20 million?—Up to a total of £30 million.

505. Has the B.B.C.'s borrowing ever reached this kind of figure?—The £6½ million I have mentioned is the highest that it has ever reached.

506. Did that £6½ million take the form entirely of a bank overdraft or did you issue any debentures?—It was entirely a bank overdraft.

507. Has the B.B.C. ever issued debenture stock or debentures?—The only occasion it might have done was before the last war, when we borrowed when Broadcasting House was first built. I think this was only in the form of a bank overdraft with a charge to our bankers. I do not think we have ever issued any debentures.

508. Is there any policy reason why this power in the charter has never been used?—(Sir Hugh Greene.) I think I could put this in the words used by Sir Arthur fford, our then Chairman, in giving evidence to the Pilkington Committee. He said that the B.B.C. had regarded its borrowing powers as the ultimate reserve which could be used for getting through a very difficult period, say, at the time of an inquiry when the Government was not likely to give us an increase in the licence fee. His view was, and this was the policy view of the B.B.C., that borrowing should not be lightly used but should be kept for such a period of real emergency.

509. I should like to press this point a little further, not that I am advocating reckless borrowing. When any concern is contemplating the finance of capital expenditure, borrowing is not normally regarded as something abhorrent, to be avoided if at all possible. Why do the B.B.C. adopt this particular reluctant attitude?—I think the basic reason would be that we are unlike an ordinary firm which, through borrowing, can

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increase its capacity to earn. If we borrow, through the payment of the interest on that borrowing, our service is being made more expensive to the public.

510. But the alternative to borrowing surely is to raise the licence fee. Is it not possible, therefore, that by pursuing that course the viewers now are paying for some capital expenditure which will provide improved viewing for viewers in the future?—Yes, that is an argument which has been put in the past when we have been considering the pros and cons of borrowing. I think the basic reason we have not adopted it is the one I have already given, that if we had used our borrowing powers prematurely, at some time we might have found ourselves temporarily in a very difficult position needing an increase in the licence fee. For instance, if there is an inquiry or if an election is imminent because we have to think politically sometimes, we might very badly need those borrowing powers which we should not therefore have expended prematurely.

Chairman.

511. Do the B.B.C. feel that they are in a somewhat different position from the traditional manufacturing corporation in that they have a ceiling on their borrowing powers which manufacturing corporations do not have?—We have a ceiling on our borrowing power.

512. Would that be a distinguishing feature?—That is a distinguishing feature without any doubt, yes.

Mr. Lewis.

513. On the second page of your memorandum there is a reference to the B.B.C. losing an estimated £10 million in revenue as a result of licence evasion. Your memorandum goes on to say that there would be a need for revision if there was an extension of television hours. In view of the fact that we know there has been an attack upon television licence evasion, how much would you say is still being lost in evasion—could you give us a figure? The Minister has hinted, rather broadly, that there is going to be an extension of television hours. To what extent will the latter part of that paragraph now apply in the event of the evasion not being dealt with, and the extension of television hours so far

as licence duty is concerned?—You are referring to the last part of the paragraph at the top of page 65?

514. No, it is on page 64, halfway down the second paragraph. There you say that you are losing £10 million. We know there has been some attack on licence evasion. I am asking, if television hours are extended, as it has been very broadly hinted, whether the last part of the paragraph will apply, namely, that you wanted an increase as from the 1st January of last year by another £1. You say you could carry on well into the 1970s. Will that now be upset in view of what has happened?—I think that is a very relevant point indeed. In fact, we got the £6 on the 1st January, 1969, when we had hoped to get it anyway by the 1st April, 1968. That meant a loss to us of something like £12 million. I am comparing 1st April, 1968, with 1st January, 1969. That is a very serious loss so far as our finances and our capacity to continue for a long period without another increase in the licence fee are concerned. This paper does continue the story and we make further reference to it at the top of page 65. In the light of what has been indicated by the Postmaster-General—the possibility of an extension of television hours—without further income that would certainly be of considerable embarrassment to the B.B.C. However, at the top of page 65 we draw attention to the continuing degree of evasion and if there is an extension of television hours, indeed even if there is not, we would very much hope that the Post Office might consider the use of its powers under the new legislation, to require rental companies to return the names and addresses of their existing customers, not only customers from the point in time at which the legislation came into effect. Our view would be that if that action was taken by the Post Office, it might bring in quite a considerable proportion of the amount of money which we believe we are now losing on the basis of 1½ million evaders, as a rough estimate. Therefore, it is very relevant indeed to the possibility of an extension of hours.

Chairman.

515. Should the Committee, therefore, assume that the B.B.C. is pressing the Post Office to use the powers they have,

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but which they have not yet used?— We have not yet pressed them. I think we might well feel it will be necessary to do so in the fairly near future.

516. You have known for some time that this gap in the nine months existed. What has kept you from pressing for greater use of the powers?—I am talking in terms of pressing, which is a fairly strong word. I think the Post Office is well aware of our view that anything they can do to reduce evasion would be a good thing. When I said that we had not yet pressed, I was thinking in terms of actually saying to the Post Office, "Come on, why not make use of your powers straightaway so far as the rental companies are concerned".

Mr. Lewis.

517. Has the B.B.C. given consideration to a better system of dealing with evaders, other than the Government's legislation? Have they ever thought of a log book system of registration of sets, as applies to vehicles?—I could not answer that question myself.

Chairman.

518. Does the B.B.C. regard itself as having the duty to advise on anti-evasion methods, or does it regard that as a task essentially for the Post Office, which it leaves to them?—It is a task essentially for the Post Office, but as a result of a B.B.C. initiative a sort of informal B.B.C./Post Office working party was set up on this whole business of licence evasion and the best means of collecting the licence fees, and so on. I was going on to suggest that the question just put might be answered by Mr. Thorne, because he is one of the B.B.C. representatives on that working party.

Mr. Lewis.

519. Before that is answered, could I just develop what I had in mind. If each television set had a computerised number of manufacture, which could be done in conjunction with the manufacturers, there could be almost an instantaneous system of notification of change of ownership on production of a log book, so that you could have an up-to-the-minute check on all sets?—(Mr. Thorne.) I am very pleased that you mentioned the effect of computerisation, because on the working party we regard

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this as one of the real keys to improve our anti-evasion methods. We have discussed many alternatives, but we have come to the conclusion that the present method, whereby everybody who is on the voters' list is compared with everyone who has a wireless licence, is the best. The exceptions on these lists could be thrown up very readily by computerised methods and, indeed, a pilot study is taking place at Croydon at the moment by the Post Office, who are looking into this particular question. We hope that computerisation, once it has been introduced, will speed up enormously the present manual method.

Mr. Howell.

520. Have you looked at the question of the fee you pay the Post Office for licence management as a possible source of saving, or do you feel that that is just about good value for money?—(Sir Hugh Greene.) I think I can say that we have cast greedy eyes in the past on that sum of money and our hope would be that that figure could be reduced as a result of computerisation.

Mr. Marten.

521. Is that the figure of 1s. roughly per licence across the counter?—(Mr Francis.) We pay nearly £5 million now.

Mr. Howell.

522. Going back to the overall budgetary situation again, would I be right in saying that the current hope—I will put it no higher than that—would be that if you can regain a slice of the lost £7½ million and if you can make a hole in that rather heavy licence management fee you pay, you would then have sufficient revenue in prospect to justify the sentence at the end of the second paragraph on page 64. In other words, with the £6 fee you might then well be enabled to carry through well into the 1970s without further increase?—(Sir Hugh Greene.) That is a very good summary. I would think that we would then be able to carry on until the end of the financial year 1973-74. That is what we would certainly be attempting to do.

Chairman.

523. I thought I remembered somewhere—I cannot quite put my finger on it—the comment that the loss of £3

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million for the last financial year is expected to be recovered in the succeeding one. In the face of the nine months gap, evasion, and all the rest of it, on what is that assumption based—that it will be recovered in the succeeding year?—(Mr. Francis.) We have been waiting for the licence fee to be increased from £5 to £6. When that happens we shall get an extra £16 million a year coming in. In the absence of that £16 million a year we have got into a deficit position and into a borrowing position. When the extra £1 became payable from the 1st January, it meant that for the time being our finances would be in better shape. However, we always intend that these increases in the licence fee should last us for quite a term of years. Initially our income is higher than our expenditure and the two gradually catch up. Our aim at the moment is that the lines should not cross before 1974 if this can be arranged.

524. In the early years you are better than average and in the last few years you are worse than average?—Yes, that would be true, providing the licence fee remains static for a long period of years.

Mr. Lewis.

525. To what extent is the deficit an expense due in any part to what I might term the “stars” of radio and television earning or getting in excess of the Government’s Paper on Prices and Incomes? Do you follow the Prices and Incomes policy with the stars?—(Sir Hugh Greene.) I am not sure, but I believe that strictly speaking the prices and incomes policy does not apply to fees paid to individual stars. I think I am right in that.

526. On that basis it would certainly help the finances of the B.B.C. if they were to apply the Prices and Incomes policy?—I suppose it would, but at the moment what really determines what is paid to a star is competition. It is his market value.

527. That gives me the chance to lead on the next question. What happens about a chap like Mr. David Dimbleby? If he were to be removed from his situation would you have to pay more for his successor or less, or would he get the opportunity of getting more be-

cause he has become famous overnight?—I can assure you that we have no intention of getting rid of Mr. David Dimbleby.

528. I am pleased to hear that?—Nor will the fame that he has acquired of late necessarily help him to get an individual increase in his fees.

529. Could I stop you there. I was not being facetious because there are competitors and it might be that the competitors might see him as an addition to their channel and offer him more. This is where I bring in the 3½ per cent. Is there anything to stop the competitors from taking him away from you?—Nothing whatever.

530. Nothing at all?—Nothing whatever, except a greater offer from us, of course. In some cases a man may prefer working for the B.B.C. just as he might prefer working for I.T.V.

Chairman.

531. Is there any difference in the situation we have just been discussing between the B.B.C. and the film world, for instance? Is there any difference so far as the fees to stars are concerned between the B.B.C.’s freedom and that of a film company?—No difference in principle, I would say, at all.

Mr. Howell.

532. Going back to the question of the major influences on costs, we have just been discussing an influence on cost which is, presumably, an increase in salaries and fees. Looking ahead to 1973-74 that presumably is not going to be the major upward pushing force on costs? What is going to be the major force that is going to make the lines cross, as Mr. Francis was saying just now?—I would have said the major influence on costs would be general inflation—the effect of that on salaries of staff of course, the effect on payment of artistes and the effect on major contracts for big events, sporting events and so on. All of those contribute to this situation.

533. Rather than development costs for colour and the other new techniques and innovations?—On average colour costs 19 per cent. more than monochrome for all programme costs. You mentioned development. There are the very heavy

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capital costs in which we are involved for the duplication of B.B.C. 1 in U.H.F. on 625 lines. There is the building, therefore, of a new transmitter network. There is the conversion cost of studios to colour. Therefore, it is both big increased costs in capital expenditure and big increased costs in operational expenditure.

Mr. Lewis.

534. Concerning the question of the cost of the large sporting activities, what about other national and international events? If the Government asked the B.B.C. to cover an event, such as President Nixon's visit, would the B.B.C. have the right to say that they do not think it would be wise or profitable to cover it? Have the B.B.C. the opportunity of contracting out? I agree that on this particular event they would not want to, but there may be some other less important event which they may not wish to cover?—The Government never asks us to cover a particular event like the visit of President Nixon or the visit of another foreign statesman. We can always decide for ourselves on the basis of our own editorial judgment what events we will cover and what we will refrain from covering.

Mr. Howell.

535. I really just want to ask one general question. Do you and your staff, Sir Hugh, sitting at the B.B.C., see this system going on in this way, because talking with you now it strikes us, as it must strike everyone, that this is basically an unsatisfactory method of organising your finances. I believe you refer to financial uncertainties in this memorandum. Has any thought been given to fundamental and radical changes in the way in which the B.B.C. organises its finance?—Are you meaning the source of our finance?

536. Yes?—The licence fee.

537. Yes?—Yes, we have thought about that and successive committees of inquiry—Beveridge and Pilkington—have thought about it too. The conclusion of those committees of inquiry has really been the same as ours, which is that even though it has its weaknesses, the licence fee system is better than anything which we or anybody else has yet been able to think of.

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Mr. Costain.

538. Mr. Francis referred to the fact that when the licence fee goes up there is a surplus for the time being. What powers do the B.B.C. have for investment of that surplus?—(Mr. Francis.) I think we have complete power under the charter. We have a direction in the charter to make the best use of our money. When we do have a surplus we invest the absolute maximum amount we can. We invest in gilt-edged securities. We lend money to the local government authorities. We put money on deposit with merchant bankers and with the big five banks. We earn a fairly high rate of interest on this and we take some pride in seeing that the money is made to pay its keep in the best possible way.

539. You are satisfied, as Director of Finance, that you are not inhibited by restrictions in investment?—I know of no restrictions and I do take a pride in the rate of interest we have been able to earn.

Chairman.

540. Would you tell us something about the impact of S.E.T. on your finances?—(Sir Hugh Greene.) It is quite a serious one. (Mr. Francis.) Initially, when S.E.T. first came in it cost us £1.1 million a year. This hit us at a rather critical time because we were hoping for an increase in April, 1968, and S.E.T. was imposed on us just before this arose. Therefore, we felt that we would have to ask for an increase in the licence fee from January instead of from April. Of course, recently there has been a further increase in S.E.T. and the annual cost to us now for the Home Services only, not including External, is £1.7 million per annum. This is a large sum of money which we could, not unnaturally, make good use of in other broadcasting directions.

541. Why do you exclude the External Services?—Because I thought this particular phase of your inquiry was directed to the Home Services.

Mr. Costain.

542. Is it not true that on the External Services you are doing it on a more or less cost plus basis, so you get the S.E.T. back in your costs?—Yes, I

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agree. We have to pay it and, therefore, we would expect Her Majesty's Government to reimburse us.

Mr. Lewis.

543. Did discussions take place at any time between you and the Government on how S.E.T. would affect you?—(Sir Hugh Greene.) When S.E.T. was originally introduced we did make a case for getting a reimbursement on various parts of our activities, such as publishing. I think we also got a reimbursement for some engineering activities. (Mr. Francis.) Yes, film-making.

Chairman.

544. Would it be misleading to attribute the cost of S.E.T., which you have just given to us, *pro rata* to radio and television? The costs of radio and television are split in your accounts. Would that be a fair ratio to use for splitting the S.E.T.?—I am afraid that I do not have the figures at hand, but we could easily break down the £1.7 million between television and radio.

545. The Committee might be interested in that. Perhaps we could have it later on?—Yes.*

Mr. Macdonald.

546. Do the B.B.C. qualify for investment grants on all or any of their capital projects?—Only to a limited extent because, thanks to our having won a tax case some years ago, we do not pay tax on our broadcasting activities and, therefore, investment grants would not be granted. However, in the case of publications, where we are assessable to income tax, then we can get investment grants on machinery acquired specifically for that trade.

Chairman.

547. Does that law case, to which you referred, apply equally to television?—Yes. The law case ruled that our broadcasting activities were not a taxable activity, but where we were trading with the public, as we are in selling *Radio Times* or selling electronic programmes to other people, then we are taxable. These are trading activities which should be taxable.

548. Would that ruling have applied to the pirate radio stations?—(Sir Hugh Greene.) They were outside the jurisdiction.

*Note by witness: £1.2 million is attributable to Television, and £0.5 million to Radio.

549. Yes, but if broadcasting as such was deemed, for reasons we need not go into, to be untaxable, was that judgment applicable to pirates had they been within the three-mile limit?—(Mr. Francis.) I think the answer is certainly no. I.T.V., for example, is taxable because it is, in effect, trading with the public. It sells advertisements and, therefore, is in a trading position. The reason we won our tax case was that we were only spending money which was given to us by the Postmaster General for this purpose and if, at any period, we had not spent all the money, then this was only money to be expended in future years. This is a summary of the judgment which allowed us to escape tax.

Mr. Marten.

550. On your External broadcasting you, presumably, are taxable?—No. When the B.B.C. itself was paying income tax the surplus in any year on the grant-in-aid for External Services was taxable. It always seems rather odd to us, but that was the case.

551. But you do trade in External Services, do you not—you sell?—Only to the extent, perhaps, of transcriptions sold abroad and that sort of thing.

552. Are you not taxable on that?—No, I think we receive a specific dispensation from the Inspector of Taxes on this. They make a loss incidentally; the sale of transcriptions abroad is at a loss.

553. My question assumed that they would, in fact, some day make a profit. Will this ruling still hold if they make a profit?—No, I think that if we made a profit on the sale of transcriptions, the situation would have to be reappraised. We are taxable on what we call Television Enterprises, where we are selling their programmes as widely as possible across the world. Where we make a profit, we are taxable.

554. I have in mind the Forsyte Saga, that type of thing?—If we sell it abroad the profit would be taxable.

Chairman.

555. Could you tell us just what prompted you to call in McKinseys, and their terms of reference?—(Sir Hugh Greene.) Yes. I would say there were two reasons. We believed that we were a pretty efficient organisation and this

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belief had been supported by the Beveridge Committee and then by the Pilkington Committee, but even the most efficient organisation can improve itself and get new ideas from an inquiry like this. Secondly, there was the public relations aspect: that it would strengthen the B.B.C.'s case, that it would do away with what I often think has been a misleading impression given in the press that the B.B.C. is over-administered and wasteful if we had had our affairs looked into thoroughly by a body like McKinseys. Incidentally, we also hoped that we would get certain savings out of McKinseys' investigation, even if they were not likely to be very major ones in terms of our overall financial need.

556. Is McKinseys expected to accept the structure as it is, give advice from there, or can they go right back to square one?—They can go right back to square one. They have made some suggestions about structure already, some of which we have adopted. The appointment of managing directors for television, radio and External Services, with increased powers, with more freedom left to them to look after their own finances and resources, with somewhat less supervision from higher up has been one of the basic McKinsey recommendations. They have suggested that the leaving of more authority down the line would be a good thing in such a large body as the B.B.C.

557. How long will it be before they have finished?—That is very difficult to say. I would expect them to be with us, helping with the implementation of some of their recommendations, at any rate until towards the end of this year.

558. From that, should we assume that the recommendation stage is practically finished?—No, not yet. Some basic recommendations have been made, but they are still looking at a number of separate areas, about which they have not yet said anything.

Mr. Marten.

559. Will you pay for their fee out of the savings?—I would be very disappointed if the savings did not amount to several times their fee.

Mr. Lewis.

560. There was some adverse comment at the time you chose this firm because it is American controlled, com-

pared with some equally efficient and able British firms. Was there some reason for this?—At that time Lord Hill and I went around a number of the leading firms in this country which had had some sort of experience of internal inquiries of this sort and on weighing up the advice we got, we found that there was an overwhelming feeling that for a major inquiry of this sort McKinseys was the best firm available. This does not mean to say that we have not used British firms. We have used British firms from time to time on special assignments. We used Urwick Orr for looking at the efficiency of our own organisation and methods department a few years ago. We have had Urwick Diebold look at computerisation. Therefore, British firms have not been excluded.

561. Going back to McKinseys' recommendations, I think you said that they have argued for more decentralisation and delegated authority. This presumably must involve some changes in the system of accounting and budgetary procedures if budgetary authority is also delegated?—Yes, it will involve some changes there. (Mr. Francis.) We would continue to have a fiscal budget, which is rather similar to the budget we have now, but one of their aims is to have a production budget, which would involve all the people concerned with the making of programmes in a much more direct manner than we have done in the past, so as to create in them a feeling of responsibility when they are spending money on programmes. In other words, the two would fit in together. The production budget would be additional to our present method.

Mr. Howell.

562. Was this recommendation based on an assessment by them and was there a general feeling that there was not sufficient cost control at this particular level of management, and that allocation of responsibility to these people would increase the feeling of responsibility?—We have a fairly efficient costing system, so information about the cost of programmes is available. I think their finding was that it was not seeping down to a low enough extent in the organisation to make individual producers and departmental managers feel that they are

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responsible for the make-up of these costs. (Sir *Hugh Greene*.) I think they felt it would improve the atmosphere in making staff down the line more management-conscious rather than necessarily involve savings in expenditure.

563. Put shortly—and I do not wish to pick this phrase up particularly—the phrase “management-conscious” means more concern with costs in relation to output or benefits?—More concern, yes.

564. You hope that from this will flow more cost-consciousness?—(Mr. *Francis*.) Yes, but that does not mean that there is not a considerable cost-consciousness already.

Mr. *Marten*.

565. Having told us of that one recommendation and what your views are, would you tell us about the other recommendations of McKinseys, broadly?—(Sir *Hugh Greene*.) Very much the basic recommendation has been this question of devolution of authority, which we have recognised by giving a different status to our directors. The other main recommendation is concerned with the different budgeting methods, which Mr. *Francis* has described. Apart from that they have directed our eyes to various areas. They have suggested that we should make absolutely sure before we provide new facilities, new studios, new buildings in different parts of the country, that we shall be able to use those to the best advantage, to do things after more enquiry rather than with a degree of faith, as has been the case perhaps sometimes in the past.

Chairman.

566. Has the assignment to McKinseys involved any investigation by them into the balance between programmes, or are they merely concerned with the way in which the judgment you have already made as between programmes is carried out?—They have pointed out—I am not sure that this really needed pointing out—that the programme mix, the make-up of the total programme (how much you have of one sort of programme and how much you have of another) inevitably affects very considerably the

total programme cost. I think it would be fair to say that they have made us rather more conscious of that fact than we were before. So programme planning in the future will take more account of the effect on total costs of having, say, more opera, which is a very expensive type of programme, or of having more of something else, which is a cheaper type of programme.

567. They have not sought to advise you in terms of what the public might either be asking for or what it is thought they ought to have?—No, they have regarded that editorial function as outside their terms of reference.

Mr. *Howell*.

568. Referring to this decentralisation of responsibility, this is an idea or a technique which a number of Government Departments are now busily trying to apply and it does mean a fairly radical change in the routine and command procedures and the decision-making process. Would it be true to say that the outcome of McKinseys' investigation will be a pretty radical change in the management structure of the B.B.C.?—It is a difficult question. I am not sure that it will, in the truest sense of the term, be radical. For instance, they do not contemplate any change in the functions of the Director-General. That will not be my affair much longer, but in terms of my successor, it means that as they see it he will be doing really pretty well the same job that I have been doing, except that some decisions which he has been making will be devolved on to directors. However, basically, and that is what I take you to mean by “radical”, there would not be any change in the functions of the Director-General and there would not be any radical change in the functions of the Board of Governors.

Mr. *Marten*.

569. Do they comment on the staffing of the B.B.C.? Was that within their terms of reference?—It would certainly be within their terms of reference, but nothing which has emerged so far has suggested that they think we are over-staffed. In fact, in some fields—cost accountancy and so on—they have really been suggesting that we need more staff. In their accompanying letter to

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their original report they described B.B.C. television as the best in the world from the point of view of both quality and cost.

Mr. Lewis.

570. I agree with that?—In other words, they are not thinking that we are over-staffed, because, after all, it is staff which amount to the greatest cost.

571. They have actually said that B.B.C. television is the best in the world?—Yes.

Chairman.

572. Turning to another aspect, is it still your policy to use the radio revenue for radio work and the same for television, or is there any cross-fertilisation?—This has been an internal B.B.C. decision and not one forced on us by our charter. The system in the B.B.C. has been to devote the radio-only licence to radio and also the same amount of the combined licence, that is 25s., to radio. Then there are shared services inevitably—administration, engineering and so on—and these are costed out between television, radio and External Services. This is a B.B.C. decision. There is nothing to prevent the B.B.C. if it thought fit, from diverting to radio some money which, up until now, has been on the television side of the line. We might hesitate to do it, but there is nothing to prevent us from doing it.

573. The policy in this respect at present is the same as it has been for a number of years?—Yes.

574. In the next year or two do you foresee any likely change?—As I am going to give up my job at the end of this month, I would hesitate to foresee what future policy decisions there might be.

575. How far has the B.B.C. the same freedom, to which you have just referred, in dealing with local radio? How far is it free from the authority of the Post Office?—There, of course, the situation is basically different because local radio is not financed solely out of licence revenue. There are local contributions to the running costs of local radio. Each local radio station is an entity on its own.

576. This fact that you have just reminded us of is one which inevitably brings in the Post Office in any changes which might be considered?—I would have thought that the things which brought in the Post Office on any changes which might be considered are much more the technical considerations involved, the use of transmitters, the siting of transmitters and so on. I do not think that the question of the diversion of money to local radio would bring in the Post Office. Of course, there will have to be, at some stage, a basic Government decision as to how local radio, if it is to continue, should be financed in the future and that basic decision will bring in the Post Office.

577. Could you close a local radio station without authority from the Post Office?—I would think that we would not do so. Whether we could, strictly, in terms of the charter and licence, I am not really sure, but we certainly would not dream of doing so because we have embarked on an experiment with eight stations and we would regard ourselves as morally obliged to keep those eight stations on the air until such time as the experiment is evaluated and the Government makes its decisions about the future of local radio.

Mr. Howell.

578. Pursuing the question of local radio, could an estimate be made available of the additional cost to the B.B.C. of the local radio experiment, over and above the rates revenue which they get? Is that a figure which is available?—(Mr. Francis.) I think on the last page of the memorandum this is shown to an extent.

Chairman.

579. Perhaps I might just intervene here to say that it is our intention to go a little more deeply into the whole local radio situation and, perhaps, it might be more convenient to do it all at once?—(Sir Hugh Greene.) Yes. The figure is given in the last paragraph of the paper.

Mr. Howell.

580. Deducting the two, the answer is £450,000?—(Mr. Francis.) Yes, plus the capital costs.

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Chairman.

581. I should now like to turn to colour. Is this extra expense of 19 per cent. which is mentioned in the memorandum and to which you have already referred today, primarily revenue or capital expenditure?—(Sir *Hugh Greene.*) That is the extra revenue expenditure.

582. How does the comparison work out on the capital side?—(Mr. *Francis.*) If you have a black and white studio, that will cost less than a colour studio. I do not have any exact figure as to what the differential is, but certainly in terms of studios, very particularly colour studios cost more. When you have videotape recorders, a colour V.T.R. will cost more than a black and white one, but its most significant effect is in the case of studios where you have to have colour cameras and a vast mass of other equipment.

Mr. Macdonald.

583. In the memorandum that you have been good enough to submit there is a figure of £40 million, as being the cost of colour television for the six years to 1972. I take it that that refers to capital expenditure? I am looking at paragraph 3(a) on page 65?—The first paragraph there?

584. Yes?—That £40 million is the cost to the B.B.C. of having a complete colour transmitter network throughout the country. This is the capital cost of transmitters only.

585. So there are other capital expenditures in addition to that £40 million?—Oh yes, these are the studios and the film cameras.

Mr. Marten.

586. These are the boosters that push the programmes all over the country?—That is part of this £40 million. You have a large number of main stations and then you have relay stations and very small relay stations.

Mr. Macdonald.

587. Taking this figure of £40 million plus, it is stated elsewhere in the memorandum that during the six years to 1972 you expect to get £7 million in respect of the colour licence supplement?—Yes.

588. I take it, therefore, that the balance—the £33 million—will be found out of other revenue?—It will be found out of the total proportion of the licence fee that we attribute to television. In other words, this is partly money which you could say is paid in for black and white television but in the early stages it has to be diverted to colour to make colour possible.

589. Am I right in saying—I do not necessarily imply criticism—that at present monochrome viewers are paying for colour transmissions?—I think that is basically true, but the fact remains that before they can acquire a colour set, licence money has to be spent to make that possible. Until a transmitter has been built and until a studio has been converted, they are not in a position to pay us an £11 licence fee.

590. I fully accept this. When the £40 million has been expended, will there be further capital expenditure of that order, or will the capital expenditure on colour television reduce?—I think I partly misled you before. In this paragraph 3(a) there are two figures of £40 millions. In the first paragraph there is a figure of £40 million which is the cost of extending our transmitter network over a large number of years to cover the whole country. In the second paragraph there is another figure of £40 million which is the capital and operating cost of colour in the six years ending 1972. I think you are now asking me about the second one.

591. They are different £40 millions?—Yes. It so happens that they are the same figure, but they have only a tenuous connection.

Chairman.

592. The latter one is the accumulation of a set of figures over a period and the former is not?—That is true. The second one is the cost in six years ending March, 1972, of all the operating expenditure and the capital expenditure incurred on colour for B.B.C.-1 and B.B.C.-2 in those six years.

Mr. Macdonald.

593. Referring back to the line of questions I have previously asked, I can see that in a policy of avoiding borrowing it is inescapable that the cost of this shall fall upon monochrome viewers.

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Was there really no consideration of the advisability of borrowing to finance at any rate part of these capital outlays, so that the cost of viewing shall be spread over the people who actually enjoy colour television rather than paying the cost as you go and letting the burden fall on those who do not actually enjoy it?—I think that consideration was given to this. For example, the Cabinet Committee had this in mind when we were examined about two years ago on this. In the end they accepted the B.B.C.'s point of view that borrowing was not a way out of our difficulties and that the licence fee, if increased to £6, would enable us to develop colour as well as running the black and white service.

Chairman.

594. In view of the fact that in the 1966 White Paper it was stated that the cost of colour programmes should not fall upon viewers in general, is it so arranged that this initial expenditure now being financed by the general accounts is building up a debt which the colour world will later have to pay back?—I would feel inclined to put it the other way, that as the number of colour licences builds up, there will come a time when the total income from colour television tends to exceed our then expenditure on colour television. The position will ultimately be corrected.

595. This might well be, but let us suppose for the purpose of my question that it takes three years. Surely the disparity between income from colour and the cost of colour, which in those three years is met from monochrome viewers, is not treated as a debt which is some day to be repaid? It seems to be something which is almost inescapable and we shall forget about it when you have done it?—We do, of course, run television as an integrated service, for example, B.B.C.-1 is in black and white now and at the end of this year it will be available in colour and in black and white. We have always regarded that the total licence income here should be deployed in the best interest of providing a service to the viewers.

Mr. Marten.

596. What will be the total of the UHF transmitter network when it is finished? You have mentioned the £40 million. What is your complete cover-

age? Is it 100 per cent. or will it be less?—(Sir *Hugh Greene.*) At the moment it is just over 99 per cent. on B.B.C.-1. It is going to be very difficult, because of the nature of UHF, to achieve quite that coverage in the future on B.B.C.-2 or when B.B.C.-1 is duplicated. The B.B.C. Handbook says that by the end of 1968 B.B.C.-2 will be available to about 76 per cent. of the population. It will reach 85 per cent. by 1973 and there will be virtually full coverage around 1980.

597. That will cost how much?—(Mr. *Francis.*) This is the £40 million, partly at present prices, although within that £40 million some attention has been paid to the probable escalation of costs.

598. In deciding to go for this system, did you consider the geo-stationary system of satellites?—(Sir *Hugh Greene.*) It was really a Government decision that we should go for this system. I do not think the system of satellites was sufficiently highly developed for us to be able to think in those terms. I am not a technical expert, but I think an engineer's answer would be that this is really too small an area to be covered without a very considerable overspill from a satellite. We are thinking much more in terms of a possible European satellite for the whole of Western Europe.

599. Had we put up a geo-stationary satellite which would have served this country 100 per cent., there would have been spare space for channels presumably to serve Europe?—Yes, but Europe being a bigger area can really only cover the whole of itself, including outlying portions like Iceland, Turkey and the north shore of Africa, Tunisia and Algeria and so on, by means of its own satellite for simultaneous transmission.

600. Would it have been a satisfactory method of transmission, both in black and white and in colour, to have done it via a satellite rather than by these U.H.F. transmitters?—I doubt it very much. Here again I speak as a non-engineer. I doubt very much that it would then have been satisfactory or would be now. I think we have to wait for the time when the signal to and from a satellite is sufficiently strong to be received by the individual households.

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That is a technical possibility for a very distant future. I think our engineers would say that that might still be fifteen years ahead, so I think that at the time this decision was made it was realistic to do it in this way by ground transmitters and not by satellite.

601. Do you have people who are currently watching these developments to study the right moment to get into the satellite system of transmission?—Yes, we do. We have a representative on a Post Office committee which is considering the future.

Mr. Howell.

602. I just want to pursue this subject, if I may. It is right to say that the choice between going for a geo-stationary satellite or going for the transmitters on a national basis is quite a controversial issue. It is an argument that has flowed through the corridors of the B.B.C.?—Yes, it is certainly one that has been discussed many times, but the conclusion has always been that this is a possibility for a distant future. It has been considered by the Television Advisory Committee, on which the B.B.C., the I.T.A., the Post Office, the Treasury and other Government Departments sit.

603. The final decision to go for the transmitter network has been taken—it is now too late to go back?—I do not think it would be practicable to do anything else. This is not only a B.B.C. view, it is also a Government view.

Mr. Marten.

604. Television will go on developing. You do not just write it off as a system. You see it as something you might use in the future?—Yes, with a question mark about its applicability to such a small country as this, but with a definite application to larger areas.

Mr. Howell.

605. Is the B.B.C. at present in consultation with other broadcasting organisations in Europe about this kind of development?—Yes. This has been discussed by the Technical Committee of the European Broadcasting Union. We discussed it last March at the last meeting of the Commonwealth Broadcasting Conference. Therefore, we are discussing it not only on a European basis but on practically a world-wide basis.

Chairman.

606. How far are the areas where the reception is now bad likely to have it improved in the near future?—We are doing what we can within our financial means. One problem which we are up against very much at the moment is that while we are duplicating B.B.C.-1 on 625 lines and in U.H.F., how far should we improve reception on B.B.C.-1 on 405 lines, which in the long-run is an obsolescent system. That is often a very difficult decision to take. It depends on the amount of capital expenditure, for how many years and for how many people.

607. Primarily colour, of course?—We shall hope eventually to provide a good colour signal for practically the 99 per cent. of the population who get B.B.C.-1 in monochrome.

608. Referring to the financing of colour out of the general accounts, you say you hope in due course that the revenue from colour only will match the cost of colour. I see that the licence fee for colour was for 20,000 licences this last year. Have you any projection into the future of the rate of growth of colour licences?—(Mr. Francis.) The growth is estimated to be on the small side. We could let you have this. I am not sure that I have the figure here, but we have an estimate of the probable growth over the next six years or so.*

609. We would be glad to have it. Do you recall whether, in those six years, the time will have arrived when the revenue will match colour expenditure?—I do not think it will have by the end of that period.

610. So that the general viewing public will continue to subsidise colour for a long time to come?—You could say that, yes. In so far as the combined licence will finance the provision of colour, or part of the cost of the provision of colour, the answer is yes.

611. In so far as it does not, is it not true to say that there is no foreseeable time when the colour viewer can say, "My licence fee may be tremendous, but at least I am covering the cost and not passing anything on to anybody else"?—I think it is difficult to see when that time will come. We have studied figures from America and Japan

* See Appendix 7, p. 235.

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and it is very difficult to see how quickly the colour licences will expand. (Sir *Hugh Greene*.) There is nothing very new in this situation. Originally I think it could have been claimed that the radio listener paid for the coming of television when there were very few television sets.

612. Perhaps you would agree that the White Paper was a little misleading in 1966, if that is the case?—Perhaps.

Mr. *Macdonald*.

613. When the radio listener was financing television in the early days, was there any borrowing?—(Mr. *Francis*.) There was no borrowing outside the B.B.C., but radio was in surplus and television in the early years was in a fairly heavy deficit. These roles have now been reversed.

Mr. *Howell*.

614. I should like to pursue the question of the growth of colour television receiver ownership. Would it be true to say that the main influence on this over the next few years is going to be the selling price of the receivers?—(Sir *Hugh Greene*.) That would be one of the main influences. The other, of course, will be the provision of colour programmes on all channels—on B.B.C.-1 and I.T.V. as well as on B.B.C.-2.

615. On the price of the receiver, presumably you would expect—whatever projection you made—to raise your projection substantially if a receiver cost £100 instead of £200 to £300 or above?—Yes. If any Government abolished the purchase tax on colour receivers, if the initial down payments for hire purchase or for renting were reduced or abolished, then all these things would immediately speed up the way in which the public went into colour.

616. I raise this because, as you know, there has been a question of what attitude should be taken about the very competitively priced Japanese colour television sets. One suggestion has been that if they are allowed in in large quantities, this would slow down the growth of the British domestic-based colour television production. Another view has been that the quicker the price comes down, the faster your service will expand. Is there a B.B.C. view on this matter?—Not that I know of. I do

not think we have considered that question of Japanese sets, at least, not to my knowledge.

Chairman.

617. I take it that the B.B.C. would regard a cheapening of the receivers, by whatever means, as justification for more money being spent on colour television?—Yes, in the sense that a cheapening of the sets would mean more people buying the sets and more money coming into the B.B.C. by way of special colour licence fees.

618. Is there any formula which is currently in vogue for influencing policy in this respect—a formula between prospective licences and prospective expenditure?—Yes. When we apply to the Government for an increase in the licence fee, we justify that by our forecasts of expenditure.

Mr. *Costain*.

619. Did you notice when the Government put the purchase tax up that there was a drop in sales of colour television sets?—Yes, I think also there has been a drop in sales of sets recently because of recent Government measures.

Mr. *Marten*.

620. The hire purchase squeeze?—Yes.

Chairman.

621. I think, perhaps, my question was misunderstood, or badly phrased. We are going to be given the rate of growth which it is anticipated will be the case for viewing in colour?—Yes.

622. If for some reason three or four years hence the growth is much greater, would that of itself prompt you to increase the time given to colour programmes?—It would certainly help us to do so and it would, beyond that, enable us to carry on for longer than we anticipate at the moment without a further increase in the licence fee.

623. Again referring to the White Paper in 1966 when this decision to go in for colour was taken, one reference was to the prospect of increasing exports. How far has colour enabled you to increase exports and, if so, what?—Not so far, to any great extent. I think that it is a possible prospect for the

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future because any sale to the United States networks has to be in colour. It is getting more difficult to sell to Canada, which has been one of our best customers in monochrome. I would say that the period of time during which we have been in colour has been too short to mean any great expansion of programmes so far. There have been one or two exceptions. We had a deal with N.B.C. for a series of international golf matches in colour, which was being carried on B.B.C.-2 with some success. There have been individual instances so far rather than an overall expansion.

624. Is there any special aspect of the evasion question which applies to colour in view of the extra amount per the offender?—I would think that in colour the evasion is pretty well looked after because only a comparatively small number of colour sets had been bought or rented before the new legislation came into force. I should think there are only about 20,000. (Mr. Francis.) There is a discrepancy between the possible colour sets sold and the number of colour licences of something like 150,000 to 75,000. This could be partly represented by those sets purchased prior to dealers having to notify the Postmaster General.

625. Did I understand that there are many more sets sold than there are licences taken out?—Yes, but I think part of it is this initial period when dealers did not have to notify the Post Office and partly it is because if people instal a colour set they do not necessarily take out a colour licence straightaway—they do not rush off to the Post Office immediately. (Sir Hugh Greene.) I think they usually wait until their monochrome licence has expired and then they take out a colour licence. That is guesswork, but it is only human nature to suppose that that happens sometimes.

Mr. Howell.

626. They have to put up a special aerial, so detection should be unusually easy?—(Mr. Francis.) Yes.

627. It is just a matter of driving round and picking them up?—(Sir Hugh Greene.) The Post Office has not been unsuccessful in some areas where a van is seen going round. There is often quite a rush to the Post Office in those

areas. The Post Office has a limited number of detector vans, and therefore finds it rather difficult to get round every area.

Mr. Whitaker.

628. Is there any truth in the allegation in the press that the development of colour television will be at the expense of certain radio networks such as the Third Programme and, if so, are you happy about this priority?—No, there is no truth whatever in that statement in the press, because, as we were discussing earlier, our expenditure in radio is separate from our expenditure in television. This is just a complete press invention.

629. Is it also an invention that the Third Programme is in any way under discussion as to its future?—The whole of the activities of radio are under discussion. At the moment we have a policy study group considering the future of radio, both in London and outside London, for many years to come, in the light of the financial situation. The group has not yet put before us any alternatives for action and so the idea that we would be abolishing the Third Programme, Radio One or anything else, is highly premature because not only have no decisions been made, but the material on which to base decisions has not yet been put before us.

Mr. Howell.

630. With your permission, Mr. Chairman, could I go back to the question of the transmitters and the geo-stationary satellite, because there are tens of millions of pounds involved here and I should like to be exact about how this decision was made. Is the situation at present that the transmitters are actually being built and concrete is being poured?—Yes, a great many of them.

631. When was this decision actually taken with the Treasury?—It was finally included in the White Paper for December, 1966.

632. As a result of a Treasury analysis of the proposal?—As a result of consideration of how this job should be done by the Television Advisory Committee on which the broadcasting authorities sit with the Treasury, the Post Office, the D.E.A. and some other Government Departments, including the Ministry of Technology.

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633. They made the decision and the Treasury sanctioned it and then it went into the White Paper?—That is right.

Mr. Whitaker.

634. How much importance is attached to T.A.M. ratings? It is agreed that your charter is to compete with Independent Television, but many Members find it very surprising that the B.B.C. has to go in for expensive auction on matters such as world football matches which, if they are going to be presented by I.T.V. anyway, are accessible to most of the population. Might not it be in the public's interest for the B.B.C. to present an alternative programme, rather than escalate expenditure?—In the case of the World Cup we have not escalated the expenditure, I.T.V. has through the activities of World Wide Sports, a subsidiary of A.T.V. On the general question, I could say that if there was an argument in favour of one channel not doing sport, I have no doubt what the public's view would be, because when we and I.T.V. are doing the same sporting event the public watches B.B.C. normally in the ratio of 5:1, which suggests that we are doing what the public wants in carrying these major sporting events even if I.T.V. is doing so also. There is one other point to remember, namely, that the B.B.C. is still described in a Government White Paper as "the main instrument of broadcasting in the United Kingdom". I think that position would make it difficult for us to opt out of carrying events of great interest to the public. There is also the point that we do reach, through our B.B.C.-1 network, a higher proportion of the population than I.T.V. A rough estimate would be that, perhaps, something over a million people in remote parts of the country cannot get I.T.V. and can get B.B.C. In fact, a colleague of mine on a visit to Scotland last weekend was being very much attacked by Scottish friends about this business of the B.B.C. possibly not carrying the World Cup.

635. I wonder if you have considered whether there might be a virtue in co-ordinating with I.T.V.; whereas they have to be totally governed by their T.A.M. rating, it is the strength and virtue of the B.B.C. that you can follow minority interests and ignore T.A.M.

ratings. Nevertheless, on many occasions, by accident, there does not appear to be any alternative programme for the viewer because there is no co-ordination between your programmes?—Here I should like to go back into history to the start of I.T.V. When I.T.V. started in 1955 it was definitely the will of Parliament, and it was put in so many words, that I.T.V. was there to compete with the B.B.C., not to complement the B.B.C. To have effective complementary programming you would really have to have a unitary broadcasting system under one authority, because such things as the allocation of studios, the allocation of mobile outside broadcast equipment and all those sort of things enter into the pattern of programme planning which is done months ahead. Unless you have one joint authority bringing together under one control the B.B.C. and I.T.V. it would not really be possible to have the complementary planning which you suggest. The B.B.C. finds it difficult enough, even after many years, in its own radio programmes to make quite sure that there are no unfortunate clashes, but with another authority it would really be quite impossible.

636. There is no liaison at all at present?—Not of that sort.

Mr. Marten.

637. I think one of the most irritating spectacles to the public is to see a Party Political Broadcast on all three channels from which they cannot escape if they want to see television at all. Would not that be the ideal pilot scheme with which to try a little bit of liaison, so that at least if you want to switch off a politician you can switch on to the Goon Show?—I think there is a good deal to be said for that comment, which should be made to the leaders of the they made those representations?

Mr. Marten.] You would listen to it if they made those representations?

Chairman.

638. I should just like to ask you one or two questions about the Board of Governors, and the role of the Board of Governors. Does it exercise any control over the B.B.C.'s financial administration?—Yes, it does. The Board of Governors looks at and considers all major cases for both capital

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and operating expenditure and also considers the basic policies which lead to those expenditures.

639. Does that culminate in the form of approving a budget?—Yes, and it approves a budget. The Board of Governors looks at the accounts of the B.B.C. every quarter with an analysis by the Director of Finance as to how expenditure has accorded with the previous estimate. It also gets and approves—in fact, it has just been to work on it recently—the B.B.C.'s budget.

640. How often does it meet?—Once a fortnight.

641. Approximately, what is the line of demarcation between the Board of Management, the Advisory Council and the Board of Governors?—As between the Board of Governors and the Board of Management, the Board of Governors is concerned with basic policy and the Board of Management is concerned with its execution. As to the Advisory Council, starting with our General Advisory Council and then going on to the Regional Councils in England, their job is to talk about what we are doing, give advice, provide a link with the public and a link with what becomes a very well-informed public through their long association with the B.B.C. In Scotland and Wales the Councils also have executive authority. They are National Councils for Scotland and Wales which exercise authority over the programmes broadcast for Scotland and Wales only when they opt out, as we call it, of the network. The Chairman of the Scottish and Welsh National Councils are members of the Board of Governors so that the views of Scotland and Wales can be heard on the Board of Governors.

642. Do the Councils feed in their advice to the Board of Management?—Yes, and to the Board of Governors. The minutes of all their meetings are seen by the Board of Management and by the Board of Governors and in the case of Scotland and Wales, those minutes are always on the agenda.

643. Would it be a reasonable analogy to say that the Board of Governors was comparable to the board of directors of a large corporation?—I would not put it quite like that because I think that in a large corporation the board would include executive directors, would it not?

Our Board of Governors does not include executive directors. They are all part-time, though the Chairman of the Board always devotes the major part of his time to the B.B.C.'s affairs.

644. Are executives regularly allowed to sit in, even if they are not authorised to share in decision-making?—I sit in as Director-General at every meeting of the Board of Governors and play an absolutely full and unfettered part in its deliberations. Senior B.B.C. staff, the directors of this, that and the other, are all brought into meetings when their immediate affairs are under discussion and they make periodic reports to the Board of Governors.

Mr. *Whitaker*.

645. Are you happy with your degree of freedom from political interference either in Home or External programmes in the news?—Yes, as a matter of fact I am. Some recent events and some recent Press speculation might make you think otherwise, but, in fact, there is no objectionable degree of interference by the Government, and never has been in my experience, with the programmes of the B.B.C.

646. Were there any Government representations made to you about a decision to broadcast the film, *The War Game*?—No, none whatever.

647. It was rejected purely on artistic grounds?—It was a decision that the late Chairman, Lord Normanbrook, and I took together. In fact, I think I felt more strongly about this than Lord Normanbrook. I felt it was too horrifying for the television medium, thinking of old people and children watching by themselves and perhaps being extremely upset by what was shown in this programme. We felt it would be different if it was seen in a cinema with an "X" Certificate, where people make the conscious choice that they want to see that sort of thing and are not surprised by it in the privacy of their own homes.

648. Now that it has been shown to schools and in church halls, would you still be unhappy about it going out very late at night on television?—Yes, I would.

Chairman.] I think that covers all we had in mind. Thank you very much.

MONDAY, 10TH MARCH, 1969.

Members present:

Mr. A. P. Costain.
Mr. William Hamilton.

Mr. David Howell.
Mr. Macdonald.

In the absence of the Chairman, Mr. Costain was called to the Chair.

Mr. F. G. GILLARD, C.B.E., Managing Director, Radio and Mr. H. H. PIERCE, Local Radio Development Manager, B.B.C., called in and examined. Mr. E. B. THORNE, Chief Accountant, B.B.C., and Mr. D. G. C. LAWRENCE, O.B.E. Assistant Secretary, Radio and Broadcasting Department, Post Office, called in and further examined.

Mr. Costain.

649. Good afternoon, Gentlemen. Today we are going to discuss the question of local radio. The documents we have taken for our information are the Pilkington Report, the White Papers on Broadcasting, the B.B.C. Report and Accounts and the B.B.C. Handbook. The eight local radio stations in the experiment began broadcasting at different times. Is there a single date fixed for the end of the experiment?—(Mr. Gillard.) No, Sir, no precise date has been fixed for the end of the experiment.

650. Will all the stations continue broadcasting until the Government make a final decision on future policy?—This is the intention, but it presupposes that a decision will be reached some time in the late summer or autumn of this year.

Mr. Howell.

651. When the experiment started was a fixed time placed on the whole exercise?—In general terms it was said that it should continue for two years.

652. Therefore, by the end of this year one would expect a decision to be made about all the eight stations?—Yes, one would, remembering that by then three of the stations will have been on the air for two years or more, because the first three stations began in November, 1967. Some of the others started considerably later and two of them—Leeds and Durham—have only been on the air for about eight months so far.

Mr. Macdonald.

653. Was the period of two years fixed in consultation with the B.B.C. and do the B.B.C. think that this is a long

enough period to form a judgment?—It was fixed in consultation with us. We always felt that we would do our best at the time and that some evidence undoubtedly would emerge in the course of two years which would give a pointer to the outcome of the experiment. However, naturally we should have liked more time, particularly since these stations are operating on V.H.F. and not on medium wave as this is a considerable hindrance to getting a new service started. Not only do you have to persuade people to tune to it, but they have to buy a new set in order to receive the programmes. (Mr. Lawrence.) The Government's White Paper in December, 1966, said that the stations will come into operation after about a year, and after a year or so of operation they should have provided information on which to found the final solution. A period is envisaged in that White Paper of the order of a year altogether.

Mr. Costain.

654. How do you measure the success or failure of these stations?—In the White Paper the Government formulated the principal purposes of a system of local radio and I suppose the starting point would be how far those sort of purposes had, in fact, been realised by the experiment in service.

655. Could you be a bit more definite on that because we are a little puzzled as to what success really is. Is it the amount of the contributions which are made by all authorities, or is it the number of listeners?—Presumably those would be factors, but, again referring to the Government's White Paper, that records objectives which a service of local radio should seek to satisfy. I

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Mr. F. G. GILLARD, C.B.E.,

[Continued.]

Mr. H. H. PIERCE, Mr. E. B. THORNE, and Mr. D. G. C. LAWRENCE, O.B.E.

should have thought that the first question one should ask is whether the objectives, as they are specified, have, in fact, been met by the experimental stations.

Mr. Howell.

656. Amongst the conditions were points laid down about the total cost of the experiment. Have these predictions been falsified, or has the cost structure worked out roughly as was envisaged?—(Mr. Gillard.) Roughly it has worked out as envisaged. We began by saying to all those communities expressing an interest in the possibility of participating in the experiment, that we estimated the cost, in round figures, to work out at about £1,000 a week, £52,000 a year. That was the sum which we invited communities to contribute if they wished to be considered for the establishment of a local station during the run of the experiment. Generally speaking, we were very near the target, bearing in mind that this was unknown territory to us and that we had very little in the way of experience to go on. In the course of two years or so—in fact, it is rather more than two years now—we have, of course, been confronted by rising costs, by S.E.T. and by other factors, which we could not foresee. Therefore, to some extent, the running costs are up on the £52,000. Mr. Pierce will be able to give you a more precise figure for the running costs, but they still bear a very good relationship to the original figure we put forward.

Mr. Costain.

657. When these contributions of £1,000 a week were suggested to the authorities, over what sort of period was it suggested that they should make these contributions?—It was for a two-year period.

658. Have they lived up to the anticipation?—Yes. There has been one exception, namely, the City of Manchester, which found it necessary to withdraw. However, the others have all fulfilled their obligations completely, so far.

659. Besides the local authorities, who else would you accept contributions from?—We have accepted contributions from industry, We have accepted

contributions from philanthropic interests. We have accepted contributions from arts' associations and we have accepted contributions from religious bodies.

Mr. Macdonald.

660. Concerning these contributions from organisations other than from local authorities, first of all, are they substantial in relation to the contributions from local authorities and, secondly, are they regular, or do they come in the form of a gift or a donation from time to time?—They are not really substantial in relation to the contributions from local authorities. For instance, an arts association made a contribution of £500. Contributions have varied in size, some being as small as two guineas. For the most part they are single contributions, but I think that they might well be repeated in the second year. Mr. Pierce may be able to say whether or not any of them have been repeated.

661. Have you canvassed for a standing order, a covenant, or have you simply asked for contributions in lump sums from this kind of donor?—We have not asked for a covenant. If you mean a covenant in the strict legal sense, it must, of course, be for a minimum of seven years and clearly, within the boundaries of a two-year experiment, one could not ask for that. I think we have made it plain that we would welcome a renewal in the second year of the experiment, but we may not get it.

Mr. Costain.

662. Would Mr. Pierce like to give us some of his costs now?—(Mr. Pierce.) There are different ways of presenting this information. Perhaps we might take as representative the rate of expenditure station by station for the last quarter of 1968. The figures I am about to give exclude central costs, but they include all costs incurred by the stations in the way of staff, programme costs, premises, rental and so on.

Mr. Howell.

663. What do you mean by the phrase, "exclude central costs"?—The B.B.C. centrally has borne such costs as audience research. It bears the cost of a very small headquarters unit.

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These figures are available, but I am not going to include them in the figures I am going to give to you.

664. But they are marginal?—In relation to the whole, very much so, yes. I shall now give you the figures: Brighton £70,000; Durham £70,000; Leeds £65,000; Leicester £67,000; Merseyside £80,000; Nottingham £61,000; Sheffield £65,000; Stoke-on-Trent £68,000. I should like to emphasise that that is the rate at which those stations were spending in the last quarter of last year, which was, of course, the winter quarter and was the most expensive quarter of last year—which we had anticipated.

Mr. Costain.

665. That is an annual cost at the rate of one quarter?—The annual cost would be what those stations spent in the last quarter of last year multiplied by four. However, one cannot look at it in this way. Leicester started transmitting on the 8th November, 1967, and if one takes the expenditure for the last quarter of 1967 and for the first three quarters of 1968, the total expenditure incurred, again locally, over that period was £54,000. The comparable figure for Merseyside is £65,000 and the comparable figure for Sheffield is £55,000.

666. Of those amounts, how much is having to be found by the B.B.C. because of lack of local contributions?—(Mr. Thorne.) The percentage we shall be receiving from local interests will be 53 per cent. of our operating expenditure for 1968-69.

667. That is equal to an average over all stations?—Yes, it is.

668. You forecast that a local radio service would put 5s. on the licence fee if you could not get the income elsewhere. So on the basis of this experiment you would expect the additional charge to the licence to be just under 2s. 6d.?—When we reported to the Pilkington Committee on the basis of eighty stations, we said that it would be 2s. 9d., but I am not in a position to say what the situation would be today.

669. As you foresee it today, there is going to be an additional cost on the B.B.C.'s finances because of the lack

of finance to local radio stations?—Up to the winter of this year, yes.

670. Do the trends show contributions rising or falling?—We have only had one year, 1968-69, where the contributions have been fully representative, but we see no reason why they should not be the same or slightly higher during this next year.

671. When the novelty of having their own radio station is wearing off, you have not found that their enthusiasm is weakening?—(Mr. Gillard.) There have been marginal lapses, but on the other hand there have been quite unexpected, and in some cases quite substantial, gains.

Mr. Howell.

672. When it comes to trying to reach a view about the success or failure of the experiment, how will you go about marshalling the facts in detail to make this decision? Who will consult whom?—Information will be obtained from many sources, some of it statistical, some of it qualitative. The statistical information will come from our own audience research department. We have also commissioned an audience research study by the Institute of Mass Communication Research at the University of Leicester. A local broadcasting council is established at each centre where there is a local radio station and, undoubtedly, it will have a good deal to say to the Minister when he approaches it about the views the councils have formed on the usefulness of the local radio stations, whether they are an amenity to the community, or not. Over and above that, I am quite sure that the Minister will want to know the B.B.C.'s views on the experiment. Mr. Lawrence will probably be able to tell the Sub-Committee of other approaches the Minister will undoubtedly make. (Mr. Lawrence.) I think the Minister would wish to consult a wide range of representative local organisations in each one of the towns and places where the experiment has been conducted.

Mr. Costain.

673. Would the Minister's decision be influenced by the amount of contributions made to show the enthusiasm by the local community?—The purpose

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of the experiment is three-fold. It is to find out whether there is sufficient material to sustain a genuine local programme week in, week out, whether a service could be satisfactorily run on the sort of basis which was adopted for the purposes of the experiment, namely, a national organisation providing the transmitting facilities, and, of course, whether the method of finance is, in total, satisfactory. This is one of the express purposes of the experiment as stated in the White Paper.

Mr. Hamilton.

674. On what basis were these places chosen for the experiment of local radio? There do not seem to be any stations near the southeast coast or in Scotland and Wales?—(Mr. Gillard.) As you know, the White Paper was published on the 20th December, 1966, and clearly it was necessary for us to get moving very quickly indeed if we were to fulfil the time table laid down for us. We decided that our best course would be to work through the local authorities, if that were possible. The alternative would have been to approach a very large number of social bodies and other organisations, but this would have taken considerable time. Therefore, we called a conference of local authorities here in London which were in any way interested in the possibility of having local radio stations in their communities.

675. That is U.K. authorities?—Yes, indeed. Over eighty of these authorities sent representatives to this meeting, which was held on the 27th January, 1967, a month after the publication of the White Paper.

676. Were there any representatives from Scotland?—Yes, and there were representatives from Wales and Northern Ireland. There were representatives from the County Councils' Association, the Urban District Councils' Association, the Rural District Councils' Association and so on. A number of other interested organisations, particularly educational organisations, also sent representatives. This meeting was chaired jointly by Sir Hugh Greene and Sir Mark Henig, who at the time was the Chairman of the Association of Municipal Corporations. It was addressed, first of all, by

representatives of the B.B.C., who tried to explain the concept of local radio and, secondly, by representatives of the Association of Municipal Corporations, who tried to interpret various conditions in the White Paper, such as the "no subvention from rates" condition. Thirdly, it was addressed by representatives of the Minister, who were able to say a good deal that was helpful about the White Paper. When all questions had been answered, we asked the delegates to go away and discuss the project which had been put forward among themselves and if they wished to participate in the experiment, to write to us within a month. Within a month we had about two dozen or more applications from authorities who said that they wanted to be in on it. It was very difficult indeed for us to look outside the two dozen or so acceptances and unfortunately there was only one very tentative acceptance from Scotland and only one very tentative acceptance from Wales. We should have liked to have had a local radio station experiment in both Scotland and Wales. I think Northern Ireland felt that it already had a B.B.C. station in Belfast which, in their eyes, was virtually a local station and they did not want to participate in the experiment as such. Unfortunately, both the Scottish proposal and the Welsh one fell through because, in the end, the local authorities found that they were not able to put up any financial contributions at all. That is why they dropped out. The selection was made from those who, in the end, felt themselves able to give financial support to the experiment, with one exception. We felt it was very necessary to have as much variety of community in the experiment as we could. This meant that we badly needed to have one station operating in an area which was not just an urban area, which was larger than just a single city. We wanted something that would give us a mixed urban/rural population, with rather larger range than the city stations have. I frankly admit that we went out and did a fair amount of sounding on this and finally we selected Durham because we thought there was a good hope that the Durham County Council would give it some backing, which in the end they did.

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That is the process. It lasted for a period of three or four months and resulted in the financing of the stations.

Mr. Costain.

677. You said that there was the condition of "no subvention from rates". How is the money obtained without subvention from the rates?—Local authorities obtain money from various sources. They have investment money and profits which they make on local authority undertakings. Without putting a precept on the rates, which is the interpretation which was placed upon the White Paper, they can, if they wish, say that their educational purposes, their publicity purposes or some other purposes, are advanced to such a degree by the local radio station that it is correct for them to apply some local authority money to the local radio station in furtherance of these projects.

Mr. Hamilton.

678. Can the local authorities finance these stations out of the maximum 6d. rate which they can impose for cultural and art purposes?—Some of them take the view that that money can be used to help finance local radio stations. There is also the "free" 1d. rate, which is something I had never heard of before, but apparently every borough authority has the right to levy a rate of 1d., to be spent at its discretion without reference to central authority at all. This, too, could have been applied to this purpose. I do not think it was, but it was much talked about at the time.

Mr. Macdonald.

679. I understand you to say that they have maintained their contributions, but that these amount to only 53 per cent. of the outgoings?—Yes.

680. That is less than was anticipated at one time. Is the decline in percentage due to increase in costs, or is there some other reason and, if so, what?—Yes, it is mainly due to increase in costs. It is also due to the fact that some of them are very nearly meeting the cost of the local stations. Others are a long way from meeting the cost. In Durham we have a station which is costing us something like £70,000 a year and we are getting £10,000 back.

Mr. Costain.

681. I understand that the B.B.C. put in the original installation. How is that written off when you are assessing the costs?—(Mr. Thorne.) These original installations are capital works and have been capitalised in the normal way. They are part of the Corporation's assets and are being treated as such in the Corporation's books.

682. Therefore, the depreciation of capital assets is not charged to the local station?—That is true.

683. It is the capital of the B.B.C.?—It is the original capital that has to be charged against the local radio scheme as a whole, but these assets are brought into the Corporation's books in the normal way.

684. When the B.B.C. provide the local stations with broadcasting programmes, do they make any charge to the local station?—No, they do not.

685. The only actual charges for programmes are those which are carried out individually by the local stations?—Yes, that is so.

686. Are we correct in thinking that the local radio stations broadcast for about four hours a day?—It is now about six hours a day. (Mr. Gillard.) It varies very much from station to station, but some broadcast well over seven hours a day.

Mr. Howell.

687. What does that depend on?—It depends on the nature of the programme service, because we, at the centre, do not attempt to lay down a fixed, rigid formula to which all these stations must adhere. We say to every station, "These are the resources, do the best you can with them". Some of the stations go in for a great deal of repetition of material. One station does a news bulletin every hour. Naturally, it repeats a great deal of material—the stories run right through the day sometimes—and this builds up and produces a very considerable output by the end of the day. Other stations do not work in that way. They work in a more orthodox style. They are more of a five-hour day level. We have found that the output is higher than we expected. This is because the opportunities are greater than we thought they would

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be and, far from there being any sign of a dropping off of material, it is just the reverse. We were told that they would start with a great burst and then it would drop away. However, more and more opportunities are being found by these stations every day, so the output tends to get larger and larger all the time.

688. What sort of material has been uncovered?—A great deal of it is journalistic. It deals either with events that are topical in the community at the time or events which are current, which have not really been exposed to the community. There may be a very detailed account of exactly what is going on within the walls of a certain firm or industry and how that particular industry, on which the economy of the community hinges to a large extent, is looking to the future and developing. This is not topical, but it is current. It is of wide general interest and it can be done on local radio at almost indefinite length. In network broadcasting we are obliged to operate in short units because we have to honour radio times and we have to have certain programme junctions which are fixed. Local radio is much more fluid.

Mr. Costain.

689. Are we right in assuming that you are not so inhibited in broadcasting commercial content, because if you are going to broadcast what is happening at a local firm, there must be some sort of advertising element to that?—We do not advertise. However, it is likely that we are not very inhibited. It would be very foolish to say, "A well-known motor car firm in this city has recently won an award or has achieved some particular mark of distinction", when everyone would know what it was, or "There is a strike in a certain motor industry today on Merseyside"—this would be ludicrous. We are much less inhibited on networks now than we used to be in the B.B.C. in this respect.

690. When you get contributions with a commercial aspect, do they expect to advertise the sales in the high street?—No, this is very clearly understood indeed. It has always been emphasised right from the beginning that there is no *quid pro quo* in this matter. We have told industry that responsible industry should be concerned about the

general social well-being of the community in which it operates and it should be concerned to show itself in a good light to the community in which it operates and it will benefit in all sorts of intangible ways, for instance, by attracting a better class of recruits.

691. So it is the station manager who settles the programmes' content?—Yes.

692. How do the roles of the station managers and the local radio councils interplay?—The local radio councils mostly meet on a monthly basis, but there is a good deal of informal contact between, certainly, the chairman of the local radio council and the station manager, and also between individual members of the council and the station manager and the station staff. We asked the local radio council to stand sponsor to the community for the station and the work it is doing. This is the most important contribution a local council can make. When the White Paper was published the very first step the B.B.C. took was to ask the Minister to clarify one important point with which the White Paper did not deal and which we thought was fundamental. This was the question as to where editorial responsibility should lie, who would decide what was going into the programmes and who was going to speak on the air and so forth. The answer we received, which we welcomed very much, was that this was the B.B.C.'s responsibility. You cannot run it on any other basis because programmes are put together minute by minute on the studio floor and you cannot call a committee together to decide that somebody in the studio should say this or that. Editorial responsibility does rest with us and that means that the councils cannot work on a day-by-day basis or on an hour-by-hour basis. However, they do listen and they do come prepared *post hoc* to give their views on programmes, to criticise them and to give general policy guidance on how the output of the programme should be shaped up in the future, based on the experience in the past. They bring all sorts of ideas with them. It goes beyond this. The councils all work differently, but several of them have formed a number of sub-committees, for instance, one to look after education broadcasts, one

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to look after religious broadcasts, one to look after sports programmes and others to look after local authority affairs, and so forth. These panels work very closely with the station staff and are on much more of a day-to-day basis than the council at large. Some of them are very successful.

693. Do the local councils have any say in the hire or fire of a station manager?—In every case the local councils were not formed until the station manager and pretty well all the staff had been appointed. The manager and staff were appointed at every centre almost two months before the station was opened and the councils did not come into being until a month or so before the opening date. They had no say. We have not had any station manager departures. We have managed to hold the staff together very well, so the issue has not arisen.

Mr. Howell.

694. Have there been any instances of tension between local councils and station staff or the station managers, where you have had to come in and sort it all out?—Not of a serious nature at all. There have been some very minor events, but they are not even worth recording to the Sub-Committee. There is a very strong sense of partnership between the station manager and particularly the chairman of the council. The councils also have a very strong link with the B.B.C. at the centre. Once every six weeks or once in two months the chairmen all come down here to London for a day and they spend the day with us. I am present together with the Director-General. The Director-General designate has joined us more recently. Therefore, the chairmen have had every opportunity of ventilating with us any feelings they have about the working of the stations, the operations of the staff and station manager, and so on. This has been a very valuable institution in this period of experiment.

695. This may be a difficult question to answer in specific terms, but has morale remained as high as it was at the beginning of the experiment in all eight stations, or have there been instances of a certain decline of morale in some stations?—I would say that morale

certainly has not fallen. I would say that morale has grown. I have been extremely impressed by the comments made to me by responsible people interested in the experiment and who have taken the trouble to visit one, two or even three stations. They have come back to me and have commented in every case on the very high level of morale. The staff at these stations are all young people. The average age at some of the stations is less than thirty. I particularly remember a comment made to me by a former general secretary of a national trades union, who is now a member of a national board. This person visited most of the stations and he said to me, "What impressed me is that there is a higher level of job satisfaction at these local stations than there is in any other case in my experience". I think this is because they are so busy they do not have time to think about their little worries and their concerns. (Mr. Pierce.) On the question of morale, I would say that it has been extremely good. I think everywhere there has been the feeling that they can go ahead and translate their own ideas into practice without interference. The really significant thing about this experiment is that it has been an exercise in devolution for the B.B.C. We, in London, cannot hear their programmes except when we pay them a visit. They really are left to get on with it. I think this accounts for both the high standard of their work and the enormous energy and dedication that they are putting into it. They are working long hours, although not as long as when they first started. They are driving themselves and sometimes it is difficult to make them stop working.

Mr. Costain.

696. Is there a maximum and minimum hour for broadcasts a day laid down?—No, there is not.

Mr. Hamilton.

697. What hours do they normally broadcast?—It is difficult to arrive at any average figures. None of the stations are broadcasting less than four-and-a-half hours a day and at Leeds they are doing very much more than that. It can depend upon how well the local football club is doing. This can be a

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strain and a financial embarrassment if the local football club is doing extremely well.

698. Who determines the salaries of station managers? Is there a uniform scale throughout the country?—All staff are subject to the B.B.C.'s normal terms and conditions of employment.

699. What grade are they in the hierarchy of B.B.C. employees?—(Mr. Gillard.) They are about the grade of an assistant programme head in the regions or a little above.

Mr. Macdonald.

700. I should like to pick up a phrase Mr. Pierce just used, that the stations managers are "left to get on with it". Reverting to the slightly sordid topic of finance, how is their expenditure controlled, particularly in those stations where, as I understood from an earlier answer, the revenue from local authorities is quite small? Is there an open-ended subvention from the B.B.C. in a case like that and, if not, how do you control expenditure?—(Mr. Pierce.) The B.B.C. underwrote the cost of the experiment, foreseeing that it would be quite an impossible situation for a station manager and his staff to work in if it were ever thought that his station would have to close if local sources of income dried up. The situation has always been that the B.B.C. has met the cost of the stations. Certain costs are fixed in advance, such as rent. The station manager is given a programme allowance within which to operate. It is significant in the experiment that this increase in hours of output for the most part has been achieved without a great overspending on what we call the programme allowance. The sort of costs that faced us and that have risen in particular have been the costs over which the station manager locally has had least control. However, in London, centrally, we know precisely what they are spending and we are in a position to analyse their costs and to say at any given point, if it is necessary, "Beyond this point you cannot go".

Mr. Hamilton.

701. At the centre do you control the fees paid to artistes at local level?—So far as certain rates negotiated between ourselves and the National Union of

Journalists are concerned, these are negotiated centrally and have to be observed locally. Other rates were negotiated nationally before the experiment began with performing unions, for instance, Equity and the Musicians' Union. If a station manager wanted to enter into a contract with any member of these Unions, he would have to obey the scale of rates laid down.

Mr. Macdonald.

702. In the case of Durham, where we have been told that local contributions are only £10,000 a year, presumably the B.B.C. have provided finance at the rate of £60,000 a year?—Yes.

703. I take it that there will be some central watch kept on the rate of expenditure so that you will know, if a local manager increases his outgoings, that the rate has gone up to £78,000 or £80,000?—(Mr. Thorne.) I should explain that the local stations are on the same basis in the system of annual rate control as the rest of the B.B.C. They have a limit of expenditure under each nominal account. We classify the whole of this expenditure and these accounts are compared with the budget; it is controlled in this form. It is not open-ended in any way; they are subject to the same control as other departments within the B.B.C. (Mr. Pierce.) There are certain limitations. For instance, he cannot enter into permanent contracts of employment with staff locally without the B.B.C. being involved in London. (Mr. Thorne.) We have kept this as simple as we possibly could. The manager has to see that he does not overdraw at the bank, and that kind of thing. The whole of the financial arrangements have been arranged in order to have absolute simplicity, not to have larger accounting returns.

704. Might the Sub-Committee be allowed to see a schedule showing the local contributions for all stations? We have been told what it is at Durham. It would be interesting to see the figures for all the stations?—(Mr. Gillard.) We should be very pleased to do that.* I am a little concerned about the publication of these figures, because we have not asked the various people who have contributed whether their contributions can be made public, or not.

* See Appendix 8, p. 236.

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Mr. Costain.

705. We can arrange that they are sidelined, so that they will not be available to the public. You are worried about some stations which are getting away with lower contributions?—No. I am worried about the identity of the people who have contributed.

Mr. Macdonald.

706. I do not think I necessarily want names. I should be interested to see the global figure for each station and to split that figure down into the contribution from the local authority on the one hand, and the contributions from other sources on the other hand. However, I should not want to see the names of the private contributors?—In the case of one station, Radio Merseyside, there is a certain amount of information here of which even we are not apprised. This also applies to Radio Stoke. In each case local bodies have been created to raise money for the stations' operations from local interests, mainly from industry and commerce. These contributions off-set the guarantees from the local authority. We do not know the totals of these amounts, nor do we know from whom they come. That information I could not give you. The local authority interests on Merseyside were extremely anxious that there should be a local radio station there and they went right ahead and formed an organisation called the Radio Merseyside Association which is a consortium of local authorities. The R.M.A. is quite distinct from the local radio council. That Association has collected several thousand pounds from industry and commerce on Merseyside to off-set the quite handsome contribution of £63,000 or £64,000 a year which the local authorities subscribe to the station. We do not know where the R.M.A. gets its money from.

Mr. Costain.

707. Merseyside is the only area which has adopted this approach?—(Mr. Pierce.) Stoke-on-Trent does not actually have an association, but there is a similar approach. The local authority stands between us and local industry and local industry contributes in a way which relieves the local authority.

Mr. Howell.

708. Have your station managers, any other local group or interest ever come to you and suggested other ways of getting money into the system, other than contributions from local authorities and the odd local body? Have any schemes for money raising been presented to you or any form of innovation like that?—(Mr. Gillard.) Off hand, I cannot think of any of a substantial nature that would be worth reporting. This is not surprising because our station managers are not trained as money raisers. They are professional broadcasters. This is quite a different job. None of us are in the business of raising money, nor do we have much experience of it, except in a small way in our social and private lives. One of the weaknesses of our experiment so far has been that we have not had a professional fund-raiser at each of the stations because we have been unable to find the money to pay for him. If we were told to go ahead with a further period of experiment over another two or three years, I should try to appoint a professional fund-raiser at one or two of the stations, if not at all of them. I would tell this man that he has to earn his own salary and his own expenses and a few thousand pounds in addition.

Mr. Hamilton.

709. Would you not be optimistic that the enthusiasm for a local station would generate its own finance? If the local people were anxious to preserve and to extend their local service, would not the money come rolling in, and to the extent that it did not come rolling in, would not they be saying that they do not want the station?—I think there are signs that as it breaks through into the community generosity is released, but these are days when there is a very big call on everybody for money and I think there is an understandable tendency to say, "Is it absolutely essential? Suppose we do not give it, it is not going to collapse, the B.B.C. is going to keep it on". In some of these centres where the local authority has guaranteed the money, local industry would have given much more but for the fact that everything it is putting in has really off-set a rate contribution and they are, in a sense, subsidising the rates.

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If the experiment were to take a new lease of life, I should try to have a new look at this system of finance.

Mr. *Costain*.

710. On Merseyside there was a sort of spontaneous combustion before the station started?—Yes, there was.

711. Could you trace that to an individual or to a group of individuals, without naming them?—I think there was a good deal of rivalry between certain major conurbations in the North West.

712. That is not unknown! You mentioned that there was a minimum of four-and-a-half hours of broadcasting a day. Is that the total broadcasting, or just the local element?—(Mr. *Pierce*.) When we quoted these figures we were talking of programmes which originated locally. The station manager decides for himself at what point he will produce local programme material and at what point he will take output from the B.B.C.'s network programme.

713. The overall broadcasting in the local station is on as long as the B.B.C. programme is on?—Yes. (Mr. *Gillard*.) The local transmitter is on the air, almost in every case, from 5.30 or 6.00 in the morning until two o'clock the next morning.

Mr. *Howell*.

714. Reverting to the question of new methods of finance, has any body or organisation proposed that the stations should start advertising?—No formal proposal has been put to us on those lines at all. However, it is endlessly discussed by all sorts of interested people. Although there are some members of the local radio councils who think that a limited amount of advertising under conditions of strict control might be possible, generally speaking the view among local radio councils is that advertising revenue should not be sought.

Mr. *Hamilton*.

715. The local newspapers would be very much against advertising?—Yes.

Mr. *Howell*.

716. This is still an open question, to be finally decided when the experiment is reviewed?—(Mr. *Lawrence*.)

The White Paper makes it plain that the methods of financing local radio is an open question at the end of the experiment.

Mr. *Hamilton*.

717. This would be a Government policy decision?—Yes.

Mr. *Costain*.] And, therefore, outside the terms of reference of this Subcommittee.

Mr. *Macdonald*.

718. Can the stations themselves appeal for money, and, if not, could they? You mention that you would like to see a fund-raiser. Could the fund-raiser himself go on the air?—(Mr. *Gillard*.) As you may know, this is done in the case of some community stations in the United States. It produces certain results. The trouble is that there is no continuity of subscription in this way and inevitably the time arises when there is not enough money in the kitty at the end of the week to pay the staff their wages. This is the problem with random contributions.

Mr. *Costain*.

719. Concerning staff, were all the station managers in the B.B.C. before they were appointed?—All the station managers were B.B.C. staff, yes.

720. Do you consider this is a good training ground for future senior positions?—I would think it is admirable. I should like to hear Mr. *Pierce* on this. (Mr. *Pierce*.) Certainly this is so of the station managers and it is certainly true also of the young people who have come and joined us in broadcasting from all walks of life for the very first time, for whom, after a period of one or two months' training, the intensive experience they are now getting will be very valuable in the journalistic side of broadcasting as well as in other aspects of broadcasting.

721. What is the relationship between your regional centres and local stations? Do you find that the local stations depend on your regional organisation?—(Mr. *Gillard*.) No, Sir. We went to some lengths to place the local broadcasting station outside the orbit of the regions. This was deliberately done in order to emphasise the degree of independence which we wished the local

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Mr. F. G. GILLARD, C.B.E.,

[Continued.]

Mr. H. H. PIERCE, Mr. E. B. THORNE, and Mr. D. G. C. LAWRENCE, O.B.E.

stations to have. They are not answerable to the neighbouring regional controller at all. There are good programme relations between the local stations and the regional centres. The local stations are continually turning up interesting programme items which the regional stations are glad to use and which we are glad to use on the networks. A good deal of that sort of thing goes on, but, in general, the answer to your question is no.

722. In your budgeting for the next few years, have you made any allowance for expenditure on local stations? —We have considered this, of course, but beyond the next financial year, 1969-70, we have made no provision. I think I ought to refer to section 42 of the White Paper which makes it very plain that it would be improper for the B.B.C. to assume that it is going to continue to operate local radio until the evaluation is made.

Mr. Howell.

723. Is it at all possible to give us some idea at this stage of the rate of growth of audiences? Do you have any broad indicator, although, obviously, the final figure will not be available yet? —Without any doubt at all, all the stations have found an audience already. This is really quite remarkable, considering V.H.F. limitations and the fact that any new broadcasting service has to fight very hard to win people away from the established listening habits which they have formed and make them adopt new habits. We had the additional problem of operating on V.H.F. with local radio, but it is quite gratifying to find that there are already quite reasonable listening audiences. I would expect a giant stride to have been taken at the outset and from now on I think it will be a period of slow and steady growth. I do not think it can be rapid, but it is bound to be winning people away from their established habits, persuading people to buy the V.H.F. sets and edging forward all the time. (Mr. Pierce.) Intensive interview research was conducted about six months after the first four stations had started transmitting, namely, Leicester, Sheffield, Merseyside and Nottingham. Their percentages varied between 40 per cent. at the lowest and

53 per cent. at the highest concerning facilities for listening to their local station. We felt that this was a fairly encouraging base from which to start. We are not yet in a position to give details of final studies that are being carried out because they are not available but further interview studies were scheduled for twelve months after the stations first came on the air and they are now being processed. We were able to establish, from a sample interview study of about a thousand interviews in each of the cases I have mentioned, the frequency of listening. If one takes a degree of frequency of at least one or two days a week, one finds that in Leicester 27 per cent. of the whole population were listening at least one or two days a week. In Sheffield the figure was 21 per cent.; in Merseyside the figure was 22 per cent. and in Nottingham the figure was 28 per cent. At the time we described these audience figures as encouraging and we think they are. The V.H.F. limitation is a serious one, although perhaps it is not as serious as we thought it might have been before we knew these figures. The trade estimates that something like a million V.H.F. sets will be sold during 1970 and there are indications that there is a very significant increase in the sale of V.H.F. sets in the country generally and, perhaps, in these local radio station towns particularly, but we shall not be clear about that until we see the results of our final studies.

Mr. Macdonald.

724. How far are you able to determine whether these people, listening to the local stations, are doing so because they want to listen to the local content of the programmes, or whether they are listening to the network programme transmitted from the local station and it is, in a sense, fortuitous that that is interspersed with local material?—(Mr. Gillard.) They can, of course, all receive the network programmes independently of the local station.

725. I thought that there may be better reception?—In a few cases this may be so, particularly in connection with Radio One which is not as well received in some parts of the country as it is in others. I would suspect that people who turn to the local stations do so because of the local interest of the material

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provided. The output of any local station is locally determined entirely and the station manager has a great deal of fun in putting together his own locally produced programmes, with plums drawn from all the networks. He knows that *The World at One* is a very popular programme on Radio Four; he knows that *Women's Hour* is a very popular programme on Radio Two. He can draw all those together in one composite programme and interlard it with all these various attractive items and produce a very attractive kind of marmalade. (Mr. *Pierce*.) At the same time we did ask questions to establish frequency of listening to particular local programmes. In Radio Leicester, for instance, we established that a magazine news programme which goes out on Monday to Friday at ten to one and at 6.15 in the evening has a patronage of 77,000. We also asked various questions about people's attitude to the station, whether they thought it had made a good start, whether it was something that local people could be proud of, and that sort of thing. These questions brought an affirmative response from the sample of between 75 and 82 per cent.

Mr. *Costain*.

726. When the various station managers broadcast, is it rebroadcast or is it simultaneous broadcasting?—(Mr. *Gillard*.) Or recorded?

727. Yes?—It might be either. Do you mean of the network's item?

728. Yes?—They must be simultaneous.

729. Do you find that each station manager has his own ideas of what constitutes a popular programme?—To a very large extent, yes, but this is exactly where he is guided by his local radio council. The local radio councils have plenty to say on this sort of subject. We have audience research to help, but there has been a great deal of good-natured argument as to whether Radio One is a more popular, sustaining programme for a local radio station than Radio Two. There is a great deal of very interesting community argument about this, because there are many good, solid citizens who simply cannot bear the sort of noise that goes out on Radio One. On the other hand, Radio One is the sort of programme which attracts

a very large audience and it is sometimes alleged that it is incongruous to associate a serious-minded local programme with this kind of raucous, highly popular programme for the teenager-type which goes out on the network.

730. All our conversations are on the basis that nobody ever looks at television?—This is a very important point. In the day-time radio is the medium which commands the mass audience. In the evening it is television and, therefore, the evening job of radio, whether it is network or whether it is local, is to devote itself to minority interests of all types, because the dedicated people will come to radio leaving television if it is providing something which they value, for instance, if it is putting on a course of further education material on a local topic, if it is doing a discussion on some serious local issue. (Mr. *Pierce*.) It is possible that a programme on a controversial local planning proposition that threatens a man's back garden might tear him away from his favourite television programme. (Mr. *Gillard*.) If you intend to use local radio as a sort of missionary instrument, which is what we want to do, to build up a better community feeling in a community, then you will want to do your community service broadcasting at the hour when you can catch the very large, and very big battalions. You will not want to relegate it to the evening hours when the big battalions are looking at television. That is why on these local stations we do a great deal of what might be called minority broadcasting in communities at peak hours. The peak hours are the early morning hours, lunch-time hours, and tea-time hours. Those are the times when our catchment area is a very large one indeed.

Mr. *Hamilton*.

731. Would a local station manager have the discretionary power to broadcast live highly controversial local council meetings?—We have done this frequently. Yes, indeed, both in full and in edited versions. We have less trouble about it locally than we do at Westminster!

Mr. *Macdonald*.

732. The examples you have given of material used have all been news stories.

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You mentioned the investigation of the development of a factory or a discussion about some planning topic. Could the local radio stations broadcast a choir, a local pop group, or something of that kind?—(Mr. *Pierce*.) Yes. We give all the reflection we can to local amateur activities—music, drama, short story competitions with the winner being given the opportunity to read the story over the air.

Mr. *Costain*.

733. Are local weddings and funerals included?—(Mr. *Gillard*.) No. (Mr. *Pierce*.) I believe that Brighton have started a service of advising people of births. It might be that funerals would have been more appropriate in Brighton!

Mr. *Costain*.] We had better sideline that.

Mr. *Howell*.

734. You mentioned the word, "missionary". Is it right to say that the whole of this experiment so far is viewed as a reforming instrument, or, to use your words, a "missionary instrument", rather than as entertainment and that it is in that light that it will be primarily judged when the experiment is completed?—(Mr. *Gillard*.) I see it quite simply as an attempt to make local life more interesting—because there is no doubt that in this country it is less interesting than it could be and people are not as interested as they might be in local affairs. This is shown by the small turnout you get at local government elections. I attribute this, very largely, to the fact that whereas in the national community there are all sorts of mass media hard at work all the time interesting people in what is going on in national and international affairs and having a certain degree of success, in the local community you have only one instrument and that is the local newspaper. How does local leadership make itself known, particularly if its face is not very acceptable to the owner of the local newspaper. How can you engage the interests of the local community in

those matters which really concern its prosperity and its future, how can you get at them—only through the columns of the newspapers. I believe that broadcasting ought to be able to do at the local level a job which corresponds to the job it has tried to do over the years at national level. If you believe that there is a place in the spectrum of newspaper journalism for the local paper, I believe there is a place for the local station in the whole span of broadcasting. However, I do not rule out the entertainments' function, which is important and which is part of people's life. This, too, has a dimension of which a local station can take account. (Mr. *Pierce*.) At Leeds a lady called in at the station to protest over the air about a street lamp which had not been mended for several weeks. This can be entertaining as well as useful. In Leeds it achieved the mending of the street lamp rather quicker than, perhaps, would otherwise have been the case.

Mr. *Hamilton*.

735. Have the local stations played any part, or do they intend to play any part, in local election campaigns?—Yes, local elections and Parliamentary by-elections are covered.

736. Have you examined the percentage rise, or otherwise, in the poll as a consequence of this?—There is some evidence that coverage of a particular ward at Stoke-on-Trent during last year's local election did produce a very significantly higher poll. However, whether or not that could be attributed exclusively to our activities, I do not know. I think the local staff would like to think so. (Mr. *Gillard*.) In fact, the percentage turnout in the two wards concerned went up from 29 per cent to 42 per cent.

Mr. *Costain*.

737. You give the Sub-Committee the impression that you are enthusiasts for local radio stations, are you?—Yes.

Mr. *Costain*.] Thank you very much indeed for coming.

MONDAY, 17TH MARCH, 1969.

BRITISH BROADCASTING CORPORATION.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. William Hamilton.
Mr. David Howell.

Mr. Arthur Lewis.
Mr. Macdonald.
Mr. Neil Marten.

Mr. F. G. GILLARD, C.B.E., Managing Director, Radio and Mr. J. G. L. FRANCIS, C.B.E., Director of Finance, B.B.C., called in and further examined.

Mr. H. P. WHELDON, O.B.E., M.C., Managing Director, Television, B.B.C., called in and examined.

Chairman.

738. Gentlemen, it is our purpose this afternoon to go into the regional situation. If there should be any difference in the answers in respect of Radio or Television, without my having to put the question to both sides automatically, may we please ask you to speak up if there is any difference and decide who is the right person to answer any point. Perhaps we shall make best progress in that way. Now, the regional structure has been in existence for many years. Have there been any changes in recent years in the shape of the Regions?—(Mr. Gillard.) No, certainly not in the last ten years, and no substantial changes since they were set up in fact.

739. Are they based primarily on engineering considerations or public reception?—They are based on engineering considerations and public reception. It is a question of how we can get the signal into people's homes in every part of the country.

740. Is there any difference between Radio and Television Regions as such?—No, Sir.

741. How far does the staff concerned with one form of broadcasting act in the capacity in respect of the other; how far are the staffs entirely segregated by virtue of either geography or knowledge?—I think you would find that this varies from centre to centre. There is unquestionably a degree of something that we call "ambidexterity" at most regional centres; you will find at every regional centre a considerable number of people who do nothing but Television and a considerable number who do nothing but Radio. There are people in between who do both to some extent,

especially people who operate behind the scenes, who do not appear before microphones or cameras but who look after the technicalities of production.

742. Is there any scope for economy by increasing this "ambidexterity"?—I would say, Sir, that we have pushed it as far as it will go.

743. Could you give us the order of magnitude: is it 10 per cent. of the staff who are useful in both spheres, or is it a much higher figure?—Higher, if you count in the engineers too, certainly. Of course, at the Regional Centres you would have a common news staff, for instance, who would prepare the news for Radio and news for Television; you will find that your Religious Broadcasting Department produces religious programmes for both Radio and Television. It is when it gets into the very specialised kind of production, for instance the production of drama, that people tend to be either Radio or Television.

Mr. Macdonald.

744. The concept of a Region suggests to me some concept of regional identity, that one region has a distinct flavour that other regions do not have. You said a moment ago that the basis of the regions is engineering. In that case, is there at all this flavour of identity existing in the regions? When you announce that a programme comes from a particular region, is that expected to carry a particular flavour distinguishing it, so that this is a programme identifiable as arising from Bristol, say, and could not possibly have come in this shape or this quality from Manchester?—All regions have tried to produce programmes of that nature, but not exclusively. They

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also like to try their hand at general broadcasting as well. They are encouraged, indeed, to try their hand at general things with the idea that if they make a success of them there might be a wider use for those programmes. For example, if you take in my own particular case "Any Questions", which, as you know, is a public discussion programme, it started as a little regional programme and grew up and became a well-known national broadcast. But to take your earlier point, our regional system is a compromise. Ideally, we should have more regions. The amount of territory we have to cover in each region is too large. If you take the North Region, which is a coast-to-coast affair, right across the north of England from one coast to the other, embracing something like 14 or 15 million people, nobody is going to tell me that the interests of Blackpool are very similar to the interests of Lincoln. Or, if you take the region where I have spent most of my B.B.C. career, the West, I had to reconcile the interests of Brighton with the interests of Penzance and the interests of the Forest of Dean; these areas are much too large; but the point is that we could only have this number of regions because we have only that number of wavelengths. If we had had more wavelengths in the beginning when the regional system was set up, we would have had more regions. Each region would have covered a smaller area of territory and would have been more coherent in the terms which you have described which we all recognise as being ideal and as something to which we should aspire.

Mr. Hamilton.

745. Can you now technically overcome the wavelength problem?—In Radio through VHF, yes. VHF offers many more channels. Of course, now we are up against the problem of financing more regions than we have at present.

Mr. Lewis.

746. If in fact you can overcome the wavelength problem—and the question of finance is tied in with this—how comes the Postmaster General's recent statement that if the Conservative Party implemented their policy there would not be enough channels for them to operate,

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and therefore it cannot be done?—The answer there is that, as one understands it from the Shadow Postmaster General's announcement, the intention is to introduce up to 100 additional stations on the Medium Waveband, not on the VHF one, and the Medium Waveband is, as you can hear if you listen at any time after dark, already gravely overcrowded.

Mr. Marten.

747. Did he say that?—Yes; and he also said, if I may just complete my statement, that a further examination of this situation is being carried out and he hopes that it will be completed by the end of the year. That is how he was reported in the Press.

Mr. Lewis.] So that in effect the Postmaster General—

Chairman.] I think I must remind the Committee that we are here to investigate the B.B.C. rather than the Ministry.

Mr. Lewis.] Yes, I agree, but I believe that the answer was given that there is a difficulty with regard to wavelengths, and I was just asking, to what extent was this tied up with the Postmaster General's reply on the question of wavelengths.

Chairman.] I thought the answer was given, and I thought that therefore the area into which we have strayed had better be limited to the extent that we have strayed.

Mr. Marten.

748. Could I bring it back by asking whether, if you had it on VHF, you could in fact have 100 regional or local stations operating?—My understanding, Sir—and I am not a technician—is that this would be possible, yes.

749. Would there have to be a local set-up at each of those 100 places, or could that be centralised and pushed out admittedly on 100 different wavelengths and each one containing local items but certain central items?—I am not sure that I understand your question, Sir. If you are going to have local items, there must be a local set-up.

750. Yes, but could that in any way be centralised or must there be 100 transmitting stations, or could you use one transmitting station for more than

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one programme on different wavelengths?—You could in fact have a transmitter of greater power which covered a larger area and which accommodated within its hours of broadcasting a whole number of separate packages at different times of the day, each relating to a different area. But there would be very great difficulty in getting people to listen to this because people would never know the times when the items relating to them were being broadcast. (Mr. *Wheldon*.) Or it would be at an unpopular time.

Mr. *Hamilton*.

751. Ideally, if you had not any problem of wavelengths, how many regions would you prefer—in the ideal situation? You said that you would prefer more regions but you were limited by wavelengths and finance. If you were not limited by those two factors, how many regions would you prefer?—(Mr. *Gillard*.) If it is Radio, I have never counted them up, but I should have thought somewhere between 30 and 40, probably.

752. Now, assuming that you had those and you put them all on V.H.F. and they had to be financed as the B.B.C. is financed now, have you any idea of what the additional cost would be?—I cannot answer that off the cuff, I am afraid. (Mr. *Francis*.) I think it would run into several million pounds, but I would prefer not to quantify it here and now. (Mr. *Wheldon*.) And that more so on Television.

Chairman.

753. The scope, then, for more regions is greater in Radio than it is in Television because of the existence of V.H.F.: is that what it amounts to?—(Mr. *Gillard*.) I am not sure what the scope is in Television. (Mr. *Wheldon*.) Well, of course, it is undoubtedly greater in Radio than it is in Television for two reasons: firstly, because of the existence of V.H.F. in Radio, and secondly, because of the capital expenditure necessary and the accompanying revenue necessary if you are going to set up area stations. This is the Television difficulty. There is no doubt that the Television services have inherited in England the English regions set up by the B.B.C. on largely engineering grounds

in the early 'twenties, and those regions are much too big to be really communicative as a region, and from our point of view it would be extremely desirable to press for some kind of smaller area development; but, of course, it is expensive because any area would undoubtedly need a centre and centres are extremely expensive.

Mr. *Howell*.

754. Would the future development plans of the B.B.C. include a splitting up of the Television regions from the Radio regions? Is this something which is discussed as a desirable development for the future?—I do not think it is a very desirable development. The whole thing is at the moment very much in the melting pot. As you know, we have got this regional policy and we are going into the question of how regional operations should be best financed and operated. In fact we have already done a fair amount of area work in which both the Television Authority and the sound Authority are working hand-in-glove; so that in the West now, thank goodness, there are three area Magazines, so to speak, every evening, just as now in the North there are three—the North does divide into three parts, Leeds, Newcastle and Manchester, when it comes to area programmes, and that goes in the same way for sound as it does for Television. Because of the "ambidexterity" point and the point of having common staffs, there is an awful lot to be said for maintaining the same situation if possible. (Mr. *Gillard*.) May I explain that in my own region (I was Regional Controller for many years in Bristol) we trisected the region in the end and we had a production centre in Bristol, which had a television transmitter and a Radio V.H.F. outlet; we had a similar set-up in Plymouth and a similar set-up in Southampton. And so, for all the purposes of news, current affairs and general information, we could localise our material much more than was formerly possible, but we had to maintain, nevertheless, in Radio an all-regional service for the medium wave channel, which is only one wavelength and has to cover the whole area and cannot be broken down into sections.

Mr. *Costain*.

755. Could I refer to the handbook, the Annual Report and Accounts, pages

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103 and 104, and draw the witnesses' attention to the fact that the Premises Account on Radio between 1967 and 1968 has gone up by £100,000 on a £2 million expenditure, and that the Premises Account on Television has gone up £½ million on a £4 million expenditure, and ask whether it is considered that this increase in Premises expenditure will go on increasing in this way, or is the Television increase likely to fall off in relation to the increased costs under Radio?—(Mr. Francis.) I should think that in this particular period another section of the Television centre came into operation, and these are fairly large areas, in which case there would be an immediate jump in rates and supporting services if you bring several more studios into operation.

756. But is it possible to give a relative cost of a new regional development in relation to this? Is Television at its peak expenditure relative to that increase in the year, or is it likely to go on increasing by about £½ million every year?—I think it would increase for reasons of rising costs, increases in local rates, electricity and that sort of thing, all the time. (Mr. Wheldon.) And with reference to Colour—absolutely certainly, yes. (Mr. Gillard.) And also, of course, as the new premises in Birmingham and Manchester come into service.

Chairman.

757. Now, on the aspect of whether the regional facilities produce for themselves or nationally, do you ever go to a region and say: "We want a national programme on so and so. Will you produce it?"—Oh, yes.

758. You do not simply pick up from their own domestic output, so to speak, that which appears to you to be worth spreading over a wider field? If you do, therefore, pick up certain regions for certain functions, what are the criteria you use for selecting them?—(Mr. Wheldon.) Perhaps I could give an example on the Television side, Sir. There is in Bristol an extremely good natural history unit, which traditionally is the Bristol specialisation. It was started by Frank Gillard and others a long time ago, and that has become very good over the years; they are responsible for

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"Life", "Animal Magic", "The World about You", "Look" and so on; all of them come from Bristol. In Mexico, North America or Germany or anywhere else, when you think of England in the natural history business what you think of is not London but Bristol. Bristol is a world centre for natural history as far as Television is concerned; it is absolutely a world centre. When B.B.C.2 started, of course, we wanted to bring natural history and so on to B.B.C.2 in new ways, and it was to Bristol that we turned; and so we got "The World about us" and other programmes started on B.B.C.2 with Bristol making them. Now, it so happened that a year or two ago we wanted to start two new sorts of programmes also at that time on B.B.C.2, and these were going to have B.B.C.1 repercussions later on. One was with reference to archaeology and the other was with reference to history. The reason for the archaeology situation was that we found that the British Museum and other authorities were interested in Silbury Hill and very interested indeed in doing a big Silbury Hill dig. So we got involved in a part of the Silbury Hill project, and to that end we set up an archaeological unit in Bristol as part of the Bristol situation, and that Silbury Hill project, on which we have made a whole number of programmes on B.B.C.2 and will continue to do so for the next two or three years, is done from Bristol. Now, that archaeology in turn is now beginning to spread because, once having learnt how to do archaeology on the ground and having behind them the enormous filming technique that they have had to develop with reference to natural history, it then seemed only a stone's throw to move into a programme which is at the moment called "Chronicle", which runs regularly week after week on B.B.C.2 and is a very important programme from our point of view. "Chronicle" consists very largely in chronicling, as it were, in historical rather than archaeological terms, either the Fall of Jerusalem or the Third Crusade or Sarajevo—all sorts of things can be done in "Chronicle". They are never re-enactments, in the sense of being dramatic documentary re-enactments; they are rather scholarly looks. Now, in that sense we could have started "Chronicle" in London, and indeed we

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had a London producer, Paul Johnston, but at the same time it was clear that this had to be conjoined with the West. So that at the moment both our archaeological work and our historical work are being done both in Bristol and in London, but it could not be done without Bristol. That is the way it has worked out; it is rather complex.

759. Does the same apply to what one might call the sub-regions?—To an area, as it were? No, Sir. In Television you would not expect a sub-region, in that sense, I believe, to make programmes which were national rather than local in interest. The whole point about an area is that what you want—apart from “Softy, Softly” or “The Wednesday Play” or “Panorama” or whatever it is—is to have Norwich and the area around it being involved in something specific to Norwich and East Anglia; so that where an area is concerned we would not normally expect an area to make programmes for the network. You would expect an area to make programmes that are quite exclusively about East Anglia for East Anglia. Occasionally they are so attractive that somebody sees them and you get them on the network. (Mr. Gillard.) There is one small exception, and that is that the areas are extremely valuable to us in the News context, because if you have a blizzard in East Anglia the Norwich centre is pouring out recordings, films and all the rest of it into the main news services. Similarly with our Plymouth centre, there is always a disaster going on somewhere around Plymouth—out at sea, or in the Scillies or somewhere. (Mr. Wheldon.) Oil tankers, for example.

Mr. Costain.] Or a Beatle’s wedding.

Chairman.

760. We learned last week that the whole subject of local radio is quite outside this regional structure altogether. Should this experiment be continued in any way, is your thinking in terms of regional planning affected at all by the uncertainty of the future of local radio?—(Mr. Gillard.) I think the answer to that must be: Yes, it is, Sir, because obviously if in the end the B.B.C. was operating a fairly wide system of local radio we should clearly have to take a look at some aspects of the regional

work. About half the regional effort in my case goes into making programmes which are for national dissemination from the regional centre, and that requirement will go on. We must have our production centres outside London if we are to have any right to call ourselves a national broadcasting service. But whether there will be the same need to produce material for the region when in every urban area throughout the region there is a local radio station to do that very job is something that we shall have to study very carefully. We could find ourselves going into a great deal of expensive and unnecessary duplication.

Mr. Costain.

761. Could we just look at the formula used for planning your programmes. One appreciates that certain popular programmes are more expensive than the more simple programmes. As we are a Committee primarily dealing with finance, could our witnesses give us some idea as to how they evaluate the difference between the expensive and the cheaper programmes and how they make the mix, how they sort them out in regard to their weekly budget or monthly budget. I mean, obviously if you had a lot of “Forsyte Sagas” you would go broke; if you had a lot of films used every day it would not cost you much. How is this mix arrived at on the programmes?—(Mr. Wheldon.) I was wondering how to reply in less than about an hour and a half! (Mr. Gillard.) I can speak on that, because my problems are so much more straightforward than the Television ones. A really expensive programme on the Radio probably would not cost much more than £500, whereas a very cheap one would probably cost at least £150, so that the margin is not great between the one and the other. Of course, generally speaking, one tries to get the best value for money that one can, so that if you can get a highly attractive programme at a fairly modest figure you will accept it. On the other hand, I have always held the view that to make attractive programming you must have peaks running through it, you must be building up into something that stands out, the great attraction of the evening, and whilst sometimes you can get this cheaply off a gramophone record, more often than

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Mr. F. G. GILLARD, C.B.E.,

[Continued.]

Mr. J. G. L. FRANCIS, C.B.E., and Mr. H. P. WHELDON, O.B.E., M.C.

not you have got to produce it yourself; but if you are spending the bulk of your evening's budget on the peak, then obviously you have got to be quite economical on the programmes which lie on the slopes. That is the sort of principle on which we operate.

762. Do you do that on a weekly basis, on a monthly basis or on a quarterly basis?—The planner has an annual programme budget, in my case, and he divides this up in the light of all his experience and in the light of all that his antennae tell him and he knows jolly well that he has got a much bigger and more attentive audience in the winter-time than in the summer-time; that in summer-time people want attractive background entertainment because they do not want to sit down and concentrate hard on nice summer evenings; so that he will save most of his resources for the six months of the winter and divide it out as evenly as he can. The planning is done on at least a 6 months' forward basis.

763. And are there certain nights in the week on which you concentrate your expensive programmes?—No, Sir, they are pretty well spread. (Mr. Wheldon.) On the Television side it is not dissimilar, I think, although I would not go so far on the "peak" situation. The point is that there are a lot of things that the Television service feels that, to be a service worthy of the country, it should do. Of course, you never start from scratch, because you have a *status quo* before you start the operation, but you set out, I believe, to say that there are certain things that you have to do; you have to do certain single plays which are contemporary; you have to do certain single plays which are classics; you certainly have to do Sport; you have to do Football; you want to do Current Affairs; it is certainly desirable to do regional aspects of this, domestic aspects of that, and so on; so that you have a number of desirabilities before you. Now, some of those desirabilities need not bother you because they are not very expensive anyway; there are interview programmes and so on which are not very expensive; but some of them, of course, are very expensive indeed, and, as you say, something like the "Forsyte Saga" runs

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you into very, very big money; it is a very, very big operation to move into it.

Chairman.

764. On the question of this expensive type of programme, is it the salaries of the stars which is the main item?—Not necessarily. Sometimes it is, Sir. When it comes to sport, for example, there are quite a number of people involved in sporting promotions other than stars, if the stars are players. Sometimes it is stars, and sometimes it can be technical facilities, such as satellites, for example. If you take the Olympic Games, that is very expensive for obvious reasons: you have to have this over the satellites and there is a huge organisational set-up. So it is sometimes the stars and sometimes the number of stars and sometimes it is the length of rehearsal required. There are an awful lot of varieties. I do not think that I can blankly say the difference between an expensive programme and a cheap programme is simply a matter of stars' salaries. With the "Forsyte Saga", for example, it was not the stars' salaries that were so high, it was because there were so many of them—a very big cast—and, what is more, the cast kept on shifting, you had to have a very, very large number of people; and, what is more, they needed a lot of rehearsals, so it became very expensive and costly. So that, given that you have a lot of expensive programmes to make, you know that it is going to be very expensive. Let us take for example the notion of an opera. Now, you cannot do an opera without spending a lot of money, much more money than is required to get an audience in. Now, do you do the opera or not? It is very nice question. There is a sense in which the B.B.C. has always felt that, if it is to be worthy of this country, at the country's best and at its own best, then it should provide the best in so far as it is able to. We therefore do from time to time do operas, but not as many as all that, simply because they are expensive. But we do originate three or four, one way and another, between the two networks, ourselves, either at the Studio or elsewhere, a year. Now, having decided that there are certain things that you are going to do, you have then got to plan, one way and another, in such a way as to make it possible; and so

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Mr. F. G. GILLARD, C.B.E.,

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there are certain programmes where what you start with is small money, and you say: "At 8 o'clock on Thursday what we need is a programme, whatever it is about, that will not cost more than £X." That is what you actually start with, for obvious reasons. And so in the end you make up your schedule.

Mr. *Hamilton*.

765. Do you try to estimate what the overseas sales might be, to offset the cost of your programmes—for example, the "Forsyte Saga" and the sale to Russia?—Yes, but the sale to Russia, which is a very agreeable thing to be able to report on, has not made a substantial difference to the cost of the "Forsyte Saga".

766. But it was sold to other countries as well?—Yes, it was. It has been widely sold, but it certainly has not been widely enough sold to bring back the cost of production, including the cost of copyright.

Chairman.

767. Not enough to bring it back—to bring it back to what?—To the net cost.

768. But even with the, I imagine, extra-special overseas sales of this particular programme, it is still the most costly of your programmes, is it?—It is amongst the highest, Sir. I do not know that it is one of the very highest, but it is certainly among the highest.

Mr. *Hamilton*.

769. Would you be able to produce the figure eventually of the gross cost of the "Forsyte Saga" and the net cost after taking into account all the overseas sales?—(Mr. *Francis*.) I think we would be most reluctant to do this, Sir. You start by getting the cost of one programme and then you have to get the cost of others. I think this could become a rod for our back if we were to do so. (Mr. *Wheldon*.) I can tell you what the difficulty is, Sir, quite straightforwardly. The difficulty from our point of view is this, that while the Television services, through B.B.C. Enterprises, sold a lot of programmes—we sold between 12,000 and 14,000 programmes last year, and that is good for the B.B.C., it is good for the country—you do not get very big money out of these sales unless you sell to the Ameri-

can networks; that is the actual situation. It is only if you sell to the American commercial networks (there are only three of them) that there is really big money. If you sell the "Forsyte Saga" to an American commercial network, you do very well.

Mr. *Costain*.

770. May I come back to my original question. On this programme mix, financial-wise, how much is your programme content influenced by your Advisory Council or by letters you receive from the public? I mean, obviously nobody is going to write to you and say: "You are giving us too good programmes"; nobody is going to write and say you are spending too much money. When you put cheaper programmes on, do you get many complaints from the Advisory Council or the viewers?—On the contrary, sometimes it works the other way round; there are some cheaper programmes that have brought nothing but pleasure. I would prefer to mention the name of the actual programme outside the room, because there are two living artists who have been brought in cheaply and have done us beautifully.

771. That is only paying a compliment to your talent-spotting?—Yes.

772. But in point of fact what we are trying to arrive at is: who influences your programmes, besides yourselves?—(Mr. *Gillard*.) The biggest guide we have, of course, is the Audience Research Department, which carries out impartial investigations into public reaction to programmes day after day and day after day, and this is done on a most systematic and scientific basis. This is where we get our impartial assessments from the public of what the public thinks about the programmes, but we do also get a large volume of correspondence. We have a considerable number of advisory bodies, I think over 30 of one kind and another, people who are good enough to give up their time to help to inform us—mainly, I must say, in the sphere of broad policy rather than on detailed programme production. They cover the waterfront: you can have religious committees, music committees, agricultural committees, science committees and so on.

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MR. F. G. GILLARD, C.B.E.,

[Continued.]

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Chairman.] It is our intention to spend probably a whole afternoon on this question of audience research and the various pieces of machinery at your disposal; it becomes almost a subject in itself, I think.

Mr. Howell.

773. On the regional broadcasting side, as Managing Director of Radio you have the choice for your regions in allowing them different mixes as between Radios 1, 2, 3 and 4—can they choose between these, or not?—No, Sir, this is not so. Throughout the country Radio 1 can be heard, Radio 2 can be heard and Radio 3 can be heard. Radio 4 is a service which is sometimes a network service and sometimes is on a regional basis. But it is not like the local stations: Radio 4 is a network planned here in London and every region has the option of breaking away from it, or “opting out of it” which is the technical term used, in order to put on a regional programme in place of the programme available from London.

774. So that one could draw up a profile showing how the different regions made use of Radio 4?—Yes, you could.

775. Roughly speaking, is it true that as one goes north there is less, or as one goes north there is more, or as one goes west there is less, or what?—Well, it varies a little from region to region, but there is not a great deal in it. I can give you some figures, if they would be of any interest to you. In the average week of the last quarter, Scotland chose to opt out of 39.6 hours of the London programme and to put in Scottish broadcasting.

Chairman.

776. Out of a total of how many hours?—Let me see: the service begins at 6.30 in the morning and goes off the air at 11.45 at night, so it is about 120 hours, or something like that.

777. So it is about 30 per cent.?—Well, Scotland came out for 40 hours, yes, about one-third. Then the next highest one on my list was the Northern Region which came out for 34 hours; the Midland, 32 hours; Wales, 27.6; South and West, 21 hours; and Northern Ireland, 17 hours.

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Mr. Howell.

778. Of the national Radio 4, and replaced by a regional programme also on Radio 4?—Yes.

779. And meanwhile Radios 1, 2 and 3 go on?—Yes.

780. Now, on Radio 1, going back into history a bit, at the time of the elimination of the “pirates”—which I think was before Radio 1 came in?—Yes.

781. Was it reckoned that, in planning Radio 1, the particular regions would be able to pick up a big new audience as a result of the demise of the “pirates”?—Well, we saw Radio 1 not as a regional project at all but as a national project. Radio 1 is mainly a service of popular music and you cannot regionalise that; it has no regional significance at all.

782. No, but the “pirates” in fact, by virtue of their distance from the shore, did have a regional catchment area?—Yes; they could reach certain areas and not other areas.

783. And was it found, through audience research, that certain regions have got a better response from going in for their Radio 1 development than other regions?—Well, you get a situation which is the same. What I mean is that during those times the pop music signal was very strong in some areas of the country near the coast and pretty poor when you got into the hinterland. Our transmitters are inland transmitters, and many areas which used to get very bad “pirate” reception are now getting excellent Radio 1 reception; while many of those coastal areas which used to get first-class “pirate” reception are not getting as good Radio 1 reception.

784. Have you had any feed-back from the public on this?—Yes, and we have taken quite a number of steps to improve the situation. For example, we have recently opened a Radio 1 relay transmitter at Bournemouth for the Southern Area which was getting a poor Radio 1 signal, and we would open more but for the shortage of wavelengths.

Mr. Macdonald

785. I understand you to say that Radio 4 is also working all the time, but the regions can opt out?—Yes.

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786. I take it that there will be occasions when the opting out overlaps and you might get a situation where all the regions have opted out at a particular time. Does this come as a big surprise, so to speak, or do the Radio 4 controllers know in advance that only London is going to be listening to a particular programme?—I think it seldom comes as a big surprise because the liaison between the London planners and the regional planners is excellent; they meet physically frequently, and every week they have a closed-circuit conversation with each other, so that they live in each other's pockets. Of course, many programmes are suitable only for transmission within the region concerned. For example, the London region has certain periods of the day when it wants to do news programmes which are about the London area and which would not interest any other part of the country anyway. (Mr. Wheldon.) And also it works the other way round: There are some programmes which everybody recognises it is jolly nice to opt out of. If B.B.C.1 is anything to go on, we know in advance quite well what they have to opt out of.

Mr. Macdonald.

787. As to the ones that everybody is keen to opt out of, are those cheap programmes or expensive programmes, or is this not a relevant matter?—It is not a relevant question, Sir, to use your own words. A good programme is not co-existent with either a cheap programme or an expensive programme; there are very bad expensive programmes and there are very good cheap ones.

Chairman.

788. Now, in one of the papers that we were given about the delay in raising the fees and the way in which you had to make ends meet and defer projects and one thing and another, amongst things which we were told were in fact deferred were some of the major buildings in the regions, and I believe Manchester was mentioned. How far has that been started since the need for deferment no longer exists?—(Mr. Francis.) I am not sure that I got the end of your question, Sir.

789. Well, there were certain major building projects which you deferred,

pending the increase in the licence fees. The licence fee has now gone up. What has happened to the items which were deferred?—Well, I think the principal one would be Manchester, and there is really a mixture of circumstances involved in that. The original project at Manchester was rather an expensive one, and when we were short of money and we were asked to economise, we did defer this. We also looked at the project again and wondered whether the building we were going to put up was not in fact larger than the prospects of broadcasting which would emanate from that building, and we began to think again; we wanted to reduce the size of the building and we might have wanted to defer it still further, but by this time we were under considerable local obligations in the north, there had been Compulsory Purchase Orders to provide the site for it, so we had really to come to a compromise of a building which was smaller than we originally intended but large enough, nevertheless, to fit into the concept of broadcasting from Manchester which had been expected by all the local interests. (Mr. Gillard.) The postponement of the increase in the licence fee has meant to some extent a permanent deprivation for us, because all sorts of projects had to be deferred during that period, and rising costs and so on have hit us since; so that we now find ourselves faced with the same scale of building programme but not so well placed in order to carry it out. I think Mr. Francis could tell us what in fact the deferment cost the B.B.C. (Mr. Francis.) The deferment of the £6 licence from April to the following January meant that we lost getting on for £12 million revenue, and this, of course, cannot be replaced from any other sources; so we have to take this into account in looking at our future finances and it does have an impact on our ability to carry on services of the originally conceived magnitude.

790. It might take us quite a long time by question and answer to get the full facts about the Manchester situation, so perhaps you could let us have a note giving us some idea of the plan which would have gone in but for the delay, the plan that is now presumably under way, what order of magnitude we are talking about and so forth when we spoke about a compromise.

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If you could let us have a note on that, I think the Committee would welcome it?—Yes, very well, Sir.*

791. What sort of order of magnitude are we talking about?—The cost of the building alone in Manchester would be something like £3½ million, and on top of that we would have to put plant and equipment in, so that the whole project would be substantially more than that.

792. That is all the more reason, I think, why we should have a paper and then, if we want to ask questions subsequently on it, we shall be better informed about the background to it?—Yes, Sir.

793. Is the report of McKinseys having any bearing on the regional structure: is this within bounds or out of bounds for them?—(Mr. Wheldon.) Within bounds, Sir.

794. Is there anything you can tell us as yet about the result of their investigation into this particular aspect?—(Mr. Gillard.) No, I am afraid not, Sir; they are in the middle of it. We hope to get some sort of indication by about the end of April, but it may not be a final and definitive indication by any means. (Mr. Wheldon.) I think we can go this much further, Mr. Chairman, that what McKinseys found themselves entering into, as far as the regions were concerned, was a good deal of disquiet inside the B.B.C., certainly inside the Television Service, about what it was you yourself actually started this session with; are the regions themselves communities of interest and has regional broadcasting really done as well as we possibly can do it, because it is enormous to our advantage to do it very well indeed from every possible point of view. For a long time there has been a disquiet, based fundamentally on the fact that the regions are functions of engineering rather than functions of a community of interest; and yet at the same time an equal disquiet at the thought that any replacement of the regions, in the sense of making them into areas, would be so unbelievably expensive—£40 million or £50 million—as to be out of the question. So those two extremes had already started to be examined, both inside sound and inside Television, a year or two before

*See Appendix 9, p.236.

McKinseys came. The results of the various enquiries we were making we pushed over to McKinseys and therefore they are going on with this, together with our people. We do want to push, if possible, the notion of regional re-development a stage further—who knows how it will go, but it needs to be pushed a stage further and developed a little from what it has been.

Mr. Macdonald.

795. Has any thought been given to the subdivision, not on a regional basis but on a topic basis? Pursuing perhaps further the instance you gave of natural history leading to archaeology, history and so on, has any thought been given to breaking down, not on a geographical area basis but rather having this, this and this subjects in Bristol?—Yes. A fair amount of this is done. Again on the Television side, we have long since believed very much in specialisation in that sense because, once you get a group of specialists working together, they learn how to work and there are rewards to be got from concentrating specialised work in this way; and natural history has been specialised; farming, agriculture, gardening and so on has all been concentrated in the Midlands and has been done there for some time. You may be surprised to learn that at the moment most of our classic serials are not made in London; we brought them down to London because of colour; but in fact the place where the classic serials for Television have been made on the whole is Glasgow. They have specialised in a certain sort of serial and it is very much to our advantage that they should continue to do so. So I accept—we all do—that, as well as speaking from Norwich to East Anglia, from Birmingham to the Midlands, from Nottingham to the area round itself, there is also the question of making specialist programmes by topic for the national network, and this is done already at certain centres, as I have said. It is desirable and I would like to see it improved.

Chairman.

796. To what extent are the regions left to their own devices by the centre; to what extent is there co-ordination in the preparation of programmes and the like?—On the Television side, when it comes to their own work they are left

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very much to themselves; that is to say, in the English regions (we are talking only about regions in England; Wales and Scotland are a slightly different cup of tea). There are 5 things really in the end that the English regions do: all the English regions make some kind of specialised programme or programmes; they have got some specialists in agriculture or gardening or whatever it might be. Over and above that, they have got their own "opt-outs", that is to say, all sorts of programmes which the region make themselves, which may or may not be seen on the network eventually. Then they have got their area magazines and their area programmes. Then they have got news, of which there is an immense amount, some of which is for themselves and some of which they feed into the national network. And then lastly but by no means least there is sport and events, which take up an enormous amount of screen time, as you know, and which are by definition all over the country. Now, on those, the amount of co-ordination required depends entirely on the programme. For example, in sport the co-ordination must be absolutely intense. "Grandstand", for example, which on any Saturday afternoon will come partly from Wales and something else from Manchester, something else from Harrogate, and so on: there has to be very, very careful co-ordination, although that co-ordination is not necessarily from London; the headquarters for a given "Grandstand" may be in Wales, in Cardiff, in Manchester, or wherever it may be. That is where the outfit operates from. On news equally there has to be a certain amount of co-ordination when it comes to what is eventually transmitted nationally, but their own local news they are totally free on; their own "opt-out" programmes they are totally free on. On the programmes that they make for the national network, theoretically you would expect them to be in very close touch with us, but in point of fact that seems to work very well in practice because it is easier that way; they know what they are doing, we know that they know what they are doing, and there the matter rests.

797. How do you deal with control over their expenditure?—In exactly the same way as we do over our own

departmental expenditures here; there are a whole list of budgetary control mechanisms and they all apply in the same sort of way. (Mr. Gillard.) In the case of Radio, and indeed to some extent in the case of Television, the Regional Controller has an annual budget which he may spend at his discretion on the programmes which his region is to prepare for the regional audience. In my case I just hand over a lump sum and I do not ever inquire into it again, except that I go and listen sometimes to the programmes and form my own opinion about them. (Mr. Wheldon.) If it is a national programme, then it means that natural history, for example, which goes on to the network, is paid for by London. By virtue of the fact that it is paid for by London, the budgets that the producers work on have to be argued as between themselves and their programme heads and the channel controllers in London, and they will, of course, want to have £Y to do "The World About Us" properly, but only £X is offered and there is the usual argument and in the end somebody has to demonstrate what can be done for a given amount of money. The controls, then, are the usual controls exercised. As soon as you see them over-spending they are told that they have to bring it back on the next programme so that in the end the thing comes out even.

798. But this budget given to Regional Controllers?—That is for the "opt-out" work, Sir; that is for the work that is made within the region, for the region, and for the area.

799. Yes, but surely he does not know in advance how many programmes he is going to make which will be subsequently so desirable for the national network that those will be picked up and put on it, and paid for, presumably, by the centre. Does not this affect his budget?—(Mr. Gillard.) Well, that might come in the form of a minor windfall. Here you are, you are a Regional Controller, and you and your staff decide on a particular project and you think of it as a programme for your own audience, but as you develop this thing it turns out to be rather attractive and you think it is going to be jolly good and so you begin talking about it to your colleagues in London. If they in fact say: "Well, we would welcome that", then this is

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fine, because they will then pay for it and this will release some of your budget to be spent on further programmes for your own audience.

800. While this makes more money available for spending locally by a Regional Controller, what about the centre, which was expecting to spend £X on programmes but finds that someone has a brainwave in Glasgow and they do not have to?—Well, the man at the centre knows that he has to maintain a continuous programme output all the time and he has to finance that out of his budget; so, if he draws a programme from Glasgow and pays for it, that is on all fours with a programme that he draws from London.

801. Well, the result of that seems, surely, to be that the more local programmes are picked up and put on the network the more money is available for local expenditure in the region and the bigger will be the final total at the end of the day as a result of the increase in the national presentation of local programmes?—(Mr. *Wheldon*.) Yes, Sir, but it does not in practice amount to quite as great a manoeuvrability as that. There is what is called a “basic output requirement”, and each region knows in advance what the basic output requirement is from the region. Now, the planners in London, including both the channel controllers, know perfectly well that with any luck they will get a couple of programmes or maybe three programmes which will become available for the network, and you make your allocations accordingly; but you do not know until they have made them. (Mr. *Gillard*.) These things average out very evenly from year to year, and this is because the amount of production effort in a region is not unlimited and they cannot produce more than a given number of programmes which are sufficiently attractive to get on to the network.

Mr. *Costain*.

802. One finds it difficult to get this in perspective. For instance, if you had a replay of the Cup Final would that seriously upset your budget, or would it just be “chicken feed”? If you had a draw in a Cup Final and you had to have a replay, from a Television point of view, would the difference in cost

between the programme you wanted to put on at that time and the replay make any dent at all in your budget?—(Mr. *Wheldon*.) That is a very difficult question to answer, Sir. It depends on what the other programme is. You might save money by that. It depends on what you are cancelling and what the cost of cancellation is. (Mr. *Gillard*.) In my case it might mean that we do a commentary on the replay in place of a World Theatre play or something of that sort; but the World Theatre play is not lost; it is there recorded and it can be used again; and in fact that particular hour or hour and a half spent on a replay would be less than the cost of the play which was postponed and which is still available. (Mr. *Wheldon*.) On the other hand, if you have got a satellite booked and you have got all sorts of people standing around waiting to make this programme on which they have worked for some weeks, and you have to cancel that and not postpone it, because it was not postponable, in order to have a Cup Final replay, then you would not only have to pay for the replay, you would also have to pay for the cancelled programme. (Mr. *Gillard*.) It means that a director must always keep a small reserve at his disposal because you never know when some ghastly national disaster is going to take place, Aberfan or something like that, or it might be something much worse, which can easily cost you £100,000. If this happened on the last day of your financial year, you still have to broadcast it and you still must be able to throw in all the facilities that are required. So you have to keep a small margin always in reserve. Every time a Royal Tour is announced, I think of it in terms of “That is going to cost me so much”. Although, mind you, we generally get jolly good value for money back.

Mr. *Marten*.

803. Now, you have quite a lot of orchestras in the regions of various sorts and types. Do they overlap and is it not (I do not want to be critical—I am only asking for information) slightly extravagant to have so many regional orchestras when in fact one or two might do the same work?—Well, I am glad to have the opportunity of making the

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orchestral situation clear. They are all on my budget. There are, I think, thirteen of them, and they are all, as it were, London orchestras placed out in the regions because they do provide a focus for the musical life in other parts of the country. When I say that they are London orchestras, what I mean is that they seldom, if ever, play for the regional audiences alone. Every time they play, they are heard throughout the network. And if we did not have them out in Glasgow and Manchester, we should need to have these orchestras in London, because we are broadcasting 420 hours of programmes every week, and it needs a considerable number of orchestras to maintain that amount of musical output alone. We could have them all in London, but this would be jolly hard on the provincial centres. The existence of a B.B.C. symphony orchestra in Manchester or Scotland or Wales, or wherever it may be, enlivens life locally a great deal on the artistic side.

804. And these orchestras are fully employed, are they?—Oh, yes. They are fully employed up to the hours of their contracts. They are almost all full-time orchestras, where one or two used to be (I do not know whether they still are) part-time orchestras—i.e. 24 hours a week instead of 32 hours. But we use them up to the limit and their productive capacity is watched week by week.

Mr. Howell.

805. Are McKinseys looking at the orchestras as well?—Yes, they are.

806. If there was a decision to change the regional structure, it would come at the end of this review, by the regional group by the mid-summer?—Yes, I think so. It may not necessarily be associated with the regional part of the study. We are taking a look at the whole of the future shape of Radio. For example, one of our networks might take the form of an American network and be an “all-talking” network, with no music on it at all; and, after all, there are very large numbers of people who do not want music on the Radio, they like their radios to talk to them, and we sometimes forget these people. Supposing we decided—I am not saying that we are going to because we have not made that decision—but if we decided to make one

network “all-talking”, our requirements for music would be somewhat reduced.

807. Or, conversely, you might have a network which was all classical music?—We have that at the moment: Radio 3 is that entirely, right through the day from 7.0 in the morning to 6.30 in the evening it is all music.

Mr. Hamilton.

808. Is there any thought of the B.B.C. at the moment abandoning Radio 3 altogether?—There is no more thought of abandoning Radio 3 than there is of abandoning Radios 4, 2 or 1. What we are looking at is the whole span of output and saying: Is this what we ought to be doing within the limits of the financial resources of Radio which, you will remember, have only once been added to since 1946. The licence fee is 25s. today; it was 20s. in 1946, and it is quite obvious, with rising costs binding us as they are, that there comes a time when your expenditure is exceeding your income on this basis.

809. The reason I asked that question is that I have got here an Editorial from *The Guardian* of February 15th, and the last sentence in it refers obliquely to the people we are investigating, and it says this: “It would be good to have some reassurance that new brooms and business efficiency experts now swishing round Broadcasting House will remember that the quality of British broadcasting cannot be measured by the formula of cost effectiveness.” Would you agree with that?—Well, it is fundamental to the whole concept of public service broadcasting that the qualitative element is even more important than the quantitative element. The counting of heads is an important consideration, but, thank God, it is not the only one with us, nor is it necessarily the dominant one.

Mr. Marten.

810. On the question of musical programming, can you tell me who is responsible for choosing which piece of classical music is played? Is there a Committee?—Well, Sir, you cannot really put a programme schedule together by a committee, any more than you can put a newspaper together by a committee. What you must have is a highly qualified music authority and give it this responsibility and have behind it

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such bodies as our Central Music Advisory Committee, which is composed of people who really know the musical world intimately, and watch it yourself. If, over a period of time, the work of this department is unsatisfactory, then you know you have got to do something about it, but while they are there and have the responsibility you must let them get on with it, and they are the people who determine what works are to be played.

Chairman.

811. I would just like to ask a question on something we have not touched on before. In the handbook, on pages 207, 208 and 209, the money is split up amongst the regions and an explanation is given on page 207 for the basis upon which the allocations are made. I think I understand it, but I am by no means sure. Are you satisfied that this somewhat artificial method of apportioning expenditure is the best that can be devised?—(Mr. Francis.) There is a history attached to this, Sir. This started with the Beveridge Committee, who in their Report rather criticised the B.B.C.'s accounts for not having as many distributions of expenditure as, for example, the National Coal Board. They said that, although we were running various regional services, in no case was it possible to see how much was being expended on the various regions. We found this a difficult task because, of course, each region does not stand on its own feet, it is running with certain "opt-outs", and it is also living on the national network; so we did prepare this statement, where many of the figures have automatically to be apportioned right across the board. This statement was first published in 1948/49 and it has in fact been published ever since. There are some times when we wonder whether we should withdraw it because it is only of use in certain respects; but this is the history and, if you wish, I could try and answer any individual questions you may have.

812. What you say is that, with the best will in the world, it is bound to be misleading in certain respects?—Yes.

813. Would you tell us in what respects you would advise any reader to be cautious because it misleads?—On the line "Capital" here, we do in

fact apportion the capital in accordance with the licence income across the board. Now, I think this is possibly a sensible thing to do, otherwise you would get enormous variations creeping into this. For example, Glasgow had its headquarters built before the war; Birmingham is having its built now, and the North may take over. Now, if we allocated the regional expenditure in accordance with what was being spent in the region, then you would get tremendous distortions.

814. But you would get nearer to the truth, surely?—You would get to the truth in one way, Sir, but I think if you did this Wales, for example, might get extremely conscious that Scotland was spending very much more than it was; you would get all sorts of inbuilt difficulties creeping in. Another thing you must remember is that, as the regions cannot exist on the income which the licences produce in each region, they are inevitably also dependent on the national network for their sustaining programmes; so that to an extent capital expenditure on the Television Centre or on Broadcasting House is of value to all the regions in so far as they are going to share the output which comes from the national network. I think perhaps I could say, Sir, that the line of Capital Expenditure is one that the reader should beware of, when looking at this statement.

815. To make sure that I have understood you aright, the capital expenditure is not apportioned where the capital expenditure actually is incurred?—No.

816. It is distributed according to a formula based upon income received?—Yes, we do it in fact according to the total income arising in each region. This is a wholly inexact method of doing it but it is the method which has always been adopted, and I think it is probably preferable to trying to indicate in which regions individual items of expenditure have been incurred.

817. When you say it is advisable to obscure the true position, do you mean because of the friction that might arise?—I am not sure that I said that it was advisable to obscure the true position, but I think certain regional jealousies might arise if we did put it

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down as a headquarters going up; it would only distort the picture.

818. Is it really thought that people do not realise that a large sum of money is being spent in some regions by the other regions?—No, I would not say that, Sir, but I feel that these difficulties might well arise. You see, on the top line you have got the licence revenue which accrues from each region; this is almost exactly factual. Further down you have the gross expenditure in the region on Radio, and then on Television. This is also factual. So that you do from this statement get certain useful information. In the case of Scotland, their total licence income is just over £6½ million. The total expenditure for Scotland, including what we apportion to them as shared services, is £7,300,000. So that you can say really that they are taking more of the cake than they are paying for; and to this extent I think this is a useful statement.

819. You told us the rather surprising formula for distributing capital expenditure. Are there any other formulae which are not self-evident from the table?—I do not think so, Sir, no. As I say, the gross expenditure in the regions is factual, whether it is actually expended in the North, Scotland or Wales. One thing which we have apportioned here is that we have assumed that there is a programme for the London Region, which there is not. There are in fact six regional programmes, but rather than charge the whole of the shared services back to the six regions, we felt it right to assume that if these things were financed separately there would in fact be a London programme and a London region, so we have taken the average cost of the regional programmes and assumed that there would have been such a programme for London.

820. Are the hours of production virtually the same for one region as for another?—(Mr. Francis.) I think you see that, Sir, in Appendix III of the Accounts. If you have the Annual Accounts, Sir, it is actually on pages 135, 136, 137, 138 and 139, where you have the regional output.

821. Would it not be more logical to apportion what you might call the overheads in accordance with the pro-

duction at the several places, rather than the income derived in those several places, because it is the production that costs money rather than the collection of the income?—I find that a somewhat difficult question to answer. Taking Radio for example, in the case of Radios 1, 2 and 3, where there are no regional "opt-outs", these were distributed according to the income. In the case of Radio 4, where they can "opt out", we have a terribly complicated formula to which I fell heir many years ago. We have there the product—it is their own programmes and the number of licences in the region. We do this because, if a region is putting out more "opt-out", it would be unreasonable to charge them the same share of the common services; so his formula is intended to make allowance in Radio 4 for the fact that one region can have more output than another. A similar formula is used for Television.

822. Is this particular table under examination now?—No, Sir. We have examined it from time to time, wondering whether we should withdraw it or not; but, having gone on for so many years, the balance of argument has always been that it should continue to be published.

Mr. Macdonald.

823. In view of the measure of dissatisfaction expressed, do you have any internal figures allocating the expenditure in terms of subjects and, if so, would it be at all meaningful to publish those?—Do you mean in terms of drama, light entertainment and so on? We certainly can build these figures for ourselves, but I would not have thought they were very meaningful to the public. What is meaningful here is the programme mix as is listened to or seen by the viewer and not perhaps the relative cost of these particular items. My friends here can talk more to you on this than I could, but I would think it is the contents of the programme which is meaningful, not necessarily the cost of each individual constituent. (Mr. Gillard.) I find these statistics indispensable management information, to know what it costs per hour of serious music and to know what it costs per hour of drama, and so on. This is something that is brought up to date for me, at

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any rate, on a quarterly basis, and it is on this basis, of course, that the people who actually get down to the business of planning programmes are able to share out their financial resources week by week and so on.

824. If I can take one example, I am very fond of watching "Grandstand" but there are others in my own family who are less enthusiastic about it. I wondered whether I was watching something expensive and being perhaps subsidised by others or whether I was watching something cheap, and I thought this might be an interesting field for the public to know about?—(Mr. Francis.) I think there is something that we must mention: whereas we could publish this and we could be directed to publish this by the Postmaster-General, all the programme companies publish so much less information than we do. If you look at our Accounts and the Accounts published by the programme companies, you can find out a lot of information about our costs which just would not appear in their's. I think competitively, if we were to publish this, it would do us quite considerable harm unless we were satisfied that all the programme companies also published this information. I think we would be giving a hostage to fortune. (Mr. Gillard.) Might I add another point, having recently rather painfully received a powerful delegation on this very subject. This came from a group of people who said "the sort of broadcasting that we represent is, we believe, very much less expensive than other kinds of broadcasting, and we should therefore have our rates raised relative to the others because you are getting us at cut price." Therefore this is not really the sort of information that you want to see going round in public. (Mr. Wheldon.) We are actually providing an alternative for your wife, Sir, on B.B.C. 2 in the form of movies on Saturday afternoon. Mind you, I agree, you have got to have two television sets—one for you and one for her!

Chairman.

825. There is just one other aspect that I think we ought to cover before we finish this afternoon, and that is this. You made it clear both in the handbook and this afternoon that the relationship

between the Advisory Councils in Scotland, Northern Ireland and Wales and the B.B.C. differs from the relationship between their counterparts in England. In the former they have executive responsibilities. Could you tell us if there is any difference between the relationship in the National Advisory Councils who have the executive power vis-à-vis the regions and the Governors of the English B.B.C. vis-à-vis the B.B.C. as such? Both have executive responsibilities. Is there any analogy to be drawn, or is that a dangerous similarity?—(Mr. Gillard.) The Councils in Wales and Scotland are not advisory; they are Broadcasting Councils and they have executive authority; and the Chairman of each of those councils is a member of the Central Board of the B.B.C. This does mean that those two Councils have very considerable executive authority if they wish to employ it. In fact there is no written constitution and the need for such a thing has not been felt, and the relationship has worked itself out in a practical way and a very effective way.

826. Is it analogous to the Governors of the B.B.C.?—Well, I think that the Broadcasting Councils (and I must be very careful what I say, because I am not authorised to say this) would feel that they owed some allegiance to the Central Board and that this is exercised in a satisfactory way through their Chairman who is a member of the Central Board.

827. But their relationship to those underneath is comparable to the relationship between the Governors and the Director-General and his senior staff?—Well, in the sense that they are in theory at any rate the employers of staff, and throughout the rest of the B.B.C. the Board of Governors of the B.B.C. stand as employers, certainly there is a similarity, yes.

828. And in practice this has worked quite happily?—Yes. As I say, there is no real constitution, but there is a very satisfactory and practical relationship which results in plain speaking without any sort of hard feelings, and I think it has turned out very well indeed.

829. And the Northern Ireland one is the counterpart of the English one?—Yes, with the exception that again the

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Chairman is a member of the Central Board of Governors of the B.B.C., and this does not apply to any English region. But the three Chairmen of the English Regional Advisory Councils are members of the General Advisory Council of the B.B.C., so that the regions have a voice at the centre through their Chairmen at the General Advisory Council which the Chairmen attend.

830. How often does the General Advisory Council meet?—Four times

a year; it has meetings four times a year.

831. And the same goes for the Regional Advisory Councils, does it? —The Regional Advisory Councils in England meet four times a year, and the Northern Ireland one meets four times a year, but the broadcasting councils in Wales and Scotland meet monthly.

Chairman.] I think that covers all the ground, thank you very much.

MONDAY, 24TH MARCH, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. Macdonald.

Mr. Ben Whitaker.

Memorandum by the B.B.C.

EDUCATIONAL BROADCASTING

The B.B.C. has always recognised an obligation extending beyond the content of its general programmes to make a more systematic contribution to formal education and this has been provided over the years by the special services of broadcasts to schools, to further education colleges and to adult audiences. The cost to the B.B.C. of providing these facilities in 1967-68 was about £3 $\frac{3}{4}$ million.

School Broadcasts

B.B.C. broadcasts to schools play a recognised part in the work of education and a permanent service of television programmes on a substantial scale is provided side by side with the service of radio programmes which began in 1924. In the year 1967-68 the number of listening schools was nearly thirty-one thousand, and the number of viewing schools reached around twenty thousand. School programmes are all planned in series and each series is specially created to meet the needs of children within a clearly defined age-range. The provision covers most subjects normally in the curriculum from stories and music for very young children to science, religion, and the arts for sixth forms in grammar schools. About half the output in Radio and about two-thirds in Television is for secondary and grammar schools. The cost of school broadcasting in 1967-68 was £1,450,000 in Television and £700,000 in Radio, a total of £2,150,000. Output in Television has increased from 256 hours in 1962-63 to 405 hours in 1967-68. In Radio, broadcasts for schools have increased from 709 hours in 1962-63 to 753 hours in 1967-68.

School Broadcasting Council

The general policy for school broadcasting and the scope and purpose of each series are laid down by the School Broadcasting Council for the United Kingdom, a body on which professional associations of teachers, local education authorities, the Department of Education and Science, and other educational organisations are represented. The Council and its Programme Sub-Committees meet regularly to review the educational effectiveness of the series and to recommend changes as necessary. It has its own permanent staff and a team of full-time Education Officers in various parts of the country, whose job is to report on the broadcasts and to maintain liaison between the classroom and the broadcasting studio. These officers assist also with Further Education work, three of them being principally concerned with this type of broadcasting. Regular reports from schools also help the

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Council to keep in touch with the classroom and provide additional means of assessing the success of the broadcasts. There are separate School Broadcasting Councils for Scotland and Wales. The current annual cost of the School Broadcasting Councils is £175,000 of which £75,000 is attributed to Television and £100,000 to Radio.

Further Education

The Government's Memorandum on the Report of the Committee on Broadcasting 1960 issued in July, 1962 (Cmnd. 1770) made specific reference to the question of education. The first need was for more programmes of a strictly educational type. They considered that such programmes would be best provided as part of the general service and not be isolated from the attractions of television in general by the setting up, at this stage at least, of a separate channel given entirely to education and run by an educational authority. It proposed that additional hours be authorised at once to be used for the education of adults, and it asked the B.B.C. and I.T.A. to produce a formula defining this type of programme. It recognised that so long as both organisations had each a single service most of the adult educational programmes were likely to fall outside the peak evening viewing hours. The long term answer was to provide extra services.

In December, 1962 the Government published a further Memorandum on the Report of the Committee on Broadcasting (Cmnd. 1893). It accepted the formula submitted by the B.B.C. and I.T.A. which said:

"Educational television programmes for adults are programmes (other than school broadcasts) arranged in series and planned in consultation with appropriate educational bodies to help viewers towards a progressive mastery or understanding of some skill or body of knowledge. The definition shall be held to include programmes primarily designed for class use (e.g. in technical colleges or in centres for adult education) and also programmes primarily designed for the home viewer."

The B.B.C. has subsequently implemented this formula. Apart from series directed to the home viewer there are others each week in television that are designed for use by colleges of further education. There are also language series specifically prepared for evening classes and other series which are addressed to parents and teachers, to farmers, and to industrial management and shop floor staff that are widely used as a basis for group discussion and study. The use of such series by educational and industrial organisations continues to grow. Several hundred study groups, some specially formed for the purpose, followed series in one or other of these subject areas during the past year. In addition, many evening centres linked their courses with B.B.C. Further Education series. In Radio about one-third of the output is in liberal studies (arts, general science and social studies) and nearly a half in languages.

The cost of Further Education in 1967-68 was £1,250,000 in Television and £250,000 in Radio, a total of £1,500,000 compared with under £200,000 before 1962. There has been a very substantial increase in output in recent years. In 1962-63 there were 24 hours of Further Education in Television on B.B.C.1, which increased to 71 in the first year following the Government's December, 1962 White Paper and to 126 a year later; by 1967-68 they had grown to 207. The opening of B.B.C.2 in 1964 added a further 91 hours of Further Education programmes, and by 1967-68 they had increased to 128 almost all of which were shown in the early evening period. The total B.B.C. television output of Further Education is now, therefore, about 335 hours a year compared with 24 in 1962-63. The hours of Radio programmes have shown a steady increase. In 1967-68 they totalled 374 hours compared with 162 hours in 1962-63.

The Open University

The B.B.C. has agreed to supply the broadcasting component, radio and television, of the University's courses from the start in January, 1971. The full cost of this component will be refunded by the Open University, which is itself financed through the Department of Education and Science. No part of the cost will fall on the B.B.C.

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The Hon. K. H. L. LAMB, Director, Public Affairs and Mr. R. S. POSTGATE, Controller, Educational Broadcasting, B.B.C., called in and examined.

Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined.

Chairman.

832. First of all, Gentleman, I should like to thank you for your memorandum on educational broadcasting. A number of points arise out of that memorandum about which we should like to ask questions. Mr. Postgate, as Controller of Educational Broadcasting, I see you are listed amongst the staff dealing with radio. Is there any significance in that, or do you deal only with radio as opposed to both forms of broadcasting?—(Mr. Postgate.) No, I deal with both. This is merely an administrative convenience if I have to be somewhere. I started under the Director of Radio and I have remained there for administrative purposes, but my responsibilities cover both radio and television.

833. Briefly, would you outline your responsibilities?—I am responsible to the Director-General for school broadcasting, for school radio, for what we call further education television and for further education radio. Those are the four departments. The B.B.C. is advised on these four services by two external bodies, one of which is called the Schools Broadcasting Council, which has its own secretary and staff. The other is called the Further Education Advisory Council, of which I am also secretary. I am responsible to the Director of Radio for the quality of the radio broadcasts and to the Director of Television for the quality of the television broadcasts. I am also responsible for the publications which go with programmes and I have certain external duties. For instance, I am the B.B.C.'s assessor on the Open University Planning Committee and I am on a body called the National Council of Educational Technology, which was set up by the previous Secretary of State, and certain other bodies of that kind. The Schools Broadcasting Council has two sub-councils, the Schools Broadcasting Council for Wales and the Schools Broadcasting Council for Scotland and there is a sub-committee for Northern Ireland because there are separate school broadcasts for those three territories. There are no separate adult education broadcasts.

834. How close is the co-operation between the television and radio staff?—It is getting a good deal closer than it was. We have to contend with the physical separation of the two staff, one being in the Broadcasting House area and the other being at Ealing, working in the Television Centre. Since the number of schools possessing television receivers began to grow sharply—now about 60 per cent. of schools have television receivers, whereas 90 per cent. have radio receivers—it begins to be reasonable to plan the two services together using each medium for what it is best suited, and this is taking place. It also takes place more fully on the further education side, because every household in the country virtually has both a television receiver and a radio receiver. Therefore, there is co-planning between the heads of the two departments and we run certain series in which there is a radio component and a television component complementing each other, linked, say, by a common publication. We are making developments of this kind quite steadily.

835. You spoke of one medium being complementary to the other. Does that mean that none of it is confined to radio only?—Oh no. The majority of the programmes series, as we call them, will be a radio series or a television series, but since both services come under two Councils, which each deal with both radio and television, there is a point of meeting these because the proposals both for radio and television are put to the same Council, so they can consider which will be the most desirable.

836. Does that mean that a school, which is equipped with both will never embark on a course in which some of it is radio and some of it is television?—We are making tentative experiments on this. Last year we did a television series in French at primary level and we also did a radio series at the same educational level and juxtaposed them, the television series following the radio series, with the idea that schools could move from the radio series to the television series in the next term. This is the first programme

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of this particular kind. We hope to do that more frequently in the future. We do cross-trailing. We advertise the television series in the radio series and vice versa to get schools into the habit of regarding these two media as useful.

837. What is the thinking behind this policy of promoting the use of both by the same school? What is the virtue of a dual approach compared to a single approach?—I would think that if we can get schools into the habit of using both, or either as is most appropriate, they will get a greater benefit because they will be using the series in the medium which is most suitable. Of course, television is seven or eight times more expensive than radio and so, if all schools used both media, the community would get better value from its outlay on broadcasting than when some schools use television only and some radio only. We have to persuade schools that there is virtue in both of these media and that, therefore, they should equip themselves with both apparatuses for this purpose.

838. If, on grounds of cost, you confine yourself to radio, would you claim that the service is greatly inferior to the recipient?—Oh yes.

839. Even though it is designed for that medium?—I think schools would lose a lot if they could not get television and if they could not make use of the television with which we can provide them, because it has great possibilities which the radio medium lacks. Of course, the radio medium itself has possibilities, say, in imaginative programmes or in music, which are really better done on radio than on television.

Mr. Macdonald.

840. In the memorandum submitted a definition is offered for what is meant by educational programmes. On page 76 of the Handbook some examples are given of educational programmes. I see there that there is a programme about the difficulties of an unmarried mother. I am not criticising that programme, but I should like to ask how that is defined as educational if, for example, "Cathy Come Home" is not defined as educational? Exactly how do you describe an educational programme, particularly a further educational programme?—In an administrative sense

an educational programme within the B.B.C. is a programme which has been requested by one of the Advisory Councils. In the case of this programme about the unmarried mother, the appropriate committee of the Schools Broadcasting Council considered that it was valuable for schools with children of 15 and 16 or of 14 to 16 to be made aware of problems of personal relationships among adolescents and young people. They asked if the B.B.C. would do some broadcasts about this area. As a result, we made proposals to the committee and they approved them and consequently this set of programmes came into being. That, perhaps, is not a very profound difference, but it is a practical difference. What we call educational programmes are those programmes which these two properly constituted educational bodies ask us to do. The B.B.C. has a charter responsibility towards education in the large and the general programmes departments fulfil this through their own proposals which run in the evening-time and in the day-time in non-specialised educational services and one of these is "Cathy Come Home". I would have said that that is an educational programme in a large sense and, indeed, a large quantity of the B.B.C.'s output is, again using our internal vocabulary, called educative as distinct from educational, educative being the wider cultural material which includes Panorama, concerts, documentaries and discussions which could, broadly, be called educative.

Chairman.

841. I take it that for administrative purposes that is outside the direct field for which you have responsibility?—That is right.

Mr. Macdonald.

842. I take it that the £3½ million, mentioned as the cost of providing educational programmes, would not include Panorama?—No, Sir. (Mr. Thorne.) It is purely school broadcasts and further educational broadcasts.

843. With particular reference to further education, I am anxious to determine where the dividing line comes. Does it come on the type of programme, or do I understand you to say that the dividing line is the place where such a programme is requested, the place of

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origin? How is the £3½ million made up?—(Mr. Postgate.) There is often a hair-line difference between the purposes of a further educational programme and a general programme. This is why this rather particular definition on the second page, which I think you are coming to, was worked out, because the definition allows certain television programmes not to count towards the maximum hourage permitted. Therefore, by creating this definition both the I.T.A. and the B.B.C. were enabled to do educational programmes corresponding to the definition, in addition to their total hourage allowance. However, because of their nature, they are often similar. The particular feature of further education material is that it has to be programmes arranged in series whereas, of course, a documentary programme is generally only a single programme, or perhaps two.

844. Harking back to the question of finance, are you juggling to get programmes within that £3½ million or do you have programmes that you would like to put out, but which should come under the budget of some other department?—(Mr. Lamb.) I think the B.B.C. has always regarded the three aims which it has of providing programmes of education, information and entertainment as in a certain sense inseparable. Therefore, in many cases all of them apply to a given programme or to a series of programmes. However, since the earliest days of the B.B.C., the B.B.C. has sought to make specific provision for educational programmes more narrowly defined. Clearly, it is easier to define school programmes in a limited sense than further education programmes. However, since, in particular, the Pilkington Report and the White Papers of 1962 which embodied the Government's reaction to that Report, we have made more specific provision of a more systematic kind for further education programmes within this definition. It is also true, as Mr. Postgate was saying, that under the rules on hours permitted for broadcasting as drawn up by the Postmaster General, there is an exemption for further education programmes as well as school broadcasting programmes and if such programmes comply with this definition, then they qualify for that exemption. This is a

complicated field and I hope I have made it plain.

Chairman.

845. I just want to follow this through to make sure I understand it. As I understand it, this definition is applicable to the number of hours. If it is within the definition, it is within the hours permitted; if it is outside the definition it is outside the number of hours permitted. Where would you place a series on gardening?—It depends at whose behest it was asked for.

846. Let us say it is the brainchild of the B.B.C.?—No programme can qualify for exemption from hours unless it is ratified by the Further Education Advisory Council as coming within this definition. It might, therefore, either come from the Council or from us and be put to the Council, but in either case it must be ratified by the Council.

847. Let us suppose that they ratify it; by which I take it to mean that they give their blessing to a gardening programme every Thursday at nine o'clock, or whenever it is. That would mean that it would have to come out of the prescribed hours for programmes within this definition?—No, because there is no limitation on hours for further education programmes in the sense I have described them. The Postmaster General says that we can have so many hours a week for ordinary programmes. Then he says that there are certain classes of programmes which need not come within that limited allocation. These include religious programmes, educational programmes, a certain number of outside broadcasts and so forth. Therefore, providing that such a programme as the one you are mentioning is accepted by the Council as coming within the terms of this definition, you can do any number of them in terms of hours, but not, of course, in terms of the resources that might be available to put them on.

848. How does this definition help to determine what comes within the £3½ millions?—I think that there are certain phrases in the definition which may be helpful. The first is that these programmes should be arranged in series. The second is that they should be planned in consultation with appropriate educational bodies. The third is that

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it should be systematically intended to enable the individual to get a progressive mastery of the particular subject being studied and one might add to that, that so far as we are concerned, we regard such programmes as needing both support of a certain kind before they are put on, that is, publications of one sort and another to spell out their educational purpose and the background, and an assessment after the event by properly qualified educational people who are, in fact, included in the total B.B.C. provision for education. This should be an assessment as to whether or not these programmes have hit their marks and have helped the people who have watched and listened to them.

849. Does that mean, first of all, that if it is ratified it may be done in additional hours?—That is right.

850. Secondly, if it is ratified, does it automatically form part of the £3½ million?—(Mr. Thorne.) Included in the £3½ million is £1½ million for further education, but this figure has been obtained by getting the individual costs of each programme that has been classified as further education.

851. I can understand that as it has been classified as further education, you must put it in the total bill. Does ratification by the Further Education Advisory Council constitute ratification for the purpose you have just mentioned? Take the case of gardening, if they approve of this as a programme for release, would it, on that account, be costed and included in the £3½ million?—In this case, yes.

852. Anything else which was comparable in origin, ratification and costing would, again, constitute part of the grand total of further education costs?—Yes. This is a theoretical question because I do not know whether or not there has been either a series or individual programmes on gardening. However, anything that has been classified as a further education programme will be included in the £1½ million for 1968.

Mr. Macdonald.

853. Is that £1½ million a limit, or is it simply the sum of the totals which, last year, were ratified for further education?—This particular figure is the actual sum that was incurred, but it is within the budget that had been

allocated to the further education department.

854. There is a budget, quite separate from this aspect?—Yes. These are the actual costs, but they are within the total budget allocated to the further education department. (Mr. Postgate.) Might I say one other thing relative to gardening, which is an interesting case because, within my memory, the Further Education Advisory Council has never asked for a gardening series, largely because it was already provided by the general programmes. In these circumstances they would think it a waste of their limited resources to propose anything in the gardening field, but they have, on the other hand, provided farming programmes dealing with farm management and care of animals, and so on, because these programmes were not provided and it was felt by the Council that it was desirable that they should be provided.

855. Concerning the budget that was mentioned a moment ago, to which the Councils must work, are the Councils consulted when such a budget is being prepared for the coming year, or whatever the period may be, and who else is consulted? How is the figure arrived at?—To answer the first part of your question, the Councils are not consulted on budgetary matters. They have always been regarded as educational bodies which should advise the B.B.C. on educational needs and the B.B.C. then does the best it can, with the approval of its central management, to meet those needs. The Councils have not been asked about budgetary matters at all.

856. Who does determine the budget for educational programmes?—It is my business to propose to the Directors of Radio and Television budgets or costs for future programmes and to seek their approval. (Mr. Lamb.) Yes. This provision is included within the budget which goes forward to the Board of Management and to the Board of Governors for approval as the B.B.C.'s intention for the coming period.

Mr. Whitaker.

857. Has your permitted budget risen with the costs of inflation over recent years?—(Mr. Thorne.) Yes. There

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has been included in all our budgets a provision for rising costs, both for staff and for artists and this has been allocated between the departments, where fresh negotiations have resulted in increased expenditure.

858. Apart from the inflation factor, have you been able to expand services over recent years by an increased budget?—Certainly. Going back to 1962, when there were only 24 hours of further education broadcasting, as we have said in the paper, these increased to 71 in the following year and by 1967-68 they had grown to 207 hours. These were planned increases and the full amount of money required for these developments was included in the budget.

859. Would you like unlimited funds, or are you content with the budget you have been given for educational purposes?—(Mr. Postgate.) I am advised by each Advisory Council that there are opportunities for useful expansion both in further education and, particularly, in school television and a certain amount in school radio.

860. Lord Reith would probably have argued that all broadcasting is educative and undoubtedly current affairs in particular would play a part in an educational programme, although this subject is one of entertainment also. I am thinking of, for example, an emergency programme on Anguilla or Kenneth Clark's series on "Civilisation". Do you have any joint planning with the current affairs programmes?—The educational programmes proper in the strict sense—because they all have publications attached to them and because they have to be publicised, in the case of further education, about 12 or 14 months in advance—get to the proposal stage long before general programmes, on the whole. The arrangement is that our proposals should be cleared with the relevant Director or with the Director of Programmes so that he knows what we are doing and is able to comment, for instance, to reveal whether or not he is already proposing a series on a particular topic, it might have been the Kenneth Clark series, so that we can withdraw from that area if he is going to make provision in the same area. There is fairly continuous contact between the staff.

861. Because you have withdrawn from the Kenneth Clark series, are you still able to make use of it by tying it into the discussion on similar themes?

—No, I was not able to do that on this occasion because I do not think the transmission date of the series itself was decided far enough in advance for our particular specialised educational publicity machinery to be utilised.

862. It would have been an ideal series for educational purposes?—It would have been a first-rate series.

863. Do you think that there is further scope for liaison between the segmented departments of the B.B.C. in respects such as this?—(Mr. Lamb.) We did seek to make special provision in the case of this series, even though it was so late. It was Lord Reith, himself, who as soon after broadcasting was launched as 1924, said that he thought it was right for the B.B.C. to take the initiative in exploring the use of wireless as a medium of education. In other words, right from the word go it had been thought that there was a place for specific educational programmes and that this should not derogate from the general educative responsibility of broadcasting as a whole.

Mr. Macdonald.

864. Are you battling only for a share of financial resources, or is there any limiting factor as regards studio space?

—Yes, this is a matter of resources as well as of finance. It is also a matter of time on the air, in that there is only a limited amount of time on the air, particularly on B.B.C. 1, which is presently the principal national television network. Therefore, these three factors have to be taken into account before an allocation is made for specific educational broadcasting.

865. Are the educational programmes produced in the same studios by the same people or is there an entirely separate set of technicians engaged in educational programmes?—In the case of production staff the answer is yes, they are separate, they are separately organised into departments. In the case of the whole infrastructure, that is technicians in the sense in which I think you are using the term, no, they are in common. This is one great advantage of the fact

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that educational broadcasting is integrated into the B.B.C. as a whole, that the same professional skills are applied at that level to educational broadcasting as well as to general broadcasting.

866. Those responsible for educational programmes negotiate for their share of studio time and technicians' time? —Yes.

Chairman.

867. I should like to revert to the question of the budget, because as I understand it, the dividing line between what is in the budget and what is out is extremely fine. Taking the example of gardening, you say that it is clearly outside the budget because the relevant Council would not bless such a programme, knowing that there was one already on the air when it was born. If that had not been so, and you came with a proposal to run a gardening series and they thought it was good and should be in further education, would it then be in the budget?—(Mr. Thorne.) Yes, it would be in the budget, but in that sense it would mean that the hours of programmes for other series would be decreased correspondingly. They have a budget for the output for the year and anything that is introduced later would be wholly at the expense of other programmes, unless an increase had been agreed for the output of the department as a whole.

868. Can you give me a concise definition of what constitutes expenditure falling within the budget for this subject?—(Mr. Lamb.) I would say that in the case of school broadcasting, such a broadcast, to come within the budget, must be one approved by and authorised by the Schools Broadcasting Council. (Mr. Postgate.) Yes, in fact, requested by them. (Mr. Lamb.) In the case of school broadcasting it is quite straight forward. In the case of further education broadcasting, the Further Education Advisory Council have to ratify it as conforming to this definition. It is true that there is a very close relationship between the B.B.C.'s staff and, in particular, the Controller of Educational Broadcasting and the Council. Therefore, they do not put forward as requests far more suggestions for series than could possibly be accommodated within

the budget available for a given year. In a sense the sifting process goes on inside the Council. They would decide what priority to attach to a gardening proposition as against other propositions in which they were also interested.

869. You have said that in the field of further education, if they ratified a particular programme it would be included in the budget. You have further told us that no consultation takes place with these people who do the ratifying before the budget is compiled and presented. How do you know in advance when the budget is made out whether this magic blessing, which is indispensable to getting it into the budget, will be forthcoming or not?—One hesitates to try to be too specific, but the normal way in which it occurs is that these requests come from the further education departments. There are departments especially set up to provide such broadcasts and, therefore, the fact that a request comes from a further education department, *ipso facto*, suggests that it is subject to qualification by the Council. (Mr. Postgate.) It is important to remember that I am both secretary of the Council and the officer responsible for the further education department that makes the proposals, and so the two can be kept in relative balance.

870. You have the scope to bless your own work?—I have the scope to suggest to the Council that they should bless it. (Mr. Lamb.) To effect a necessary liaison.

Mr. Macdonald.

871. In what detail do the Council see the proposed treatment? Is it conceivable that a proposal might be placed before them for ratification and that they would think a series on that topic was probably educational, and it might turn out that the particular treatment might be some tremendous sweetening treatment which, when they saw the end product, they would regard as entertainment rather than primarily educational?—They see it in great detail. (Mr. Postgate.) It is possible, but we would regard our reputation with the Council as being very much compromised if, whether by design or accident, such a thing occurred. In fact, we are pretty careful in drawing to their attention anything to which we think they might

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object. We also arrange play-backs of programmes presented and particularly in areas about which we think there is some difficulty we would play them a dummy programme beforehand. Although we are talking in a further education context, this is, perhaps, truer of the schools' side where we have often suggested to the Council or to the committee that they should not approve a proposal until they have heard a dummy programme, which enables them to see exactly what it is they are going to sponsor.

Mr. Whitaker.

872. If the B.B.C. sells an educational programme to America, for example, are the proceeds of that credited to your educational budget?—No. The proceeds are credited to the budget of the Directors of Television or Radio who provide the money for the programmes anyway. The proceeds do not go back to the educational departments.

873. If you make an exceptionally good programme which earns the B.B.C. money, as a result possibly of spending more money yourselves, might it not be fairer if the proceeds went to help your own budget?—This idea has occurred to us. It is a matter of the Corporation's financing. (Mr. Lamb.) It would have wider application. The difficulty of resolving to what extent a credit, both financial and otherwise, for a given programme sale should be allotted to the particular department or to a particular unit, as against the television service as a whole or the radio service, or as against the enterprises unit itself, suggests to us that it is better to credit the proceeds to the whole service responsible, rather than to the particular unit responsible.

874. Might it not act as an incentive to a particular segment of the B.B.C. to make good programmes?—(Mr. Thorne.) It has certain tax complications as well, because we obtain tax relief on the whole of our broadcasting activities, but we still pay tax on the whole of our trading activities. We should not wish, under any circumstances, to compromise that ruling by mixing broadcasting activities with trading activities. I take your point that it would be possible from these activities, having obtained that profit after tax, to

consider ploughing it back, but we have never done this. We regard this as profit to be applied to the service as a whole.

875. Do you sell many educational programmes to America?—(Mr. Postgate.) I do not have the figure for that. I think we do sell a certain number and I am aware that some of our material is very much valued. I hope we shall be able to increase our sales.

Chairman.

876. Is there any collaboration in this field between the B.B.C. and the I.T.A.?—Not what you would properly call collaboration, but we are enjoined by the Postmaster General to avoid clash in educational programmes and for this reason there is some interlocking membership between the Advisory Council on our side and those who advise the I.T.A. Also, there are periodic liaison meetings between the officers at which we say, "I see you are doing photography in the summer term. We were going to do it then. How can we do it? Can we shift it a bit". Thus we avoid, on a purely pragmatic basis, foolish appearances of clash.

877. You are satisfied that it is carried as far as is practical?—I think it works, at the present time, in a purely pragmatic way, because the officers are in close contact with each other. That is as far as I would go. It is not necessary to invent more complicated machinery at the present time because this somewhat unofficial arrangement seems to work.

Mr. Macdonald.

878. A slightly embarrassing situation might arise if you both found yourselves planning a similar type of programme. There would have to be a certain amount of disclosure, to decide which one is going to give way and which one shall go forward. Might it not be that your own staff, if they are the unlucky ones, might end up gnashing their teeth because, after seeing the end product, they think they could have done it so much better?—Yes, this is perfectly possible. (Mr. Lamb.) I think in a constitutional position, which has created a competing and separate broadcasting organisation, the more informal this kind of contact, of the kind Mr. Postgate has described, the more likely it is to avoid

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the kind of clash which everyone would regret. The more it is upped in its consideration, the more risk there would be that positions would be taken up which would not be conducive to avoiding the problem posed.

Chairman.

879. An argument could be advanced—I do not say that it will necessarily be a sound one—that the licence payer ought not to have any part of his or her licence fee used, for instance, in the school programmes. Has any thought been given to dividing that part of the educational field which is self-evidently educational in the narrow sense from education in the wider sense, and some form of grant aid being worked out for the former? Have any discussions on these lines been instituted?—The matter has been discussed on a number of occasions in committees of inquiry and other bodies. The B.B.C.'s position is that it has committed itself to educational broadcasting and it believes that the advantages to school broadcasting of being integrated in a general broadcasting service are considerable in terms of the degree to which it satisfies educational needs as well as to the degree to which it draws on resources already available for other purposes. The problem is: could one devise some other system for financing educational broadcasting which would allow that activity to go on without being compromised by financial arrangements which were not, as it were, within the control of the broadcasting authority.

880. This situation has been overcome, surely, in External Services, where the infrastructure is available for the External Services, but where it is not part of the licence fee expenditure. What are the advantages or the objections to a similar approach to part, for instance, the school programmes, thereby enabling the licence fee to be kept down?—I think that we have found to date and I believe that the educational world has also found to date, that the kind of partnership involved in licence fee financing and educational needs, as stated and as continuously applied to educational programmes, is a good one because it relates constitutional independence to a working partnership with the people in charge of

the particular activity one is dealing with, that is, education. The problem would be how, if you had some other form of financing, you could ensure that that partnership was not compromised either because the financing was not on a continuous basis, that is, that it was subject to other considerations than the on-going development of the service, which is what has happened up until now, or because the professional partnership was in some way in danger.

881. Are not you saying that it is as it is because fear exists that the independence would be compromised if it were financed in some other form?—That is one part of it.

882. That fear does not appear to exist in the External Service world, where the independence of the programmer, completely freed from Government interference, is preserved notwithstanding the fact that finance comes from Government sources. Why is the fear resolved in the one and no attempt has yet been made to resolve it in the other case?—In the case of the External Services, the services to be provided are prescribed and if this were applied to the Home Services it would be a different situation from that which at present pertains. In other words, it is for the Government to decide whether, say, the Arabic service shall be continued or discontinued.

883. It is clear from what you are saying that the B.B.C. do not like the idea. If it has been discussed, somebody must think it is a good idea. What was the other side of the argument in these discussions that took place?—I should not like to put forward the other side of the argument. The most recent occasion on which this was considered was when the Pilkington Committee were considering the matter. The Pilkington Committee reported that they believed the existing system to be the right one to pursue. That was also the B.B.C.'s conclusion and until such time comes when there is some other means of financing educational broadcasting without severing it from the general body of broadcasting or, at least, from the advantages that its association with the general body of broadcasting brings, and until there is some kind of assurance for continuity of financing, the B.B.C. will not change the position that it has always

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taken. (Mr. Postgate.) I should only like to add one very small point. As you will know, this country has a very devolved system of education, with a large number of local education authorities which have a high measure of independence of government. The two Councils have been regarded by the educational profession and the educational interests as safeguards against an undue over-centralisation of education policy, which might stem from finance coming directly from the Department of Education and Science, without these two widely representative Councils having a say in what was provided for the schools. This has been a safeguard which has related to our own system of education and I think that any substantial change might arouse criticism among local authorities.

Mr. Macdonald.

884. Mr. Postgate referred just now to the watchdog aspect of the Councils. What is the composition of these Councils and are they appointed or elected? How do the people on them get to be on them?—Taking the Schools Broadcasting Council, it is a body, roughly, of 60 people and of those 20 are nominated directly by the B.B.C. The other 40 are nominated by representative bodies such as local education authorities, the National Union of Teachers and a large number of other bodies. Therefore, the Council there is a mixture of the nominated and the representative components. Lower down, under the Council, there is an executive committee which is composed of members of the Council, but the people who sit on the programme committees, which deal with the details of programme proposals, are mostly practising teachers, heads, inspectors and others, who are not members of the Council, but whose membership is proposed to the Council and approved by them. So there is an endeavour to have the three elements, the elements of members representing the interests of education, members chosen for their particular personal qualifications, nominated by the B.B.C., and at the programme level practising teachers and administrators.

885. I see the current membership set out in the Handbook. If I pick at random the Association of Chief Education Officers, do they elect their own

representative?—Yes. (Mr. Lamb.) They nominate him and he is then appointed.

886. Is not a Council of 60 rather a large body to have practical deliberations about matters put to it?—Perhaps I could answer that in two parts, first, how they do their work at present, and secondly, the way in which the Council is set up, its size and so forth is presently being reviewed by the Council and the B.B.C. jointly. That is not going to change the basic place of the Council in the whole set-up for educational broadcasting, but the kind of question that has just been put forward will be asked.

Mr. Whitaker.

887. Do you carry the special programmes for immigrants on your education budget?—No.

888. What does that come under?—Speaking subject to checking, that would come directly under the television service and the radio directorate through Controller, Midlands, from whose region these programmes originated.

Chairman.

889. Nevertheless, it would come out of the licence fee?—Yes.

890. Might there not be an argument that programmes for minorities are of value to the country in social benefit terms, and therefore might be carried on the national budget rather than looked for from the B.B.C.'s finances?—I think the fact one has to face is that if, within the same service, there are aided services and non-aided services, to preserve parity between them in the way they are treated is an exceedingly difficult undertaking. We are now experimenting in this kind of partnership indirectly with the open university, the money for which will come, as you know, from the D.E.S. Exactly how this is going to work out in terms of relationship between two separate sovereign bodies remains to be seen and, of course, we are going to do our best to make it work. However, we do not really know how it will work; for example, if one activity of the open university is grant aided, the question arises, how do you ensure that the opportunities for further education, which in the mind of the B.B.C. is an equally important activity to the open university, are not in some way

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squeezed, given that there is only a limited amount of time and only a limited amount of resources available for this kind of activity. It is that sort of caveat that one has in one's mind about the possibility of hiving off any one part of the service and making it grant aided. In addition to this, the B.B.C. has always seen its duty in respect of the licence revenue and as a national broadcasting organisation, to try within reason to provide for minorities as well as for the majority.

891. These difficulties you point to have not really explained, as yet, why everything comes under the licence revenue, except for the External Services. However, this principle is being breached in the open university in that it is to be separately financed, in that the B.B.C. are not to have any expenditure from the licence for the open university. The principle is being breached here; it is 100 per cent. grant aid, is not that true?—No, Sir. In this case there is an agreement between the B.B.C. and an independent body set up by the Government, that the B.B.C. will do certain things for the open university as an act of deliberate choice. It is not a service concerning which the B.B.C. said, "Let us have this service". The B.B.C. was asked to do it.

892. How it has come about does not alter the principle, surely, that part of your resources are going to be used and paid for separately?—Yes.

893. For the first time?—Virtually, yes.

894. I think I am right in saying that the principle you have defended hitherto is, in practice, going to be breached with the open university?—(Mr. Thorne.) It is, of course, an additional resource and we are, basically, acting as a subcontractor here. We are supplying programmes to the open university as part of their general programme which is not only confined to radio and television.

895. You could be asked to be a subcontractor by the Home Office for immigration programmes. Whether this is right or wrong is not in debate, but with the open university you will find yourselves in the role of subcontractors and you could also be asked to be subcontractors by other bodies?—(Mr. Lamb.) Yes. It is a matter of deciding in each case whether or not there is

a body competent to be the requesting authority and whether or not the B.B.C. can take this on under an agreement, similar to that which we have worked out with the open university.

Mr. Whitaker.

896. Do you ever get requests from Government bodies or informal approaches asking that you might consider doing a programme on certain social issues, whether it is to do with immigrants, drug-taking in schools and so on?—We have constant communication with Government Departments and other bodies and if they think that there is some programme material worth following up, they tell us.

897. Have the Home Office ever informally led you to think that they would welcome programmes for minorities, like immigrants, or programmes on a certain social problem like drug-taking in schools, and whether or not you have actually done programmes as a result of Government requests?—Sometimes we have certainly done programmes as a result of suggestions made from outside, including Government Departments. I hesitate to accept the word, "requests" because it is an ambiguous word. We have not done programmes in the sense of their saying, "You should do programmes on this" and we, accordingly, did them, but certainly in the sense of their suggesting that a given subject might be worth looking at next year, and responding to it.

Chairman.

898. Turning to the school programmes, you have told us that some 60 per cent. of the schools have television sets. Would that percentage be significantly higher if the Treasury was more forthcoming?—(Mr. Postgate.) I think undoubtedly so. The rate of increase of installation has been fairly steep in recent years and I have no doubt that the rate of increase is to some extent conditioned by the income of local authorities.

899. The Pilkington Committee referred to the reluctance of the Department of Education and Science to finance as many television sets as schools would have wished. Is that still the case?—I was not aware that the Department had been asked that particular question,

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but, of course, all this comes as part of the local education authorities' expenditure and they are up against great difficulties at the present time. It is perfectly proper for local education authorities to purchase sets and the Department of Education and Science would certainly not disapprove of that. However, I think it would be unlikely that the Department would put authorities under pressure to buy sets if the authorities felt that their money was better spent in other ways.

900. Can one take it that those schools that have television sets are using them for your service?—Oh yes. I think our figures show a higher use of television sets than of radio sets. Schools which get sets obviously get them because they want them and I think the rate of use of television sets is very encouraging.

Mr. Macdonald.

901. Is there a respectable school of thought in the educational field that considers that there may be some disadvantages, educationally, in the excessive use of television sets in schools and, if so, do you have representations about this or do you just infer it from silence in some schools?—We know that there is a considerable proportion of the teaching force who are not convinced that their teaching would be improved by using television. We know that in a number of cases this is partly attributable to inconvenience because the set is in the hall and not in every classroom. Also, with radio you can record a programme and then use it when you want to. At present most recording and replay of television programmes is too expensive. There are a number of interacting factors. It is also a fact that the awareness of the value of television in colleges of education and institutes of education is unpredictable. Some are interested and some are not. Although quite a lot of effort is spent in encouraging these colleges to acquaint students in training with this, the interest of colleges varies a great deal.

902. I take it that you are committed to the view that television as an aid to education is in almost every circumstance beneficial?—(Mr. Lamb.) I think we would regard the television experience as a part of the total educational experience, almost integral to the

whole process of teaching and learning. In a way this brings us back to the sort of central dilemma that you, Sir, were posing. On the one hand one feels that, more and more, there are things that broadcasting can do to meet more and more educational needs of one sort and another, for instance, the raising of the school leaving age, the implementation of the Industrial Training Act and so forth. On the other hand there is a constant and proper demand for a greater use of educational broadcasting by educational bodies in order to meet educational needs. However, clearly there is a limit to what a body like the B.B.C. can do out of general licence revenue from the general viewer and listener to meet that demand. Therefore, I did not want to suggest that our minds were closed to this problem, because they are not. We are very conscious of this problem. Just now I was trying to describe where we had got to so far. So far we can see no means which satisfy us that some other method of financing of educational broadcasting would bring greater benefit to that broadcasting. I did not mean to suggest that we shall always stand still because, clearly, that is no satisfactory or adequate solution to the problem.

Chairman.

903. Notwithstanding the knowledge that there are a number of teachers and, perhaps, a number of schools that do not wish to participate, it is not for lack of finance that they do not wish to take part. Nevertheless you feel that the volume of support for the proposition that it is a good thing is quite sufficient to enable you to go as fast and furiously as finance permits?—(Mr. Postgate.) Yes. (Mr. Lamb.) I think the spread of television sets in schools is proceeding at roughly the same rate as that of radio receivers some years ago. These things always take much longer than one expects to get fully into the consciousness of everybody who could make use of them.

904. We have covered a good deal of the further education subject already, but one aspect of it is the open university. The part of that topic about which we should like to ask you questions concerns how far this vision now taking practical form is going to have an

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impact on the B.B.C.'s other work as we have known it hitherto. How far do you see the squeezing, to which you have referred already, taking place? What is the situation?—The open university is being set up and will be constituted next month, or very shortly. We have agreed to provide the broadcasting component. We have defined how what is described in the appendix to the report of the planning committee as an educational partnership between the B.B.C. and the university may best work. We have agreed in principle that the costs should be met, not by us, but by the open university. The question of how to meet, for example, the requests for time from the open university is a very difficult one. They want a sizable amount of time and, very naturally, a good viewing time. The question is how to assimilate these requests.

905. I think we appreciate the dilemma, but what decisions have been taken?—They are being worked on. We have accepted in principle the requests for time that the open university has made, in certain wide time bands, day by day. The question as to when exactly these programmes can be fitted in is one which is now being worked on. (Mr. Postgate.) They have asked in the first five years for transmission time totalling thirty hours on radio and thirty hours on television. These transmission times are greater because they have asked for two transmissions of each programme in the week in which the programme originates. Therefore, these programmes will be seen twice at contrasting times. Obviously, they will not start with that number of hours in January, 1971, when the first transmissions take place, but the number will build up over the next two or three years. That is their request for the quinquennium, which is the length of the contract between the B.B.C. and the open university.

906. What is going to be sacrificed to enable you to meet that request?—(Mr. Lamb.) Broadly, in television much of the time will come from using hours during which at present the B.B.C. is not on the air. That is, the early evening times on B.B.C.2 At present B.B.C.2 does not go on the air until seven each

evening, so that is unused time on television.

907. It is to be on B.B.C.2?—Yes, in television.

908. Therefore, only those people who can get B.B.C.2 will be able to participate?—Yes. About 80 per cent. of the population will have access to B.B.C.2 by the beginning of 1971 when the first courses are put on the air. It is a limitation, but that is the fact.

909. Is the whole of this time to come out of unused B.B.C. opportunities, or is some of it to be in substitution for them?—The present restrictions on hours apply more rigorously to B.B.C.2 than they do to B.B.C.1. The open university provision will be exempt from the restriction on hours in the same way as the educational provision, in terms of the discussion we had earlier this afternoon. In the case of radio, the position is much more complicated.

910. It is quite understandable for you to say that they can have the time you do not use. Are you going to give up time that is being used on B.B.C.2 in favour of the open university?—This is a matter presently being discussed between the B.B.C. and the open university.

911. As yet, only the unused time has been agreed to, the rest is still under negotiation?—We have agreed in principle to provide the amount of time for which the open university has asked. The question is exactly when that will be and whether or not any of it will come out of time already allocated by B.B.C.2 to some other purpose. That is the question remaining to be resolved.

Mr. Macdonald.

912. In addition to broadcasting time, there is the question of studio time. I am not quite clear whether the programmes will be produced in the B.B.C.'s studios or simply transmitted by the B.B.C. and produced in the open university's own studios?—(Mr. Postgate.) The television component will be produced in the Alexandra Palace studios and the open university has asked us, and we have agreed, to extend the lease of Alexandra Palace for that purpose. The radio programmes will be produced principally in London in a number of

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studios to which certain small adaptations are being made. Therefore, they will be merged in with our existing output, this being the most economical way of dealing with that aspect.

Chairman.

913. Thereby increasing the studio resources presently available to you?—I think we are adapting certain studios to make them more suitable than they would otherwise be and we are prolonging the tenancy of Alexandra Palace for the purposes of the open university.

Mr. Macdonald.

914. Will your people be making the programmes, for whom you will subsequently charge the open university, or will they be open university people, perhaps seconded from you?—No, they will be our people. They will be full members of the B.B.C. staff and they will be made members of the two further education departments so that there can be a movement of staff between the university and the further education programme, in this way getting the best out of the talent we have.

Mr. Whitaker.

915. Have you a projected date for colour in educational programmes?—On the further education side we do very few colour programmes based on colour filming.

916. What about school programmes?—There is no date at the moment for the introduction of colour into school television.

917. Has it been considered for the open university, or not?—The open university have not asked for colour facilities.

918. I appreciate that only a limited number of schools could afford colour sets, but colour would play a considerable part in art work. Would you like to have colour available for schools with sufficient funds?—Oh yes. (Mr. Lamb.) It is a question of what it is practicable to provide.

Chairman.

919. You have said that Alexandra Palace is being earmarked for this purpose. I think I am right in saying that you are already ceasing to use it for your purposes?—Yes.

920. Is the open university going to be charged with the maintenance of that until such time as it needs it?—(Mr. Thorne.) Yes. The open university will be charged with the whole of the running costs of Alexandra Palace as soon as the B.B.C. news people vacate it and go over to the Television Centre.

921. Does that mean that until that time you will pay for it, notwithstanding the fact that you do not really want it?—We shall be making programmes from the spring of 1970 onwards and it is our intention to charge the open university with the full costs of Alexandra Palace from that time.

922. Is it in use now?—Yes. All the news programmes emanate from Alexandra Palace.

923. The switch over is not intended to take place just yet?—(Mr. Lamb.) That is right. The news will move towards the end of this year and the open university project will begin early next year.

Mr. Macdonald.

924. Who will be responsible for financial control of the programmes produced by the B.B.C. for the open university? Are the B.B.C. expected to keep a budget, or will they simply tell the open university how much a programme will cost and leave it to the open university to exercise control?—(Mr. Thorne.) We have agreed that the open university should pay the full operating costs of any programmes that we make, but they have been told in broad terms what the yearly budget will be in order to produce a certain number of programmes.

Chairman.

925. Was that budget based on thirty hours a week?—No, it builds up from a few hours a week progressively year by year, up to thirty hours. (Mr. Lamb.) I think that is the figure for 1975. (Mr. Postgate.) It will be reached possibly before that date.

Mr. Macdonald.

926. If you make a programme on radio for the open university, would the External Services be able to sell that programme, or would it be the university's programme?—Legally, we are

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advised that the ownership, the copyright, of the programme is vested automatically in the publishing agency, which is the B.B.C., but since the cost of these programmes will have been met entirely by the university the proposal is that we should assign the ownership to the university so that it may, if it wishes, go in for the export of these programmes or for subsequent use. This is now being negotiated in detail.

Chairman.

927. Will the open university be dovetailing in with your own further education programme?—It is difficult to say positively what will happen until it actually begins to happen, but the B.B.C.'s hope is that the two services will be regarded as complementary to each other and not competitive to each other. The open university is an independent body and if it should decide to enter some field of education which it has not decided to do at the moment, it is obviously competent to do that and it would be sensible, if we were in that field at that time, for there to be prior discussions and we might use our resources better in some other field. This is implicit in the statement of partnership which is included in the back of the planning committee's report.

928. Has the B.B.C. administered the planning committee's work hitherto? Has that been a cost you have met?—(Mr. Lamb.) No, Sir. It has administered its own work, I imagine with D.E.S. funds.

Mr. Whitaker.

929. Do you ever do any programmes jointly with other countries?—(Mr. Postgate.) Yes. Through the European Broadcasting Union there have been a number of co-productions, for instance, in the field of geography in which each country offers a programme about some aspect of its own geography and these are exchanged or made available to each other, so that if the recipient countries so wish they can transmit them either as they receive them or in modified form.

930. Do we include some programmes made abroad, for example, on language teaching?—Yes, but not on language teaching that I am aware of, although we do mutually give services to each

other. For instance, we might, on invitation, go to Germany and record German programmes there and in return record English language programmes for a German broadcasting company.

931. As you probably know, a lot of the American programmes are financed by foundations such as Carnegie. Supposing you were to receive an offer from Ford or from Nuffield for a special educational series, would your objections to Government finance apply?—(Mr. Lamb.) It is the same problem in a different form. The essence of the present situation is that the educational provision is caught up in the general stream of broadcasting. The essence of the situation in America is that it is not and suffers accordingly. The question as to whether money provided by outside bodies for certain purposes would allow us at the same time to maintain proper editorial independence in planning the educational provision as a whole and not being swayed by the hope of financial support, is a difficult one to be sure about. From our experience we would look at it with very great care before taking it on.

932. You have never had an approach or an offer from foundations for help?—(Mr. Postgate.) Not that I know of, of a major kind. We have had assistance with certain aspects of programmes. For instance, the Nuffield Foundation has supported various educational enquiries and we have collaborated with those projects by making programmes along the line of their new philosophy, paying for them ourselves, but we have made an agreement with the project people that they will publicise the programmes and encourage their centres to buy film copies of them. To this extent our activities have gone together and supported each other.

933. Have you ever made any programmes about the educational or anti-educational effect of television programmes in general?—Speaking educationally, such inquiries and researches that we have done have been into the effectiveness of the educational programmes in the strict sense.

Chairman.] Would an example be an inquiry into the degree to which violence on television affects young people?

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Mr. Whitaker.

934. Yes. Has it ever been a matter of research?—(Mr. Lamb.) There is a great deal of such research that the B.B.C. either engages in or is very conversant with. To take the example, the question is an extremely complicated one: how to isolate what one means by violence and what one means by society in such a way as to establish a meaningful answer. This will be evident from the report of the Noble Committee which is about to be published, which is a body which spent a great deal of money trying to establish answers to this kind of question. It concluded that what was needed first was a greater refinement of the tools of research, before one could establish meaningful answers or even try to establish meaningful questions. It is an extremely difficult, intractable, and long-term problem, but we would feel that it is a part of our responsibility to contribute to it.

935. While admitting its complexity, if violence had an imitative as opposed to a cathartic effect, would you not consider it one of your functions to try to correct, to comment on or to explain any anti-social effect brought about by television programmes for which you are not responsible?—I am not sure that I follow the last part of that question.

936. Supposing there was a violent television programme, for which you are not responsible—it might be a news programme or it might be a western—and research showed that this had an undesirable effect on young people. Might it not be part of your function to analyse this programme in one of your programmes to try to mitigate its effect on young people and, if possible, rationalise their reactions?—I think it is very difficult to counter-balance one programme with another. The question as to whether violence is or is not more harmful in actuality programmes than it is in fictional programmes is, again, not a question that admits of an easy answer, particularly since other responsibilities apply in news besides this particular responsibility, that is, to give the news even if it is violent. The question as to whether the viewer may imitate violence that he sees or be purged by it depends on which viewer, when and in what circumstances. What

may be cathartic for one viewer or, indeed, for a hundred viewers may lead to imitation by one and the reconciliation of these facts is one of the most difficult editorial problems in broadcasting, but one which we certainly accept as part of our responsibility.

937. If you could save this one viewer from imitating violence, you would be doing a very valuable educational function would you not?—I accept that. If, on the other hand, that involved not recording in picture that which is going on in various parts of the world—wars, revolutions and the like—that would be a problem of judgment.

938. While allowing the news to give absolutely impartial views of the world, which I agree with you should be sacrosanct, if you could mitigate any undesirable effect which this had by another programme run as an educational service, particularly for young people who, I think, are probably more susceptible, would not this be a very important part of your educational programme?—Yes. I think this is something about which Mr. Postgate has knowledge and, indeed, to some extent has already been undertaking. (Mr. Postgate.) We do recognise this problem of understanding violence and accounting for it and we have tried, particularly in programmes for adolescents, to do some programmes which, say, depict a violent scene. There was one programme which was repeated in the late evening called, "Last Bus". The story was that some boys beat up the conductor of a bus for no very good reason except that they were fed up with him and nobody on the bus did anything. There was a coloured conductor, an old man, a woman and a courting couple and none of them did anything. The second half of the programme was an interview with these people, who were asked, "Why did you act or not act in that way?" There was a pair to the programme the next week which showed that of the boys who had beaten the conductor up, one was sent off to a Borstal institution and one went to an Approved School. The programme went on to look at these institutions as places of correction. The pair of programmes was an attempt to bring these problems to young people's attention. This particular set of programmes was extremely successful among the audience, but it was

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an attempt to touch on this question from a viewpoint which was productive rather than from a viewpoint which was instantly critical and therefore one which would be rejected.

Chairman.

939. If there was a serious epidemic of some kind, would it be open to a Government Department to enlist the help of television to influence people to take certain actions to mitigate the effect or to minimise the influence of the epidemic? This comes under education in one sense?—(Mr. *Lamb.*) It would not be handled administratively in that way. If the Government wished to have such announcements made—

940. Or even a programme?—Yes. If they wanted announcements made they would ask for them to be made and there is provision for the making of such announcements. If they wished to suggest a programme, there is this constant intercommunication between Departments and the B.B.C. If, for example, Asian Flu were on the way, my problem as a viewer would be how to get away from Asian Flu on the screen, rather than to learn how best to combat it. Because of this awareness of information being available and of things which will be in people's minds, these things get on the screen.

Mr. Macdonald.

941. Reverting to the Schools Broadcasting Council and the Further Educa-

tion Advisory Council, are these bodies, however worthy and independent-minded, the creatures of the B.B.C., who can ignore their advice if it so thinks fit, or do they have independent authority and some measure of power over the B.B.C.?—The Schools Broadcasting Council has certain specific duties to perform and in this sense no-one could describe it as being the B.B.C.'s creature.

942. It has duties laid upon it by the B.B.C., by the Government, or by whom?—By the B.B.C. (Mr. *Postgate.*) The B.B.C. created both these Councils and gave them written constitutions which have definitions of their powers and duties. (Mr. *Lamb.*) In the case of the Further Education Advisory Council, while it is, as its name suggests, advisory, it has a certain specific duty to perform in relation to the definition of which we were speaking earlier, and certainly the kind of people who serve on that body would not serve on it if they felt that their advice would be likely to be ignored by the B.B.C., nor would the B.B.C. take so much pains to try to get people of standing in these matters to serve and to collaborate so closely with it. Therefore, in both cases I think the answer is that they are in this sense free-standing bodies.

Chairman.] I think that covers the ground. Thank you very much, Gentlemen.

MONDAY, 31ST MARCH, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.

Mr. William Hamilton.

Mr. Macdonald.

Mr. David Howell.

THE BBC'S SYSTEM OF FINANCIAL CONTROL

Memorandum by the BBC

The Post Office has outlined in its Memorandum the financial control it exercises over the BBC's domestic and external services. The BBC in its turn operates a system to ensure that detailed control is exercised over its resources. A general description of the system is outlined below.

Financial control in the BBC is based on its budget; its system of scrutiny of all proposals for additional expenditure with regular reporting of actual expenditure

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against that forecast ; and on the use of certain supporting procedures. The system works as follows :

1. *The Budget*

The budget is the mainspring of financial control. In the Home Services it is prepared on the instructions of the Director-General by the Managing Directors of the Television and Radio Services in conjunction with the Engineering Division and with the assistance of accountants from Finance Division. The co-ordination is the responsibility of Finance Division, who also prepare a general appreciation of the financial position for the Director-General. The consolidated budget is first presented to Board of Management where any changes in principle or in detail are made. It is then forwarded to Board of Governors, and only when it has been passed by them is the budget regarded as being officially approved. For the External Services a separate estimate is prepared by the Managing Director and forwarded to the Post Office for approval.

The Home Services budget comprises (i) a forecast of licence income and potential receipts from other sources, e.g. the "Radio Times", (ii) a detailed assessment by the Administration Directorate of probable rising costs for various categories of staff and artists, (iii) an allowance for normal rising costs covering electricity, local rates, telephones, etc., (iv) a list of proposed developments for both operational and capital expenditure, (v) marginal funds for the aggregation of smaller projects, and (vi) a target of savings in operating expenditure to stimulate an economical outlook.

All projects proposed are listed by name and amount and then analysed to indicate to what extent expenditure will fall into each of the years being estimated.

2. *Day-to-Day Control*

(a) *Authorisations*

(i) *Operational Expenditure*

Operational expenditure is controlled by means of an annual rate system whereby every department and section throughout the Corporation is aware at all times of its total permissible expenditure under various heads. These limits can only be varied by submission of proposals to a series of financial meetings which are held weekly by the Directorates. They are chaired by the Director concerned, with a member of the Finance Division acting as finance secretary, and no variations to the level of expenditure can be incurred without full opportunity for them to be considered, accepted, amended or rejected. Additions, to certain limits, can be approved by Directors ; beyond these amounts the proposal is submitted to the Director-General's Finance Meeting. The sponsors of the proposals requiring authorisation are called upon to justify their estimates at these meetings. Larger items still are submitted to Board of Governors for final approval.

(ii) *Capital Expenditure*

A similar system operates for proposed capital expenditure, and for the placing of orders and acceptance of tenders. No work is put in hand until the appropriate finance meeting has approved the project. The Director of Engineering has a specific responsibility for the management of all capital projects involving building work and technical facilities and for the economic and timely completion of these projects. This responsibility is exercised through Project Managers who answer directly to the relevant Managing Director for all aspects of capital development.

(iii) *Authority for Expenditure*

For both operating and capital expenditure the provision in the budget of a sum to finance any particular proposal does not constitute an authority to proceed. It represents no more than permission to submit detailed

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proposals, with full costs, for approval by the finance meeting procedures outlined above. Only after that stage can expenditure begin.

(iv) *Revision of Existing Procedures*

Some alterations to existing delegated limits and procedures at the various management levels are at present under consideration following investigation of our practices by McKinsey & Co. Inc.

(b) *Reporting of Actual Expenditure*

Actual expenditure is analysed and compared in detail with approved levels of operating expenditure and capital authorisations. The accounts are presented quarterly to Board of Management and Board of Governors. The Managing Directors also receive from the Finance Division details of the financial state of their service compared with the budget and information concerning costs and the use of resources which are discussed at their management meetings.

(c) *Shared Services*

A shared Services Committee reviews and apportions each year all expenditure common to the Television, Radio, and External Services.

3. *Supporting Procedures*

(a) *Director of Administration's Standing Committee*

This Committee consists of staff at Controller level from each main Establishment, and was set up by the Director-General in 1960, (i) to consider and examine problems of common interest in the field of economy or efficiency referred to it by Board of Management, any Director, Finance Division, Organisation and Methods Department, or the Shared Services Committee, and (ii) to initiate the examination of possible economies involving more than one Directorate.

The Committee has dealt with a wide range of problems affecting the economic and efficient deployment of the Corporation's resources to maintain a stringent check on all aspects of expenditure. It is particularly concerned with problems which affect more than one Directorate and has a stimulating and co-ordinating role on policy questions concerned with higher productivity.

(b) *Management Services*

This group consists of staff responsible for providing a consultancy service in organisation and methods, work study and allied techniques throughout the Corporation. It is also responsible for computer operations and the forward planning of computer resources and the provision of systems analysis and programming services. An operational research group is also being developed.

4. *General*

Two committees of enquiry in the post-war period have commented on the BBC's system of financial control:

The Beveridge Committee said in 1949:

"403. The finances and the financial administration of the BBC were specially examined on our behalf by one of our number, Mr. I. A. R. Stedford, with experience of large business organisations. His report to us opened with the following passage:

A detailed study of the BBC's accounts and accountancy methods has shown that the Corporation has firm grasp of the principles of financial control and wields them most effectively. All the information which could possibly be required by the Director-General is readily available, and financial planning is of a high order. It has seldom been my good fortune to examine a more efficient and intelligently-handled financial organisation."

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The Pilkington Committee reported in 1960:

“ 576. The Beveridge Committee formed a favourable view of the BBC's financial administration. Our general finding from our studies of the BBC is that this view is still justified. This finding was borne out by the G.P.O., which told us that it considered the BBC's methods of financial control very good indeed.”

20th January, 1969.

Mr. J. G. L. FRANCIS, C.B.E., Director of Finance, and Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined.

Chairman.

943. I think it will be convenient if we start off asking you a few questions about the budget. First of all, what timescale is involved; it is clear from the memorandum that it is more than one year?—(Mr. Francis.) We normally budget for five years at a time, but circumstances can alter this. If we were coming up, for example, to the end of the Charter period we would tend to budget perhaps for two or three years to the end of the Charter period. But where there are no intervening circumstances we try and budget for five years at a time.

944. Do the various stages of approval to which you refer, culminating in the Governors and no doubt the Ministry, all apply to the years two, three, four and five just as much as to the first?—Yes. If we have supplied a five year forecast to the Post Office and the Treasury, then we would expect to be questioned on any of those years. This of course usually relates to requests by us that the licence fee should be increased as it is the necessity to spread over the period of years which leads us to ask for the increase.

945. Does that mean in practice then that a Government will get automatically five years' warning of your wish to see licences increased?—I would not put it like that, Sir, because we are not asking for an increase in the licence fee five years ahead. We are merely asking for it one or two years ahead, but we give a spread nevertheless of expenditure over five years. We always reckon that a licence fee should last for a number of years, and it is our finances over this period which would justify our request for an increase.

946. Just in passing, what kind of time span for licence fees do you reckon is the most desirable?—Normally we would hope if the licence fee is increased it would last us for five or six years, something of that order. There is no question we feel of having annual increases but normally we go for something like a five or six year spread.

Mr. Costain.

947. I would like if I may to raise one point. When you say you do not consider that the licence fee should be raised every year, would it not be better if the ordinary viewer had a slight increase rather than a large one from time to time?—I do not think we have ever considered it quite that way. There could be an increase of 3s. a year or something, which would add up to the sort of figures that we need. But I must point that if we did it this way, the licence fee at the end of the period would be higher than it otherwise would be. Instead of having a fund of money coming in regularly for five years, we would have a smaller fund creeping up all the time. Let us say, when we asked for a £6 licence fee, had we had this in instalments we might have had to ask for £6 10s. because we were not building up reserves from which we could finance a later drain on those reserves. I would have thought it probably in the ultimate interest of the listener or viewer that we do it this way.

Mr. Macdonald.

948. So it is your deliberate intent when thinking of a six year spread that ideally you would reckon to have a surplus in the first two or three years of that period, halfway through a break

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even year, and after that you deliberately foresee running at a current deficit?—We would have to start drawing on those reserves before the time came when we had to ask for a further increase.

Chairman.

949. You tell us that one of the changes consequent upon McKinsey's recommendations is that there should be what amounts to a production budget as well as a fiscal budget?—Yes.

950. Could you explain a little more the advantage of that system?—Yes, I will try to. The fiscal budget of course is done in fairly global terms. It envisages all the things the Corporation feels it ought to do or it has been requested to do over a period. This enables us then to size up what size of licence fee would tide us over this period. This under the McKinsey system would continue to be done. This is the sort of long term look at things. Their idea of production budgets is to carry responsibility further down the organisation than it has been at the moment. In other words, they want producers or service departments in television to have an annual budget and to feel responsible for this and even to have targets of productivity or savings set within their annual production budget.

951. Does it amount to this, that instead of having a very large kind of strategic budget, this should be broken down somewhat into much more of a technical one where people down the line have their own segments? Is it not just a question of breaking down rather than this magic word "production"? Does it not all end up in cash?—Well, it all ends up in cash but they are thinking very particularly here. If you take the television service, if they are spending £50 million a year, shall we say, £35 to £40 million of that is going on programmes or resources, like design or make-up or wardrobe, which go to build up the programme. Their idea is to base this on productions. In other words, there would be a budget of the programme plans for the year, these programme plans would then be interpreted into the needs of individual departments in order to carry out this plan. So it is rather specifically related to production.

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952. How far into the future is that practicable? Not surely for five years?—No, one year at a time.

Mr. Macdonald.

953. In what way does this differ from the arrangements that exist at present? Are we to understand that currently the producers have no concept at all of the available funds?—I think that would be unkind to us. The producers have some idea, because when we are planning the programmes we have something which is rather quaintly called "programme budget estimate", P.B.E. Where a producer wants to schedule a programme for the future, some nine months ahead of the event, he puts in the idea for the programme and he makes up a budget for this, saying how much he wants to pay artists and how much use of a studio etc. and before the programme is accepted for the programme schedule a study is made of those costs to see whether in cost terms this would also be acceptable for the programme schedule. So they are already budgeting in these terms. But they have not got a departmental budget. So, if you like, the drama department or light entertainment has not got a budget, they budget for individual programmes.

Chairman.

954. At the risk of introducing an analogy which might mislead, would you tell me whether the following analogy interprets the picture you have given us, that instead of a factory presenting its budget in the form of the cost of the several departments or the manpower, it should be the cost of the several models made by that factory?—I think I would put your analogy into reverse. I think perhaps at the moment they are budgeting for the various models because they are basing the cost on an individual programme. We would keep this but in addition to that, if you like, the paint shop or the machine shop will also have a budget out of which it can then deploy money for the various programme projects that it has in mind. I would reverse your analogy.

Chairman.] I am very glad I introduced it so as to avoid getting it wrong.

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[Continued.]

Mr. Howell.

955. Would it be true to say that really what McKinsey's are trying to do is to introduce into the B.B.C. a system of programme budgeting—and I am using "programme" in a budgetary sense, not a B.B.C. production sense—to allow you at any one time to have a much better view of your costs, present and future, of the operations of the B.B.C.?—I do not think I quite agree with you. We have these programme budgets but what they are aiming to do really is to create a greater sense of cost consciousness down the line with production departments. This is in order to make them feel more responsible and also, as I said, they will set certain productivity targets or targets of savings within this and then expect those departments at the end of the year to be able to illustrate that they have met these productivity targets. It is really expanding our present system to go further down to the grass roots in cultivating cost consciousness.

956. This raises the general point I wanted to make. What you have described is, it seems to me, the very proper and modern way in which large organisations should go about controlling their costs. But there is a point of view, and it is expressed by I think Mr. Kenneth Adam in the "Sunday Times" this Sunday, that the B.B.C. is not the kind of animal that can respond to this very rigorous application of cost control techniques. I think, to quote him, he says "The B.B.C.'s job is to spend money". Are you sure, are you content in your own mind, that this McKinsey revolution is not going to end up by changing the whole nature of the B.B.C. itself rather than just installing a few new techniques here and there?—I hope you will not expect me to comment too much on Mr. Kenneth Adam's article in the newspaper. But I do not agree with you here. In fact, the Finance Division of which I am in charge, introduced a system of costing for television some 15 years ago. For a long time we have been pressing, first of all, that there should be a budget for all resources, studios and other things. This was adopted now some five or six years ago. We have also been trying to foster this very McKinsey idea that a

producer should be made more cost conscious and even be given some incentive to make economical programmes. So I agree with McKinsey. I do not agree with Kenneth Adam.

Mr. Macdonald.

957. To what extent is there a danger, if we have the form of budgeting that McKinsey had in mind, that the various departments will battle against one another for a larger slice of the available cake?—I think probably this is inevitable at the time the budget is being prepared. I think probably most Government departments would find this, that people ask for slightly more than they think they need in order to get a footing in the budget. I think this is inevitable. But the production budgets will be tied in with our fiscal budget. In other words, the total amount of resources available will have been governed by the fiscal budget and it will then be for Managing Director (Television) and so on to see that when these bids have been put in they represent not only adequate resources to produce the programme schedules that he wishes to have, but also that they do not exceed in total the resources available. I hope that answers your question.

958. I see. But can I lead on from that. Do you work then in fact on the implicit assumption that the money available is to be spent?—I do not think that would be the case. When we are building, for example, our fiscal budget we do not say that in five years we will have X million of pounds to spend, now let us spend it. What we do is we say, "Well now, we have got B.B.C.1 and 2 carrying on. We want to develop them in certain ways. We want colour in B.B.C.1. We want to expand one or two of the regional outputs." In other words, we put down first what we think we ought to do and would like to do for the improvement of broadcasting. This is then turned into terms of money. We then look at it and see whether this is beyond our probable capacity or whether by pruning it here or there it can be fitted into the general picture. In other words, we do not start off with the idea we have got so much money to spend, now let us spend it. This is not our attitude at all.

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Mr. Costain.

959. You quite rightly in your position say that it is your job, and McKinsey's job, to see that the finance is looked after. But in a service like you are rendering is it not just as important that the service is a good one; and if you are too conscious of the cost are we not going to get as we got yesterday, just a repetition of the same old film we have seen so often that we could almost recite it by heart?—I think we always have to keep this in perspective, surely. Over the years we have had various financial pressures. I think our programmes have in fact developed and been improved over this period. I think it is always a question of balance. You must not let money dictate to the programmes too much, you must not let the programmes dictate to the money.

960. If you are going to tighten up on the finances, which you have a right to do, ought there not to be some other machinery to tighten up on the consumers' protection?—What do you mean by "the consumers' protection"?

961. I quote yesterday because there was a film yesterday afternoon which to my knowledge has been on television I think three times on a Sunday?—This was the Sunday afternoon one?

962. Yes. But is that not the way you save money and depreciate the service?—You have a minor point there, I must agree. To use an old film costs the B.B.C. very little and within the available resources, providing it is not repeated too frequently, the television service are happy to use an old film perhaps at a different time of day. Its first showing might have been in an evening setting, and perhaps on a Sunday afternoon the audience is different or not so large. I think it reasonable enough, if we do not repeat them too often, to use relatively cheap material to make up the total of the cake.

Mr. Hamilton.

963. Is this programme Mr. Costain is talking about put on to save money irrespective of what the consumer thinks, or is it dictated by the proved popularity of the programme?—Here again I think we must have a sense of balance. We take note of what our audience research department says. We do not

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follow this seriously. Many of our best programmes go out to a very small audience. If you like opera, that has a small audience. They are expensive programmes but nevertheless we do put them out. I think you must have a balance between audiences and putting out worthwhile programmes. I do not believe the B.B.C. has been particularly backward in trying to take a lead in putting out good programmes. But of course for a large part of the day we also have the duty to give the listeners the sort of thing they would like to see.

Chairman.

964. How detailed is the budget? You tell us that all the projects are listed and presumably costed. Into what detail do you go in this annual exercise?—The fiscal budget?

965. Well, either or both?—The fiscal budget: in the case of capital, all the major projects are listed and costed approximately in the first place. Some relatively minor projects are also costed. But you cannot look five years ahead and know every minor project that you want five years ahead, so we have something which we have called a margin, and I think this is a misnomer because it has been misunderstood recently. It really is a fund for minor projects too small to be listed individually in the budget and alternatively for minor projects which really cannot be conceived five years previously. So all the more important projects are enumerated in round terms and placed individually in the budget.

966. Can I just interrupt to clarify this use of "operational". A building is clearly a capital affair. Surely a programme is an operational affair? Is it deemed to be capital in your terminology?—On capital it is building or plant, that sort of thing; building a transmitter, this is what we deal with as capital expenditure.

967. I thought you were quoting programmes as part of capital expenditure?—No. I was just going to move on to operating expenditure; we do not there deal with individual programmes. If we are moving into a new building we would then have additional costs of rates or heat and light, this sort of thing. This would be enumerated. Let us say we are going to have another hour

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a week for Scotland television programmes. This would be enumerated and listed separately. For the network programmes it would be impossible really to list all the individual programmes or even a number of programme improvements, so we deal there in rather global terms. Having studied it within the television service, they ask for £200,000 extra or £300,000, whatever it is, in order to fit in with their programme plans. The individual programmes are not then itemised in the budget. This would be a very lengthy list.

968. In the middle of page 130 it says, "All projects proposed are listed by name and amount". Here presumably we are dealing not with capital expenditure but with revenue expenditure; am I right?—Well, further down the page you have the operational expenditure.

969. Yes. I would like to be quite certain that I understand the meaning of those three lines on page 130?—Can I put it this way? That statement is true for capital because individual projects are all named or they are too small to be named individually in the budget.

970. A project is not a programme; am I right?—Oh no, it is not a programme.

971. This is where the confusion has arisen?—Can I say a project would be colourising B.B.C.1 or introducing further television in Scotland or something of that sort.

Mr. Macdonald.

972. Could I refer to the capital budget? Do you think always of meeting capital expenditure out of the revenue in any given year, and therefore, if the revenue is inadequate, the alternatives are to postpone the capital expenditure or to run a deficit; or do you ever think of borrowing in order to fund that expenditure over a period perhaps when the increased licence fee has been approved?—Can I answer that in two parts? We do not set aside any annual sum for capital expenditure. We list our projects, and capital expenditure could go up and down in each of the five years of a budget period because we are budgeting for so many studios or so many transmitters. The second part of your question: in the B.B.C. we

have often considered borrowing. Many people, the Beveridge Committee, the Pilkington Committee, the Cabinet Committee, have suggested to us that we should borrow. We have never been convinced that this is in the best interests of the B.B.C. or the licence payers and so far we have always managed to persuade each of these committees in turn that our attitude to this is right and reasonable.

Chairman.

973. How frequently, if at all, does a budget get altered either by the Board of Management or the Governors?—When the budget is finally agreed by the Board of Management or the Board of Governors, it is not normally then altered until perhaps one or two years later when we re-budget and look ahead for five years from that point.

974. Do you find in practice that the Board of Governors wishes to change the recommendations of the Board of Management?—On occasions, yes; and there will be certain occasions when things that we have not got in the budget necessitate a change in the budget. Supposing there was an outbreak of war somewhere in the world, this might mean a change in what we had to do; we would then have to introduce additional expenditure to cover this and either accept it as additional to the budget we had in hand or try and find some place in which it could substitute for something which is already in the budget. But normally these budgets tend to last for 12, 18, 24 months before we make any major change and then we re-budget.

Mr. Costain.

975. On page 130, paragraph 2(i), Operational Expenditure, in the last two lines it says, "Larger items still are submitted to the Board of Governors for final approval." So that we can appreciate that, could you give us any idea how many items a year are submitted to the Board of Governors or what sum is involved?—I can tell you that we did an exercise the other day, because we have recently revised these limits. I do not expect Mr. Thorne has it with him, but we did in fact investigate if the limits for submission to the Director-General's Meeting and the Board of

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Governors were raised, what reduction in the number of cases going forward there would be and what effect this would have on the money. In fact we raised the limits and we found that perhaps we were submitting 50 per cent. of the number of cases but still controlling 90 per cent. or 92 per cent. of the money. In other words, since we originally laid down the limits, which was in December, 1958, the value of money had changed considerably and therefore more of the smaller projects were being considered at these higher levels and the delegation had been decreased only because of the change in the value of money meanwhile.

Chairman.

976. Could you give us the old and the new limits?—Yes.

977. Take the three levels—the Directorates, the Director-General and the Governors?—Shall we deal first of all with capital?

978. Perhaps we had better deal with operational since it is under 2 (i) where all this is written?—All right. Revenue operating expenditure, the Directors' meeting used to be £5,000 per annum; it has now gone up to £25,000 per annum. For the Director-General's meeting it used to be up to £10,000 per annum and that has now gone up to £100,000. The Board of Governors takes anything over £10,000 as it was and £100,000 as it is now. On capital the old limit for the Directors was £10,000 and that has gone up to £50,000. The old limit for the Director-General's meeting was £25,000 and that has now gone up to £100,000. It follows from that the Board of Governors used to see everything over £25,000 and now they are seeing everything over £100,000. Some of these jumps appear fairly large but it is significant, I think, that in every case the number of cases going forward is substantially reduced, with a consequential saving of management time; but the amount of money controlled was reduced to a very minor extent.

979. Could you enlarge on this statement in the early part of (i) where you talk about operational expenditure which "is controlled by means of an annual rate system"? This has some relationship presumably to the budget, I am not

quite sure what?—We have used this system of annual rates now since early in the war, about 1942, and each department, almost each section throughout the B.B.C., has an annual rate of expenditure for each nominal account. For example, for salaries they would have a rate of the amount they are allowed to spend on salaries or on overtime. If it were buildings, there would be an annual rate for rent and rates, for heat, light and power. There would be a rate for cables. I could go on for some time telling you all the different categories for which rate existed. This rate is the authorised level of expenditure for that department or section. They are not allowed to spend more than this amount each year. If they wish to spend more they have to come to one of the various finance meetings, starting with the Directors' Finance Meetings, and say, "We wish to do this and this will cost us an additional £5,000 a year. May we have the money, please?"

980. What in practice is the difference between that and the budget?—The budget would incorporate the opening annual rate. When we are budgeting here we start with the opening annual rate for all departments throughout the television service or radio. We then list down below probable rising costs, known developments, and also savings and then these are the ways in which the opening annual rate is adjusted throughout the course of the financial year.

981. If an annual rate is allowed to a department for salaries, the budget as I understand it may take account of the expectation of an increase, say, of 3½ per cent. in the cost of salaries?—Yes.

982. But you say the rate system will not take account of that and therefore, when the latter months of the year come along that particular department would have to get authority for spending more than its expectations because the rate per man has gone up; is that right?—Well, no. Can I put it this way? Let us take a department which has a salary bill of, say, £100,000 which is in its rate. Listed down below in the budget will be the probability that we will have to pay, if you like, monthly staff a further 3½ per cent. from the 1st July. When this comes up for negotiation it goes:

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to the Board of Management and the Board of Governors who agree that there shall be an increase for all monthly staff of certain levels. This then is authorised by the Board of Management and the Board of Governors, and these increases for each individual person are adjusted in the rate of that department, so the rate of the department which started the year at £100,000, on the 1st July might go up to £106,000 because of the rising cost element which has arisen.

Mr. Costain.

983. I am a little mystified by this magical word "rate". Is it any different from expenditure?—Yes. I think it is, because it is an authorised level of expenditure.

984. A sort of norm expenditure?—Yes. As I am trying to say, this is the authorised level of expenditure and therefore, without any further paper work or attendance at meetings, departments are allowed to spend up to this authorised level but not to spend more than that level. (Mr. Thorne.) I think the difference between the annual rate and the expenditure too is that if an increase of annual rate is given during the course of a year, say the 1st October, £50,000, the continuing level of expenditure is £50,000 higher but the effect on expenditure in that year would only be £25,000. So that the continuing level is higher than the actual expenditure incurred in that year.

Mr. Macdonald.

985. Has it ever happened that a department has in fact spent more than its annual rate would have provided without first having obtained the necessary approval, perhaps through oversight or perhaps through miscalculation; and what sanctions can you impose to check that?—(Mr. Francis.) It does of course happen to a relatively minor extent. Some examples I think would be, say, travelling expenses where the actual expenditure is made up for a multitude of different journeys or taxis or whatever you would, and in the course of a year we may find that a department is spending slightly more than its authorised rate. In this case they are told that either they have got to reduce their expenditure or come forward to a finance meeting and justify a higher level of expenditure. We look at these things quarterly. If any rate

tends to be getting overspent we then take one of these two courses of action. We appear to have good discipline within the B.B.C. because on balance we underspend rather than overspend.

986. If they were overspending you would catch it at least quarterly?—Once a quarter we prepare and issue departmental accounts, yes.

Mr. Costain.

987. On page 130, item 2 (ii), capital expenditure, you spell out in detail, which one would expect to see, how you progress capital expenditure. There is no reference to the purchase of land or buildings or sites. Is the Director of Engineering responsible for purchasing sites?—This is an interesting point because under our old limits we kept a very tight control over additional rents or the acquisition of sites. This had a historical significance because right at the beginning stage of the war our finances got into somewhat of a tangle and people were running all round the country booking up large country houses and this sort of thing, and we committed ourselves before we knew where we were. So a tight control was put on that then, because once you had the house, then you had to have staff to fill it and all sorts of expenditure coming along, you see. We have relaxed that very slightly over the years, but in this latest setting of the limits we have set the same limits here as for operating expenditure, because the Director is considered to be sufficiently responsible not to commit himself to anything stupid and he can do it within the limits which are permitted for other kinds of operating expenditure. (Mr. Thorne.) But if there is any professional doubt, either from the legal department or the people looking after the premises, they are at liberty to raise this centrally if they feel it should be raised.

988. I accept that in detail but what I was thinking about was in general. If you are going to buy a new site, a radio station or something of that sort, who is it that decides whether you buy it or rent it and the relative cost of the site and the building costs? You only mention the Director of Engineering. Is there not somebody in charge of property generally?—(Mr. Francis.) If it were a case for a site for regional

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headquarters this would inevitably go up to the Board of Management and the Board of Governors. First of all there is the question of whether we should have a new regional headquarters. Secondly, there is the question where in a region or in a town these should be situated. So for the larger sites of that sort they would receive the fullest consideration right up to the Board of Governor level.

989. I was looking for the professional adviser to the Board, because this is highly technical and one would not expect to see at the B.B.C. property experts.—The answer is that we have what is called the Central Services Department who are responsible for land and buildings throughout the Corporation. We also have a legal adviser who of course enters into all acquisitions of sites and buildings if we buy them. We employ one of the biggest and best known firms of estate agents to advise us for any worthwhile acquisition. (Mr. Thorne.) I think I should add from the financial point of view as well that we do a comparison between relative values of buying or renting.

Mr. Macdonald.

990. Do the Board of Management or the Governors, as the case may be, authorise expenditure on a particular proposal put forward or do they authorise expenditure? I mean by that, supposing for one reason or another that a proposal could not go forward, does that carry within it authority to spend that sum of money on something different or do they have to come back again?—(Mr. Francis.) No, you cannot spend money on a capital project without going through the finance meeting procedure. You cannot spend money on a new revenue or operational project without putting that forward as well. So you cannot switch from one item of the budget to something new or something different without going forward for full finance meeting approval.

991. So even if somebody effects some savings in some operational expenditure, that of itself does not authorise him to spend additional money elsewhere; am I right in understanding that?—It is to his credit that he has saved something. He can perhaps try

and further a project of his by mentioning these savings on the way or even trying to set them off against what he now has to spend, but he still has to come forward for approval for the new expenditure.

Chairman.

992. I find sub-paragraph (iii) at the bottom of page 130 perfectly understandable in terms of capital expenditure. What I find puzzling is the use in that connection of this word "operating". For instance, you spoke of new operating expenditure in an answer you gave a few minutes ago. That does not mean surely a new programme?—No.

993. Could you help distinguish between a programme which is not intended to be covered by this kind of procedure and a new operational expenditure which is?—A new operational expenditure. We erect a new transmitter for B.B.C.2, shall we say. In order to operate this we have to spend £50,000 a year on valves and so much on rent and rates and so on. So we would then put up for an expenditure of £70,000 per annum for all the running costs of this new transmitter.

994. I follow. So it really is operating costs associated with a capital project?—Yes. Or take another example, if to develop these McKinsey production budgets more staff are needed in order to put them in, then either the television service or the finance division would come forward and make a specific request for the staff necessary to adopt this innovation; whereas individual programmes which go out on the air are not normally listed individually, they are taken within a global sum for programme allowance as we call it, within which the television service has to operate throughout the year and which again must not be exceeded by the 31st March.

Mr. Costain.

995. Can I go back to this capital expenditure. If we look at the balance sheet and take statement 4, page 106 in the Annual Accounts, we have shown a net addition for the year 1968 of £4,149,000. Against that we have got a depreciation accrued to date of £7 million. Does it not seem a very high rate of depreciation you are allowing

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on your properties compared to your purchasing? You have got a total figure of £36 million, depreciation nearly £8 million. Is that not rather a high rate?—The depreciation would of course be for not only the buildings acquired in the current year but also for buildings previously acquired.

996. I accept that. Is it not unusual for an expanding business to have to depreciate to this extent? £8 million on £32 million is a jolly high expenditure depreciation on property these days, is it not?—We are talking of land and buildings here. These would be mostly leaseholds where we have inevitably to write off the cost of the leasehold over the period of the leasing.

997. Why are you acquiring these holdings? Is it some way to save further capital expenditure?—No. It may be either the only way we can get hold of certain premises or it may be more economical for us to do it, as the case may be. (Mr. Thorne.) We are only providing on the freehold buildings at the rate of 2½ per cent. The same rate is being applied to leaseholds over 40 years. Other leaseholds are being written off over the lease. (Mr. Francis.) This £8 million is the depreciation accrued to date so it could be the accumulation of several years' depreciation rates. (Mr. Thorne.) It only increased by £800,000 over the preceding year. (Mr. Francis.) The plant we depreciate at 10 per cent. Here of course for much television plant there is a very high obsolescence rate. A transmitter might last us for more than ten years. Cameras and things for television might last for very much less. But we have an overall rate of 10 per cent.

998. You would say to the Committee you are because of your financial position buying freehold wherever you can if it is more economical to do so, not like a Government department stupidly having to rent the cheaper building because of the annual rise in costs, a stupid system of financing the country?—On the whole we do not do anything like that, I do not think. Let me say this. In Birmingham we had premises on lease from the Birmingham Corporation and through city planning and so on these premises were bound to disappear. We then had to expand for television outside broadcasts and various other things

and we were able to lease two other fairly important premises in Birmingham and these leases are going to expire approximately at the same time as our present Birmingham headquarters. Then we are building a new headquarters there. In future we shall own all our premises in Birmingham, all the leases will have been expunged. That is an example of an occasion when it pays us rightly to lease rather than to try to buy or build.

999. Because you are ultimately going to get into one centre?—In this case, yes.

Chairman.

1000. In subparagraph (iv) on page 131 you told us of the new levels of authority for financing expenditure that had risen. Are there any changes consequent upon the agreement with McKinsey which you could tell us about?—I do not think there are. As far as the financial system is concerned they have suggested the revision of these levels and we have discussed it with them and this has now been approved. The financial procedure of expanding our costing system into production budgets is another one emanating from McKinsey. Perhaps Mr. Thorne will correct me if I am wrong. I cannot think of any other important respect in which our financial procedures have been or are being changed as a result of McKinsey's suggestions. (Mr. Thorne.) I agree.

1001. Is it intended to publish the McKinsey report?—(Mr. Francis.) I would think most certainly not. These are very much internal reports. Often they are highly debatable within the B.B.C. before decisions are taken there. There is no sort of single report. They are reporting on a certain department, a certain activity, and I think it most unlikely that we would wish to publish any of these.

1002. There is just one point on the budget which I would like to go back to, before we move on to another aspect. You tell us at the end of page 1 that "a target of savings in operating expenditure to stimulate an economical outlook" was arranged. What was the criterion by which you established this level?—This is rather a difficult question. Under the McKinsey régime they will probably have specific targets based on an examination of a department.

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They will suggest a thing is done in a different way and this should save 5 per cent. of expenditure, shall we say. In the past we have set some targets with a specific aim in mind. More generally we have put in a global sum for radio or television of two or three hundred thousand in a year, with the idea that they have got to look around for ways of reducing expenditure in order to meet this savings target. For example, if you take transmitters, we have done a tremendous lot of work here in converting transmitters from manned operation to automatic operation and quite considerable savings have accrued because of this. A transmitter which was staffed by 25 is staffed by one man and a team operating a number of transmitters in an area of the country. In these cases we could have set a target for savings and seen that it would have been achieved. Another example is in radio when we used to have engineers and programme staff manning the room behind the window in a studio. We examined this and after some difficulty agreed that the number of staff could be reduced from, say, three people down to one person behind the window. There was a target here of something over £100,000 for the savings accruing from this. This was put into the budget and then it has to be realised by radio in the course of one or two years. But certainly in the past we have tended rather to name a global sum required and leave it to departments then to look around to find out what savings they could produce in order to make this total during the course of the year.

1003. Under "Supporting Procedures", does your O. & M. Department differ in any way from the traditional one in Civil Service departments?—I am not the expert on O. & M. but I think it works to all normal commercial standards and probably therefore works also in a very similar manner to that in the Treasury.

1004. Is it invited to go in or does it take the initiative itself?—It is invited to go in. But in case that should be misconstrued, although it has to be invited to go in, we have had in the last year to add 15 staff to that department because the requests were so outnumbering the staff available to do this that there was a time lag of a lot of months before individual projects could

be examined. So we have granted them another 15 staff within the last year to accelerate the looking at all the various requests.

1005. Does history suggest this would be a good investment?—I would rather not answer that personally, but I think our O. & M. people would claim that the savings resulting from their efforts vastly exceeded the amount of their annual expenditure on O. & M.

Mr. Costain.

1006. You might need an O. & M. to investigate the O. & M.?—It could well be. I think Sir Hugh Greene told you that we had employed Urwick Orr to examine our O. & M. Department to see if it was on the right lines. They did tell us in fact that in the broad it was on the right lines.

Chairman.

1007. You have quoted a tremendous write-up by the Pilkington Committee in your memorandum to us. Could you give us just a brief account of their methods and the length to which they went to reach the conclusions they did?—We put into the Pilkington Committee quite a number of papers. They were all in fact published in the appendices to the Pilkington Report. We put in a ten year forecast on which we were basing our future plans for the B.B.C. and the probable effect this would have on licence fees. We put in a paper on borrowing which they asked for. There was then a sub-committee of two or three members of the Pilkington Committee, those mainly with commercial experience. We had a few sessions with them when they went into things in much greater detail than the Committee as a whole. Generally speaking, we gave them all that they asked for and answered every question that they asked. I believe this was the basis for this kind remark.

1008. You told us about the way in which you—may I put it this way?—present your vision of the future to the Government. Is there any comparable discipline imposed by the Government upon the B.B.C. comparable to that which is placed upon nationalised industries who, taking one year with another, have to make both ends meet?—I do not think there is, certainly

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not in the same way. When we want an increase in the licence fee we budget for five years ahead, as I have told you; this is the subject of fairly detailed consideration by the Post Office and Treasury and sometimes, as on the last occasion, by the Cabinet Committee, so you could say that when they have examined all these terms and then agreed that we do get an increase in the licence fee, they are sharing with us the programme that we intend to pursue. In the case of capital expenditure they do not set a target, as I believe they do for some nationalised industries. On the other hand, we are not immune from requests by the Treasury that we should reduce our capital expenditure from time to time; for example, in 1968-69 and 1969-70 between the I.T.A. and ourselves we were asked to reduce our capital expenditure by £3 million. We then met with the Post Office and agreed how much of this should be borne by the B.B.C. and how much by I.T.A. and we have accordingly reduced our estimates and our capital expenditure will be reduced, limited according to this directive from Government. In other words, it is an overall directive in terms of the total amount of money to be spent, not a detailed directive of which schemes or projects are to be diminished.

Mr. Howell.

1009. In fact, in the B.B.C., since you have no revenue in the commercial sense, it is impossible to calculate the rates of return on capital expenditure in the conventional way, is it?—I do not think there would be any advantage to us in doing so probably. Certainly when you come to borrowing, whereas a commercial concern might say, "We will spend £10 million on a factory and thereby we will increase our profitability by so much per annum" this does not apply to the B.B.C. at all. When we spend capital we cannot in any way increase our income as a result.

1010. So when the Treasury makes noises indicating that they want some restraint or some cuts in capital programmes, they are doing it on the basis of a general overall view of the B.B.C.'s place in national expenditure, not on any criterion of financial objectives?—No. I think in every case it has been a national need. We were asked to save

£3 million between the two organisations, say 12 months ago. This was because of a national need, and nationalised industries were asked to economise as well and the private sector was squeezed in other ways, by higher interest rates and so on.

1011. But whereas in the case of all the nationalised industries which are producing goods or services, some assessment could be made of the efficiency with which the capital was used, none of these criteria can be applied?—I do not think they exist as far as we are concerned.

Mr. Costain.

1012. When you said you cannot assess a forthcoming income against expenditure, surely that is not so in the case of colour? Is not one of your arguments in the case of colour that you are going to get more licence fees?—Yes, I agree. But I think you must be clear about this. We want to go into colour. We have been trying to go into colour for some years but we have only recently received Government permission to do so. When we do this we are not doing it to increase income as such but because we want to put out colour programmes. All our expenditure is to make it possible for people to take out colour licences. In other words, it is not the colour licence that should pay for colour really, because until we have spent the money in advance nobody can take out a colour licence at all. What we are doing is spending money to enable people to take out colour licences.

1013. When you are discussing these programmes and the question of expenditure and licence fees comes up, is the decision whether you should put advertising on and get some extra revenue one which the B.B.C. by their Charter could make or does it have to be a political decision?—I think under our present Charter—I could be wrong—we are not permitted to take advertising. Therefore, if as a result of a political decision we were required to take advertising our Charter would have to be amended. The B.B.C. itself is opposed to taking advertising as an adjunct to its income. This question was examined by each of these committees in turn, by Beveridge, by Pilkington, and it was re-examined by

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[Continued.]

the Cabinet Committee last year or the year before. They examined the usual arguments as to whether we should or should not, and accepted the B.B.C.'s view that advertising was not appropriate for us and that the licence can remain the best way of financing the B.B.C. services.

1014. That might be so for the main services. But do you not think there could be an argument for Radio 1 for instance, which is rather a suitable vehicle, advertising like they seemed to do when it was under private radio?—The B.B.C. does not agree with this. They think it would be dangerous to have advertising for Radio 1.

Chairman.

1015. On this question of capital expenditure you told us I think in a previous session that McKinsey had recommended that a rather more careful scrutiny should be made of capital and certain other projects perhaps than had hitherto been the case?—Yes.

1016. Did they suggest any predetermined criteria which would be applied to test these projects or was it just a general comment?—I think it was a general comment but it probably related to not more than about one major project; in other words, the idea that we should go for cost effectiveness rather than doing a thing because it seemed a good thing to do. It arose rather particularly on one project I think.

1017. And this has got rather blown up into a wider aspect?—Into a generalisation perhaps, yes.

Mr. Macdonald.

1018. On this question of cost effectiveness, I understood you earlier to say that this was one of the things that McKinsey were pressing?—Yes.

1019. And which you were not resisting?—Yes.

1020. But a moment ago in reply to questions you indicated that the financial criteria for testing the efficiency of nationalised industries were quite inapplicable in your own case. I find it perhaps a little difficult to reconcile those two answers?—For my part I cannot think at the moment of any particular branch of our expenditure

where the sort of criteria applied to a nationalised industry could be applied to the B.B.C. If it is, say, the Electricity Generating Board, or coal or something, they have got a certain output which can be increased or decreased according to the amount of capital expenditure. I honestly cannot think of any classification of our expenditure where these same sort of criteria could be applied.

1021. I am bound to say I agree with that. Therefore I find it a little difficult to see how the concept of cost effectiveness which I understand McKinsey are pressing, is going to be meaningfully applied in practice?—I think perhaps the McKinsey production budget is related more to operating expenditure, to revenue expenditure. The cost consciousness here is not a cost effectiveness so much as a cost consciousness in what they spend on individual programmes, which of course mounts up to a substantial expenditure during the course of a year. So that it is not so much on capital, although there are cases, such as if you do a programme on film it will cost so much per hour; if you do it from a studio it will cost a different figure per hour. In film cutting and editing we get peaks, and the plan is to level off the peak by having so many of our film cutting and editing rooms and putting the peak out to hire. Then comes a point when we are putting more out to hire and it pays us to build more cutting and editing rooms because it is cheaper to do it inside than to do it outside. But it would not be cheaper to do the whole lot because then we would be staffed for every peak instead of only for the norm, shall we say. Does that help you?

Mr. Macdonald.] Thank you.

Chairman.

1022. The whole question of capital expenditure became somewhat disrupted, as we understand it, during the period when negotiations were taking place over a long time over the raising of the licence fee, and various projects were deferred because the answer was not forthcoming?—Yes.

1023. Were any tentative or even firm arrangements entered into for dealing with the next situation to avoid some

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[Continued

of the uncertainties with which you were faced this time?—You mean looking into the future?

1024. Yes. Did you agree with the Government that, "Next time the decision has to be discussed as to whether to put the fee up, we will not do it this way, we will do it some other way"?—No, no such arrangements were contemplated. You could surely not get any one government to pledge a future government to any such course of action? After all, when we are applying for this increase it is our intention that there should not be a further increase in licence fee until I think we have said the middle seventies.

1025. I was thinking purely of procedures?—I do not know if it is so much a matter of procedures as money not being available, and therefore the Corporation not feeling justified in incurring expenditure until they could see the money coming to hand. I mean, things like extension of our transmitter programme for B.B.C.2, this we slowed down because the money in total was not available to warrant our spending additional money on this.

Mr. Macdonald.

1026. Could I go back again, still on this question of efficiency, to the question of operational expenditure. Accepting as I do that the comparisons with nationalised industries are not entirely appropriate, do you endeavour to make comparisons perhaps with foreign broadcasting organisations in order to get some sort of standard with which to compare your own use of studios or the extent to which you yourselves are higher?—Perhaps Mr. Thorne can answer this. He has been to Italy and one or two places discussing this very subject. (Mr. Thorne.) Certainly when there was a comparison made between productivity in a B.B.C. studio and a German studio, the B.B.C. came out extremely well indeed. Our productivity was much higher than the Germans were achieving.

Mr. Hamilton.

1027. I think Mr. Huw Wheldon at the Television Centre quoted an example of the number of studio days employed in producing "Othello". The B.B.C.

produced it in four studio days and the international people represented, including Japan, refused to believe this. The comparable figures for those countries were 15, 16 up to 20 days. Is that the case?—Yes, that is the case. Our studio productivity is a very high figure indeed in comparison with other countries.

Mr. Howell.

1028. Have any comparisons been done on the transmitter side between yourselves and commercial companies?—Not to my knowledge. The only direct comparison we had at one time was the number of people we employed at transmitters compared with I.T.A.'s and their's was higher.

Chairman.

1029. On this question of comparability, many organisations, notably manufacturers, compare a current operation with the past; the cost per ton of some product over the years can be taken and the percentage of the cost which is labour and things of that kind. Have you any comparable yardsticks at your disposal which are meaningful one year with another and, if so, what sort of yardsticks are they?—(Mr. Francis.) We do produce many of these statistics. For example, for the television service we give them the cost of different types of programmes comparing one year with the next. But there of course rising costs come in, the value of money changes, and therefore if something costs £2,000 two years ago and it costs £2,500 now, it is difficult to say whether this is correct or no. We also do the comparison in things.

1030. That argument applies to every manufacturer?—We also compare the number of cameras per programme, the shooting ratio per film, the average utilisation of studios in London and the regions, this sort of thing. Where you are comparing physical things like that you do get a direct comparison from one year to the next.

1031. Do you have for the purpose of good management a series of comparative figures on things of that kind as a routine matter?—We do. We present them to the television service and to radio from time to time.

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[Continued.]

1032. Are they monthly or quarterly?
—(Mr. Thorne.) Quarterly.

1033. I think the Sub-Committee would be interested to have a brief paper, if we could, as to not the comparable

figures so much as the things which you compare?—(Mr. Francis.) Yes.*

Chairman.] I think that covers the ground today, thank you very much.

* Evidence submitted but not reported.

MONDAY, 21ST APRIL, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. Arthur Lewis.
Mr. Macdonald.

Mr. Neil Marten.
Mr. Ben Whitaker.

B.B.C. PUBLICATIONS

Memorandum by the B.B.C.

The scope and nature of the Corporation's publishing are briefly described in this paper.

One of the objects of the British Broadcasting Corporation as laid down in its Charter is "To compile and prepare, print, publish, issue, circulate and distribute with or without charge, such papers, magazines, periodicals, books, circulars and other matter as may be conducive to any of the objects of the Corporation".

B.B.C. Publications is a professionally run publishing business within the Directorate of Public Affairs. Under the General Manager, Publications there are departments responsible for Circulation, Advertisement selling, Distribution (including Orders, Subscriptions, Traffic and Warehouse), Production (including print and paper buying), four editorial departments responsible for Radio Times, The Listener, Educational publications both to accompany B.B.C. Radio and Television for Schools and Further Education programmes, and General publications, and the Radio Times Hulton Picture Library, as well as Personnel and other services.

Radio Times

The policy of the Corporation is to publish in one journal details of the whole of the B.B.C. Radio and Television programmes so that complete programme information is available to the largest number of people at the lowest economic price consistent with a reasonable financial return.

Radio Times has been published weekly since 28th September, 1923. It now contains, in seven main editions with eleven local variants, details of the programmes of the two B.B.C. Television services, four Radio services and eight B.B.C. Local Radio stations.

Radio Times is printed under a long-term contract by Waterlow and Sons Ltd. at two purpose-built factories at Park Royal, London and East Kilbride, Scotland. All other work is carried out by B.B.C. Publications—editorial and programme content, sale of advertisements, supply of paper and blocks, distribution arrangements (by rail and road) to some 400 wholesale newsagents who in turn re-distribute to about 35,000 retail newsagents, contact with wholesale and retail traders, and promotion to the trade and the public. Colour has been successfully introduced into Radio Times by the use of colour photogravure pages for the cover and a

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magazine section which are pre-printed and then inset electronically in register during the main printing run on the rotary letterpress magazine presses at the printer's Park Royal and East Kilbride factories. This development, pioneered by B.B.C. Publications and Waterlows, has been of cardinal importance with the advent of colour on B.B.C.-2 and the growing interest of advertisers in colour advertisements. It is, incidentally, a notable technical achievement unparalleled in large scale publishing production elsewhere in this country and probably in the world. This combination of printing processes enables us to use the newspaper technique of making last minute corrections which ensures that programme information is as accurate as possible when published in Radio Times.

The price of Radio Times, which had been held at 6d. since September 1963, was raised to 8d. from 28th September, 1967 to meet increased costs. A price increase would have been financially justified twelve months earlier but was deferred in view of the national economic situation and the Government's Prices and Incomes policy. Besides increased publishing costs extra space had been provided to give additional programme information for B.B.C.-2, for the Music Programme on Radio 3, and the separation of the Light Programme into Radio 1 and Radio 2.

The effects of devaluation of the £ in November 1967 were severe. Together with a new wages agreement in the printing trade the addition to the annual cost of producing Radio Times would have been more than £300,000. It was decided to maintain the price of the paper at 8d. and to this end to make changes—introduced from 21st March, 1968—which, in the light of reader research already undertaken, were designed to appeal to a majority of readers. Principal among these changes were the presentation of Radio programmes complete for each day on a single spread of two facing pages, and the integration of editorial paragraphs about Television programmes with the daily Television programme details. Features about Television programmes and Radio editorial pages were added to the centre magazine section of Radio Times. The changes were well received by readers.

Sales of Radio Times which were only slightly affected by the price increase in September 1967 (weekly average 4,265,640 for calendar year 1967) fell in common with sales of most other periodicals after the prices of national daily and Sunday newspapers were increased during the early part of 1968. With an audited average weekly net sale of 3,955,996 for 1968 Radio Times retained its position as the largest selling weekly periodical in Britain.

Our space selling techniques, which are constantly being developed to meet the sophisticated approach of advertisers to media planning, take full advantage of the strength of Radio Times as an advertising medium. The sale of regional advertisement space in the seven main editions of Radio Times, which has been progressively developed in recent years, is proving increasingly successful.

The Listener

The Listener was first published on 16th January, 1929. Its principal contents each week are drawn from, or based upon, B.B.C. Radio and Television talks and discussions, together with articles of broadcasting interest, independent criticism of B.B.C. and I.T.V. programmes, and reviews of books, broadcast music, art, films and the theatre. It contains each quarter a supplement with details of the main Third Programme productions for the following three months. Special numbers feature new books, the Reith Lectures, and other important broadcast series.

Under new editorship from August 1967 changes were made in the appearance of The Listener and in the diversity of its approach to the publication of broadcast material and matter relating to broadcasting, bringing it into line with contemporary ideas of style, presentation and selection of contents.

The Listener is printed on the Radio Times presses at Waterlow's Park Royal factory and the editorial and publishing arrangements are broadly similar to those for Radio Times. Its selling price was maintained at 9d. at which it had stood since 16th April, 1964, until the end of 1968 and was increased to 1s. 3d. from 2nd January, 1969. The Listener has a world-wide circulation. Average audited weekly

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[Continued.]

net sales which were 68,070 for 1967 were 62,042 for 1968. The Listener is publishing the current B.B.C.-2 series on civilisation by Sir Kenneth Clark and sales are averaging over 70,000 copies a week.

The Listener is sold to schools and students at a reduced price of 9d. instead of 1s. 3d.

Schools Publications

Publications to accompany and support B.B.C. Radio and Television broadcasts to schools constitute a major publishing enterprise in themselves. It is regarded as a service and designed to be financially self-supporting. For the school year 1966-67 445 different publications were produced and sales totalled 12,551,208 copies. The number of different titles increased to 500 for 1967-68. There are illustrated pupils' pamphlets for many broadcast series each term and for most there are notes for the teacher. Wall pictures, maps and filmstrips accompany some series and colour filmstrips are produced for use with Radiovision programmes, which include the complete "French for Beginners" course for secondary schools. In the current 1968-69 school year film loops for a television physics series, work sheets for a television mathematics series, complete tapes of the "French for Beginners" programme, and a complete teaching kit for a beginners German course on Radio including filmstrips, exercise tapes, flash cards, two pupils' books and teachers' notes have been added to the range of material produced. To help schools plan their use of the broadcasts annual programmes, termly timetables and other information about the programmes are issued free.

Schools publications are planned and budgeted nine to twelve months ahead of the school year. The publications are in the main written by programme staff, designed and seen through the press by the Educational Editorial department of B.B.C. Publications. Fifty or more different printers are employed, paper and blocks are supplied by B.B.C. Publications and 4,000,000 or more copies are delivered each term to the B.B.C. Publications warehouse for packing and distribution to some 34,000 schools in time for use with the broadcasts. Schools are encouraged to order well in advance so that printing orders can be closely equated to demand and to enable orders to be processed by computer, in advance of each packing and distribution period. Schools are encouraged to place annual orders and those who do so receive a special discount. Wherever possible arrangements are made with Local Education Authorities to receive bulk supplies on special terms and redistribute to their schools themselves each term.

This complex operation is the product of close co-operation between the School Broadcasting Departments in Radio and Television, the School Broadcasting Council and B.B.C. Publications.

Further Education and General Publications

Further Education Publications

Books, paper-backs, study-notes, gramophone records and other aids are published to accompany Further Education series on B.B.C. Television and Radio. These are written most often by the writers of the programmes in conjunction with the producer, designed and seen through the press by the Educational Editorial department of B.B.C. Publications. They are sold through normal bookselling channels, including 280 authorised agents for B.B.C. Publications, and in considerable volume by direct sale to the public by post as well as at six B.B.C. bookshops in London and from Publications offices in B.B.C. regional centres.

General Publications

Books of a more general kind published by B.B.C. Publications contain programme material or are based on or related to programmes although not usually designed to accompany them, as are the Schools and Further Education publications. They are for the most part edited scripts prepared by the speakers or writers of the programmes, or in other cases are prepared in conjunction with the programme

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[Continued.]

departments. A small B.B.C. Publications editorial department helps to originate and co-ordinates this work and sees the books through the press. Distribution and sale is on similar lines to the Further Education publications but with a higher proportion of sales through booksellers.

The general publishing side of B.B.C. Publications has been steadily developed in recent years to meet the demand for broadcast material in printed form. Arrangements are also made with other publishers for them to publish books drawn from broadcasting, on which the B.B.C. receives a royalty. On an increasing scale agreements are made with publishers overseas for editions of B.B.C. General and Further Education books to be published abroad in English or in translation.

The standard of design, production and quality of B.B.C. Publications is widely acknowledged at home and abroad and has been recognised by the selection of some B.B.C. Publications in each recent year for inclusion in the National Book League's annual exhibitions of the best designed British books.

B.B.C. External Services Publications

Publications produced and distributed for the B.B.C.'s External Services include London Calling, the monthly programme guide of the B.B.C. Overseas Services containing programmes and wave-length information for the B.B.C. World Service and the other overseas services. Some 73,000 copies a month were distributed in 1967-68. London Calling—European Edition, also published monthly, contains advance programme schedules of the B.B.C.'s European Services and prints talks which have been broadcast in the European Service. It had a distribution in 1967-68 of some 49,000 copies a month. Both these publications are issued free of charge by the B.B.C. External Services.

English by Radio and Television is a fortnightly periodical for those who follow the B.B.C.'s English courses. It contains texts to accompany the English by Radio lessons broadcast in English and articles for teachers and students. It is sold abroad chiefly by subscription and the price is £1 a year. Average sales in 1967-68 were 13,011 copies an issue.

The cost to External Services of the publications in 1967-68 was £41,390.

Other Activities

B.B.C. Publications acts as a service department for the production and distribution of the B.B.C.'s printed publicity material, Concerts programmes, B.B.C. Engineering Monographs, etc. It is also responsible for the Radio Times Hulton Picture Library, one of the largest historical collections of photographs and pictorial material.

Trading Profit

A statement of turnover and profit of B.B.C. Publications for the four financial years 1964-65 to 1967-68 is attached. The profits are used by the B.B.C. for its programmes and general purposes.

	B.B.C. PUBLICATIONS			
	1964-65 to 1967-68			
	1964-65	1965-66	1966-67	1967-68
	£	£	£	£
<i>Turnover</i>				
Radio Times	5,783,373	5,485,595	5,364,851	5,861,639
The Listener	130,759	123,860	117,182	109,171
Schools Publications	436,086	481,981	544,717	575,809
Further Education and General Publications, Radio Times Hulton Picture Library, Royalties, etc.	231,175	322,795	388,600	402,634
Totals	£6,581,393	£6,414,231	£6,415,350	£6,949,253
Profit (before Tax)	£1,196,585	£855,344	£653,761	£849,030

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[Continued.]

B.B.C. ENTERPRISES

Memorandum by B.B.C.

B.B.C. Enterprises was established in 1960. It has now six main functions. They are to sell B.B.C. television programmes and film footage throughout the world; to negotiate co-production deals; to sell radio programmes and the sound tracks of B.B.C. television programmes in the form of gramophone records and tapes through normal retail outlets to the general public; to hire B.B.C. television facilities to foreign broadcasters; to license copyrights of programmes for theatrical presentation and for the manufacture of toys, games, and other consumer goods, and to purchase all feature films, television series and film sequences for showing on B.B.C. television.

Sales of Television Programmes

The sale of B.B.C. television programmes has increased, over the years, very substantially indeed. In 1960, for example, 1,200 programmes were sold for £110,000 to some 14 countries. In 1968 nearly 14,000 programmes were sold. They were distributed in 85 countries and the sales turnover amounted to £1.4 million. More than half the programmes sold were to Commonwealth countries with Australia the leading customer and New Zealand the second. Sales to Canada have declined following the decision by C.B.C. to buy only programmes in colour but the position is now likely to improve since more B.B.C. colour programmes are available and equipment has been developed for converting our standard of 625 lines in colour to their 525 lines. There is an added importance of sales to Australia and Canada. It relates to the residual rights structure with Equity, the Musicians' Union, and the Writers' Guild whereby it is on occasion and in certain categories of programmes necessary for the B.B.C. to sell to either country before it can trade with the 26 other countries in the Commonwealth. Some, of course, can only afford minimal prices. Significant business is, however, being achieved by the system of "bicycling" prints from country to country, each station sending a print after transmission to the next in the chain.

Elsewhere in the world the biggest market potentially is the U.S.A. But in terms of network sales and co-production it presents the biggest problems both programmatically and technically. Substantial sales have, however, been made to major independent groups mainly of prestige drama, and documentary series like *The Age of Kings*, *Wars of the Roses*, *The Great War* and *The Lost Peace*. A major campaign has recently been launched in the education field for the sale or hire of educational programmes. Europe is becoming an increasingly lucrative market particularly with an increasing number of countries going over to colour. As all Europe, with the exception of France, is on the 625 line PAL system, tape conversion presents no problems. Following the success of *The Forsyte Saga* there is an increasing demand for drama in colour. In the Middle and Far East and Latin America the main problem has been the lack of suitable programmes in the appropriate languages, but sales are now being achieved notably through the dubbing of *Maigret*, *Dr. Who*, *Oliver Twist* and *Jane Eyre* into Arabic, and a substantial amount of drama into Spanish.

Sales of Radio Programmes

The department was formed in January 1966 to sell B.B.C. radio programmes and the sound tracks of B.B.C. television programmes in the form of gramophone records and tape through normal retail outlets to the general public at home and abroad. It is not permitted to supply overseas broadcasters—that is the function of the External Services Transcription department. Under the terms of the B.B.C. Charter only material that is produced for the purposes of the Broadcasting Services of the Corporation or for purposes incidental thereto may be exploited commercially. Moreover although a good deal of the material in the B.B.C. archives presents no problem of copyright clearance, most of the recent programming involves members of Equity, the Musicians' Union, and other Guilds with whom no agreement existed for this type of exploitation. The necessary negotiations have begun, but these, in the nature of things, take time.

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[Continued.]

It is only recently that agreement in principle has been reached with Equity. In the meantime arrangements have been entered into with several commercial companies to distribute records of B.B.C. programmes, on which royalties are being paid to the Corporation. Other records have been issued on the B.B.C. Enterprises label. Sales have naturally been on a more modest scale than television's. In 1967-68 they amounted to £16,000. Plans for the future include a special series of modestly priced study records specifically for use in schools, universities, teachers' training colleges, etc. to be sold on a mail order basis. Other projects include a series of wild life records, and a special Roundabout label for children. In October 1968 the original department was amalgamated with Television Enterprises, whose staff have absorbed much of the routine work of clearing copyrights and of publicity and promotion, etc.

Other Selling Activities

Enterprises is responsible for the negotiation with other broadcasting organisations of the hire of B.B.C. television facilities. Its main customers are the American networks. It also sub-contracts the manufacture and marketing of toys and games, etc. resulting from the popularity of B.B.C. programmes, e.g. Magic Roundabout and Dalek toys, jigsaw puzzles, etc. It also negotiates the royalties payable for the theatrical presentation of original B.B.C. productions, such as the Black and White Minstrels. Turnover from these sources is somewhat over £100,000 a year.

Finance

The B.B.C.'s policy has been to achieve the widest circulation of its programmes as a means of showing to the world the best of British broadcasting. Profit has not been the major consideration. Selling prices vary widely. Each country has its own going rate. But the poorer countries are offered the same facilities as the more affluent ones despite the low return that some sales achieve.

The sales turnover and trading profit of B.B.C. Enterprises in the four years to 31st March, 1968 was as follows:—

				<i>Sales Turnover</i>	<i>Trading Profit or</i>
				£000	<i>Loss (—)</i>
					£000
1964-65	...	...	...	964	30
1965-66	...	...	...	1,210	121
1966-67	...	...	...	1,430	-44
1967-68	...	...	...	1,545	102

Purchasing of Programmes

The purchase of feature films, television series, and film sequences for showing on B.B.C. television is the responsibility of Enterprises. In the first category large sums of money may be involved when packages are bought, but a spread of payment over a number of years is always sought. Television series and individual programmes are usually covered by "a pay as you play" agreement while sequences are normally paid for when they are supplied. The contracts entered into in the four years to 31st March, 1968 averaged £1.3 million for feature films and £1 million for television series, etc. annually.

The Hon. K. H. L. LAMB, Director, Public Affairs and Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined. Mr. R. S. C. HALL, C.B.E., General Manager, Publications and Mr. D. SCUSE, M.B.E., General Manager, Television and Radio Enterprises, B.B.C., called in and examined.

Chairman.

1034. Thank you very much for these additional memoranda. I think we had better start with the one headed, "B.B.C. Publications". We are told

in this memorandum that B.B.C. Publications comes "within the Directorate of Public Affairs", which was only fairly recently set up. Was it a separate department before that?—(Mr. Lamb.)

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The Hon. K. H. L. LAMB,
Mr. E. B. THORNE, Mr. R. S. C. HALL, C.B.E., and
Mr. D. SCUSE, M.B.E.

[Continued.]

No, Sir. In most respects my job is a continuation of the job which was previously described as Chief Assistant to the Director General. It was renamed partly in order to make clearer the sphere of concerns that it covers. The Chief Assistant to the Director General had, as one of the divisions within his Directorate—in just the same way as I have it now—Publications Management. Therefore, there has been no basic change in policy; mainly, there has been a change in the designation of the post I hold.

1035. Dealing first with the Radio Times, you tell us that this is sold at “the lowest economic price consistent with a reasonable financial return”. What is a “reasonable financial return”?—Perhaps I may ask Mr. Hall, who is the General Manager of Publications, to speak to that. (Mr. Hall.) At the back of the paper you will have a summary of our receipts and profits.

1036. That does not distinguish between one publication and another. I am really putting my question to you in respect of the Radio Times only?—We consider that if we get a return of between 10 and 15 per cent., this is a reasonable financial return.

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1037.

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Mr. Marten.

1038. On capital employed?—On turnover.

Chairman.

1039.

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Mr. Costain.

1040.

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Chairman.

1041. Perhaps we could deal with the other publications after we have dealt with the Radio Times—the reading of the evidence might be more logical. Have you established any direct relationship between the people who regularly take the Radio Times and the people who regularly watch B.B.C. programmes? May one take it that these are two ways of saying the same thing?—I do not quite understand your

question. Basically, the Radio Times is published as a timetable for the convenience of listeners and of viewers. We attract as many listeners and viewers as we can to read the Radio Times, which gives the programmes in full and in depth.

1042. I presume that your audience research department will try to trace where the listeners and viewers are as well as the number of listeners and viewers to any particular programme. Have you established any relationship between the sales of Radio Times and the people who actually watch and listen to the programmes? Is this one of the pieces of evidence from which you can assess your listening public?—You mean a direct relationship between the Radio Times and a particular programme?

1043. No, I am not suggesting that. In discussing your listening public—which I take it is one of the objects of your audience research unit—even if it is not in detail, do you regard the sales of the Radio Times as one of the factors to take into account in establishing that situation?—(Mr. Lamb.) No, not directly. The numbers of listeners and viewers are determined by other methods of social research. This is not directly relevant.

Mr. Lewis.

1044. Concerning this general question of profitability, income, revenue, et cetera, to what extent is the profit made up of advertisements? Is there any chance of increasing that or is there any attempt on the part of advertisers to refrain from advertising because of going over to your competitors—I.T.A.?—(Mr. Hall.) I do not think so. Perhaps I could answer the last part of your question first. We find that many advertisers on commercial television use the Radio Times as well to back up the audience that they are not necessarily getting. Therefore, on occasions it is really to our advantage if someone advertises on television and backs it up by publicity in the Radio Times.

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1045.

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The Hon. K. H. L. LAMB,
Mr. E. B. THORNE, Mr. R. S. C. HALL, C.B.E., and
Mr. D. SCUSE, M.B.E.

[Continued.]

Mr. Macdonald.

1046. * * * * *
1047. * * * * *
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Mr. Whitaker.

1049. How long before issue do you have to go to press?—We will go to press on Wednesday night this week for the following Thursday week's publications. (Mr. Lamb.) This will cover the week beginning on the following Saturday. (Mr. Hall.) We run night shifts and day shifts.

1050. Are you giving your new editor, Mr. Cannon, any instructions to change it in particular?—I think that would be a wrong way of putting it. We are encouraging him to change the paper, to bring it more into modern make-up gradually. If you are a reader of Radio Times, you will have seen that over the years, and particularly recently, it has developed. One of Cannon's jobs will be to look at the paper in detail to see what changes he considers necessary. These will, of course, have to be related to finance. They will have to be practical propositions as well as good publishing ones.

1051. Would you agree that it would be very much more convenient for the public and more economical for them if the B.B.C. and I.T.V. programmes were combined in one magazine publication?—From a reading public's point of view?

1052. Yes, leaving aside the machinery for doing that, which I know is not in your province. Would you not agree that that would be in the public's interest?—Yes, I would. I do not know if my director would agree. (Mr. Lamb.) Yes, I would. Clearly, from the reader's point of view to have all the programmes in one magazine would be helpful. However, one has to think, for example, in terms of bulk. It would be a very large magazine indeed if one were to provide in the programme information sections, the editorial sections of the paper, that is the material backing up programme information, the kind of information which we want to provide.

Chairman.

1053. Is there any reason for it being more than twice the present size?—No, but there are already problems of size in terms of the reader. I think the more difficult thing is to determine how decisions could be arrived at on the editorial policy to be followed in such a paper with two authorities which are independently constituted. I would regard that as an extremely difficult thing to determine. The answer which Mr. Hall and I would give is, yes in terms of the reader, but, no in terms of the practicability of putting forward such a proposition.

Mr. Whitaker.

1054. Looking at it objectively, surely the convenience of three million people is slightly larger than the difficulties between two editors?—The same consideration arises in respect of programme co-operation. There is much to be said from the viewer's point of view of having alternatives offered as between the I.T.V. channel and the B.B.C. channels. It has been the view of Parliament, which is enshrined in the appropriate legislation, that these authorities should compete, should be seen to compete and should be under separate authorities.

1055. Leaving that desirable reform to another day, simply on the publications with which we are concerned today, if one could persuade the I.T.V. to co-operate similarly, would you have any practical objections?—Simply the practical objection of running such a paper when there would be no one body competent to make the final decisions. There would be real issues here of how you set up such a paper, to which Mr. Hall can speak with much more knowledge than I can.

Chairman.

1056. Would it be right to infer from what you have said that the Radio Times is, in your view, more than informative and seeks to attract viewers from your rivals?—Certainly it seeks to give the kind of information about programmes which will attract people to watch and listen to them, yes, but in terms of their particular merit, they

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are not directed against the competitor. There is no knocking of competitors in Radio Times.

1057. No, I did not think there was?—I am sure you were not, but I wanted to make it clear. The networking situations are different in I.T.V., as the Sub-Committee will be aware. As the paper points out, we make certain arrangements for regional editions and for local editions stemming from regional editions. The I.T.V. set-up is quite different. Therefore, there would be very considerable problems in terms of reconciling the requirements and the structures of both organisations in relation to a given viewer in Widnes or in Brighton, or wherever he might be.

Mr. Costain.

1058. If you had a joint publication, to make it viable you would have to charge for the two together. Would this not cut your sales down? The paper would probably cost 1s. 3d. or 1s. 4d.?—(Mr. Hall.) There is obviously duplication of readership between the two papers, therefore one could not expect to add to the circulation of the Radio Times the T.V. Times circulation and make it eight or nine million. The price could be double. At the moment although we give, in my opinion, better value for money than the T.V. Times gives, in terms of pages and information, the Radio Times is 1d. cheaper.

1059. People buy an 8d. publication more easily than one costing 1s. 5d.?—That is true, and I think it is becoming truer as newspapers gradually put their prices up.

Mr. Whitaker.

1060. As a member of the public watching all three channels, I would prefer to have one publication which showed the programmes on each channel side by side, so that I could see them all at once?—(Mr. Lamb.) To a large extent this is provided by the Press. One of the difficulties in this whole matter is how to preserve the copyright of the B.B.C. in programme information and at the same time to provide sufficient information for the Press. In deciding what to watch

tonight, I shall certainly look at the Evening Standard, simply because the programmes are set out in the way that the question suggests.

Mr. Macdonald.

1061. As I understand it, Waterlows are just the printers; you are the publishers. Has any consideration ever been given to farming the whole thing out to some independent publishing company, which might or might not develop Mr. Whitaker's suggestion? I was more interested in the economic aspect. Has any consideration ever been given to possible financial advantage in getting some independent publishing company to publish your journal?—(Mr. Hall.) I think this would be a backward step. This is the way the Radio Times used to be published in the very beginning. George Newnes published the Radio Times and gradually the B.B.C. took it over publishing-wise. I believe that this is the best way to publish the paper, and probably the way that cuts costs. After all, our shareholders are the licence payers; we do not have any shareholders as such like those of a big publishing firm. We do not have a very big top management and we run the paper very economically. Also, we do supply the main raw material and here I mean newsprint, which we buy direct from the mills, and provide our own photo-engraving. We do our own art work and we employ our own editorial staff, et cetera. I would have thought that this is the best way to run the paper and the most economical way.

Mr. Marten.

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1065. Why do people read or buy the Radio Times if almost all of them have the daily papers in which the publication of programmes is fully employed? I would make the point that I do not buy the Radio Times, for that reason?—I hope you will after this meeting! I do not want to give you any sales talk, but some people organise their listening and viewing in advance. Radio Times

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is published on a Thursday ; programmes start on a Saturday for the whole week ahead and, therefore, you can select your viewing and listening. If you do it from the daily paper, then it has to be rather a last minute selection unless you have read about a programme or seen it in somebody else's Radio Times. Seriously, I think people buy it for week-ahead planning, to be able to select programmes in depth and to see the alternatives in detail on radio and television, B.B.C. 2 and B.B.C. 1.

1066. That is the market researcher's view or is that your own assessment?—I think it is my assessment as a publisher. It is certainly a market researcher's view as well and it is certainly the view of the people who spend a large sum to advertise in Radio Times, because the Radio Times has at least a nine-day life—seven days of programmes are published two days ahead.

1067. There are people alive who really do look and say, "On next Tuesday I will watch this or that"?—Yes, I am sure there are.

Chairman.

1068. Could I ask the witnesses if they realise that there are such people sitting round this table?—Yes. May I add just one other point, namely, that the readership of Radio Times as opposed to circulation is in excess of 11 million, so a good bit of selecting goes on.

Mr. Lewis.

1069. Concerning the question of copyright, to what extent, if any, do the newspapers pay the B.B.C. for the information about programmes? If they do pay anything, how much, and if not, why not?—The answer is no, they do not pay any copyright fee. The copyright belongs to the B.B.C. We think that we perform a service to the Press to give the B.B.C.'s programmes for publication each day. We do this on a daily basis and we provide the service.

1070. Even if there is not a copyright fee, should there not be at least some recognition from the Press for this, because most people who give a service get some fee for it. Surely it

is not too much to ask that the Press *in toto* should give some fee or recompense? Have you ever asked for it or attempted to get it?—(Mr. Lamb.) Not to the best of my knowledge, but I would have to check that to be certain. (Mr. Hall.) I think there is another very valid point here. The summaries of programmes sent out to the Press are in a way publicity from the B.B.C.'s outputs and I feel that there is a value to us in this. (Mr. Lamb.) Yes. It has always been the B.B.C.'s view that the value accruing to us outweighs any other consideration.

Chairman.

1071. Does it ever happen that the more up-to-date version of the programmes which the daily press can give, because you are handicapped to the tune of about eight days, differs from yours through some accident of people and events?—Yes, the most recent example is President Eisenhower's death. Clearly there are programme changes and we make it our business to try to see that they are incorporated in the Press as alterations or at least made clear up to the last minute.

1072. Do you think that the Press would hesitate to make the correction for your advance notice if you had charged them for your formal service? Is that a feeling that prompts you to give it free?—(Mr. Hall.) No, it has never entered my mind before, but I think, being newspaper men, they would want to be up-to-date anyway. This applies in the same way to the Radio Times. I try to run it as seven editions of a big newspaper.

1073. You have told us that you have to have different versions of the Radio Times according to where in England it is published, notably on account of the local radio stations?—Not notably, Sir. There are other things that really come before that and these are the local Home Services on B.B.C. radio. Local radio is also concerned in this. There are seven main editions of Radio Times each containing the regional changes, whether they be in radio—what used to be called the Home Service and is now Radio Four—editorial changes, local editorial changes and, where necessary, television changes with regional opt-outs,

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of course and then there are these editions for local radio within the main editions. It sounds a little complicated.

1074. Does that mean that if there was no such thing as local radio, the number of editions would not change?—I would still have seven main editions, yes.

1075. Does the fact that local radio has to be taken into account increase the cost of production?—Yes, to some extent, but not very much. I do not know if you have ever seen a Radio Times with a local radio page in it, but it really is just about three-quarters of a page a week in each of the local radio editions. This is the way I run it. Therefore, I am really changing a pair of pages—these pages go to press in pairs—in each of the local radio slip editions.

1076. Was account taken of that when the assessment of the cost of local radio was made?—(Mr. Thorne.) No, it was not, Sir. (Mr. Hall) I do not think so because I considered that this was a service we should give. We say that we carry all B.B.C. programmes in Radio Times and I think this is a service within local radio areas and it can have a slight sales advantage—although I would not say it was very great.

1077. By my question I was not suggesting that there was any practice, publication-wise, which was, perhaps, to be questioned, but I wanted to know whether the cost of local radio, as assessed and given to the Sub-Committee, took account of this element, if indeed it was significant enough to be worth it?—(Mr. Thorne.) It does not take account of that fact. I would add that the whole of the net profit on publications, including Radio Times, is for the benefit of broadcasting. It is not held by publications in any way. It is passed over to the remainder of the B.B.C. for use on broadcasting.

Mr. Whitaker.

1078. If the regional diversity was done away with, would that save much money on the Radio Times?—(Mr. Hall.) This is a "hen and egg" question. You have to ask, what would replace it. You could not run one edition.

1079. I just wondered about the extra cost?—(Mr. Lamb.) I doubt whether

any change in non-metropolitan broadcasting would have that effect. In other words, there would continue to be differences in programme pattern in different parts of the country and one would need to continue to have regional editions of the Radio Times, at least such would be my expectation.

1080. Have you any thoughts about producing one edition?—(Mr. Hall) I think this would be impossible, off the cuff. The whole paper is organised on regional editions.

Chairman.

1081. Turning to the Listener, does that make a profit or a loss?—It makes a loss.

1082. In effect, it is subsidised?—Yes.

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Mr. Lewis.

1100. You would not like to end it?—No, I certainly would not. (Mr. Lamb.) To end the paper or the loss?

1101. The loss is tied up with ending the paper and I meant ending the paper?—No, we have no present intention of doing so.

1102. It is not a big loss really?—Perhaps I should just mention to the Sub-Committee that there is, at the moment, an action pending by the Periodical Publishers' Association which claims that "In compiling, preparing, printing, publishing, issuing and circulating the weekly journal known as the Listener in its present form, that is, since the 6th August, 1967, the Defendant Corporation is acting in breach of or beyond the powers conferred by its current Royal Charter". We are contesting that action. I have mentioned

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that because I thought the Sub-Committee would like to know about that action in considering this whole matter and, in particular, what should or should not be published when we come to consider the evidence which has just been given.

Mr. Whitaker.

1103. When is the hearing down for?—We do not know yet, but as soon as we received the documents we filed a defence and we expect the hearing to be towards the end of this year. However, we have no definite indication.

1104. Apart from it being an excellent publication, do you think it has a beneficial effect on broadcasting?—Yes, I think that the discussion of major issues concerning broadcasting, the reproduction of outstanding broadcasts as well as the reviewing and other features of the Listener are of great importance, in that broadcasting can do with all the informed criticism that it can get. One of the main media for this at the moment is the Listener. Therefore, we think that it serves a very important function indeed to broadcasting in general.

Chairman.

1105. Do you think it has a prestigious advertising flavour?—I am not quite sure what you mean by "advertising" in that context. If you mean as a kind of shop window for the B.B.C.'s best products, yes, certainly.

1106. We are told in the Handbook that there are a number of books written by B.B.C. staff and published free of charge. What is the thinking behind that? I am referring to page 270 of the Handbook?—These are means of providing a permanent record of some policy statements and the like which have been made by or on behalf of the B.B.C. I am not sure which particular ones you are referring to?

1107. On page 270 there is a list of publications, including for instance, some by Sir Hugh Greene?—These are speeches or lectures and they are published simply as a means of informing the public about them.

1108. These are publications of something that has been said or written, rather than something that is written

anew and issued free of charge?—That is right and they are a part of the publicity operation, not of publications management's.

Mr. Marten.

1109. We get quite a lot sent to M.P.s?—Yes.

Mr. Lewis.

1110. You do not even get costs back if they are issued to the public?—Not for these. Looking down the list on page 270 they are provided as a service.

Mr. Marten.

1111. This is your own advertising, rather than a service?—Yes.

1112. That is why you send them to us?—Certainly, as a means of informing people who have an interest in these things what we think we are about.

Mr. Whitaker.

1113. Do you know how many requests you get for scripts of programmes in a year and what it costs you to supply these?—That, again, is a separate matter. It does not come under publications. We get a great many requests for scripts, as the Sub-Committee will readily imagine. We have to take account of legal considerations, copyright considerations and simply money considerations in supplying them, because if we were to meet all these requests we could not begin to operate as a broadcasting organisation. We do try to provide scripts where we possibly can, subject to the considerations I have mentioned, to Members of Parliament and the like, since we feel that this is something we ought to provide for you.

1114. With reference to the Listener, the fee for publishing a script or a talk is one way of increasing the broadcasting fee?—Certainly there is an additional fee payable to the broadcaster if his broadcast is reproduced in the Listener.

Mr. Macdonald.

1115. On the question of free publication, I notice that among those publications issued free is "London Calling". To whom exactly is that issued?—(Mr. Hall.) In my job as B.B.C. publisher I look after the External Services publications, although of

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course their cost does not come on my trading and balance sheet. Some 73,000 copies a month of "London Calling" were distributed in 1967-68 and they go overseas to people who wish to listen to the B.B.C.'s External Services. It is a very tiny publication—you may know it. This is it. (*Indicated.*) We print it very cheaply because we produce it half-size on Radio Times presses. These go to people who wish to listen to Britain.

1116. It does not have to be an organisation, any individual abroad simply applies and gets this sent to him free?—That is so, to a certain extent. These things are governed by the cost, of course, and I believe I am right in saying that there is usually a waiting list for "London Calling", because, obviously, the cost of mailing anywhere, even by printed post, and at the very best Post Office rates, is fairly heavy.

Mr. Marten.

1117. Do the British Council representatives to the embassies ask for a batch of these publications?—I am not really competent to answer that question. I run a service here for the External Services and my distribution people carry out the distribution. (Mr. Lamb.) I believe that that is right, but we could easily provide a more detailed note on this point if the Sub-Committee would like it.

Chairman.

1118. Since the cost of this particular exercise does not come out of the licence fee, but does come out of the grant-in-aid, do the prescribing departments play any part in what languages a particular publication should be translated into, for instance?—(Mr. Hall.) Yes. I act as service agent for the External Services and I do what they want within the money available. I act as their housekeeper, so to speak. I arrange the distribution and where we happen to be selling the B.B.C. English by Radio publication, I also arrange distribution through the trade channels and handle subscriptions.

Mr. Lewis.

1119. Do you ever keep a check on the list of recipients, as to whether your publications are being placed in the

wastepaper basket? For instance, material has been sent to an old address of mine which I left five years ago—no one seems to check. Is there a way of checking to see that there is no waste?—I think that the External Services publicity people are on to this as much as they can be and usually, in the end, one gets a "gone away" notice coming back, so if the record has not been changed by any other means, it can be put straight in that way.

Mr. Marten.

1120. As a Member of Parliament I have never been asked whether or not I wish to continue receiving these documents. I do not know whether you realise it, but quite a lot of M.P.s get a great deal of material and many of these papers go straight into the wastepaper basket. This does not happen in my case, but should not a check be carried out?—I would have thought so.

1121. Are you aware that a lot of commercial firms which send us their material put a little card in once a year which says, "Do you still wish to receive this information?"—(Mr. Lamb.) Certainly we could consider doing that. We have always felt that because of the peculiar position of the B.B.C. it is right to offer to Members of Parliament an indication of what we are up to, rather than conduct it as a kind of quasi-commercial operation. I would think that was right because of the peculiar role of the B.B.C. However, I am perfectly prepared to look at that point if the Sub-Committee think it would be useful.

1122. I see that you have six bookshops in London?—(Mr. Hall.) Yes.

1123. What size are they, where are they roughly, and why do you have them?—We have two at the Television Centre—one is on the street and one is a kiosk in the main entrance hall. We have one in Marylebone High Street, which is the Publications Headquarters. There is one in the entrance hall of Broadcasting House; there is one in the Aeolian Hall in Bond Street. We make publications available in the External Services Headquarters in Bush House, but I would not call that a bookshop.

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1124. They are bookstalls rather than bookshops?—We call them bookshops. We really have three bookshops, the rest are bookstalls.

1125. Do they pay?—No. I take this as part of the publicity for our publications and also the service to the public. We carry all B.B.C. publications and publications related to broadcasting. They are not general bookshops. The cost is very small, but they do not really pay—they less than break even. The cost comes to a few thousand pounds, which, I think, is money well spent.

1126. It is part of your public relations?—It is part of my publicity for the B.B.C.'s publications, as well.

Chairman.

1127. In order to help turnover, do you offer to sell material that you, yourself, do not publish?—Yes, we do, if it is connected with broadcasting. There are many other publishers who publish things about television and radio. We carry these, but we do not feel that we should step outside our role and become general booksellers.

Mr. Lewis.

1128. To what extent, if at all, do you use or are called upon to help the Stationery Office in Kingsway? Do you supply them with anything or do they ever ask for anything?—No, I do not think our paths really cross in that way.

1129. Your six bookshops are, more or less, tied to B.B.C. establishments, if one can term them as such. I know there is no class relationship, but they all tend to be in the west of London. The Stationery Offices are situated all over the place and if you could get them to take your official publications, you could provide a national service?—I have something much better than that if I may say so. I have established nearly 300 B.B.C. agents throughout the country in legitimate bookselling shops so that through these authorised agents all current B.B.C. publications are made available. We found that there was a tremendous problem in getting our books to the public on time. We do ensure now that there are stocks all over the country; there are nearly 300 sources of supply in addition to all the

normal trade outlets. This may be mentioned in the paper we have submitted.

1130. I particularly mentioned the Stationery Office because some time ago a friend of mine went to the Stationery Office in anticipation of getting a B.B.C. publication and was quite amazed to find that he could not get it. I think that the Stationery Office would be the ideal place and the sort of place one could expect to get a B.B.C. publication if one never went to the B.B.C. itself?—There might be a case for having another chain of distribution points. They would have to meet our standards, of course. We try very hard to get things available by the broadcasting date.

Mr. Macdonald.

1131. When you publish a book which is not necessarily a script or an actual broadcast, but is something relevant to your activities, whether it is gratis or whether you charge, are these publications that you have commissioned or do you, as publishers, receive scripts which you then think fit to publish?—Generally, they are publications that we have decided to publish in one way or another. This is a difficult question because it requires a multi-answer. There are many ways of looking at this. Concerning further education, we publish books to accompany broadcasts, whether they be television or radio broadcasts. We do the same thing with schools' broadcasts. We publish books and gramophone records, etc. in that way. When we are looking at general publishing, we commission someone to write who is connected with the programme to bring the programme into readable book form, be he a B.B.C. man, a producer or an outside expert. We do not really publish scripts which are sent to us from people outside. I cannot remember publishing one.

Chairman.

1132. You aim to make Schools' Publications self-supporting. Do you succeed in that?—Yes.

1133. Does the same apply to Further Education Publications?—I have a brief on Schools publishing to break even. This is a pretty large business on its own, as you can imagine from

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the figures I have quoted. In fact, we normally finish up a little on the credit side. We are dealing with 13 or 14 million publications a year; it is a vast enterprise. If I break even, I usually try to break even a little on the plus side—it sounds a bit Irish. Over these past four years there is a little in the kitty on the profit side. Concerning Further Education Publications, I make a profit, but it is not too great. I think one has to judge this very carefully. We are successful in making the publications pay for themselves and making a profit. That is taking in all overheads—everything.

1134. Turning now to the Radio Times Hulton Picture Library, have the capital costs been covered since its acquisition?—The capital costs were pretty small. I was not involved in buying it, but I know that they were fairly small. We do not really make a profit on the Hulton Picture Library. On the other hand, we supply services to other B.B.C. groups, mostly television, because this is a great historical Library. It is really almost a national archive. With our income from outside, from Independent Television, from publishers and so on, and the actual value of the services to B.B.C. Television, it pays for itself, but we have not made a profit which has recovered whatever we paid for it, which was, I believe, below £50,000.

Mr. Lewis.

1135. Would you supply anyone who has asked, including I.T.V.?—Yes. On the commercial side we are in it for business and we would supply anyone, although I do not mean members of the public.

Chairman.

1136. At the end of the memorandum figures for four years are recorded. The second and third totals seem to go down hill and then the figures pick up. Was there any particular explanation for the down-hill trend?—Yes, I have details.

1137. I think we should be interested in them?—As you will know, many things affect a mass publishing business. The year that went down hill first was 1965-66. Quite a few things hit us then. I think it was a bad publishing

year for everyone and our sales revenue and advertising revenue were down. Printing charges went up fairly heavily and we had an increase in the cost of distribution. There were editorial increases and an increase in the number of pages, which I think is quite relevant. We had to cope with the spread of B.B.C. 2, so that meant additional editorial pages.

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Mr. Lewis.

1138. Was this in any way due to the Government restricting their official advertisements, because there was a period when they reduced them? To what extent does the Government use the Radio Times for its official publications? Does it give you a fair corner of its advertising business?—I think so. We have recruiting advertisements for the Army, the Navy and the Air Force, and there are other sorts of announcements which could be related to practically any national Government activity. Revenue was down that year.

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Mr. Whitaker.

1139. I suppose you could say that the profit from the Radio Times is subsidising the Listener for the people who do not buy it?—All I can say is that the profit from all our publishing goes back into broadcasting.

1140. Do you have a target for the profits of the publications as a whole?—I think one has to work this out on a yearly estimate, on trends. I would be bitterly disappointed if I made less than three-quarters of a million pounds.

1141. How do you decide that figure?—I am merely relating it to what one comes to know the business ought to make.

Chairman.

1142. Is this the same area where you said earlier on that you were aiming for 10 to 15 per cent.?—Yes.

Mr. Whitaker.

1143. Supposing you were aiming to cover only the cost of the publications as a whole, you could reduce the cost of the Radio Times to 6d.?—No. Off the cuff, I think 1d. on, allowing for

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trade discounts and all the other things that have to come into it, and possibly the drop in putting our price up would be about half a million.

Chairman.

1144. If you did not make a substantial amount of money by this method, there would be the risk of the licence fee having to go up sooner than it otherwise would?—(Mr. Lamb.) Yes. (Mr. Hall.) I would have thought that over the years the B.B.C. Publications have made a considerable contribution to the B.B.C.'s finances. This is one of our targets; we have something else to aim for other than profit in the commercial sense.

1145. Turning to Enterprises, you sell programmes overseas and you tell us that you sell the same programme to different customers at different prices according to what you think you can extract from them, or what it would be fair to ask them to pay. Is that the case with other organisations which are selling programmes from other countries?—(Mr. Scuse.) Yes. Each market develops what we call its own going rate and this is a published figure. It is published in *Variety*, the show business trade paper, every July. This is basically the amount of money that each programme director or controller has available for, say, the 7.30 to 8.00 spot on a Tuesday night in his schedule. This will vary from country to country. In the United States it will vary from station to station within the same market. In New York it can vary between \$2,000 on one station and \$250 on another station. Each station basically produces its going rate and that is all I get or any other distributor gets.

1146. Do you ever sell programmes you have bought from somebody else?—Occasionally, yes. As part of the deal by which we acquire a programme for B.B.C. transmission, we will undertake distribution on a percentage basis. The standard for world distribution is 35 per cent. We will then recover certain other costs and split the profit with the owner of the copyright. Many of our nature and travel programmes are done in this way. The material belongs to an individual; he contracts with the

B.B.C.; the B.B.C. makes the programmes and shows them domestically and I take over distribution.

1147. Has the impact of I.T.V. had any effect on the sale of your programmes overseas?—It is difficult to know in what way you mean "impact". They are, basically, dealing with a different sort of product. They are dealing with an almost exclusively film product, whereas we are dealing with electronically produced material. Although what we actually market is in film form, it comes from a video-tape or a tele-recording, the difference between the two is the different production techniques which we are able to employ. Electronic recording requires complete action; film-making means that you can edit. I think there are areas of the world where we have a larger share of the market than our competitors and probably vice versa.

1148. What are the difficulties in getting increased exports to America?—In our terms it is basically the difference in the product. As I have said, we manufacture electronically, whereas A.T.V. are angling their productions and the programmes they make towards the overseas market. We, on the other hand, in Television Enterprises, distribute what the B.B.C. makes. I think that given another two or three years, we may be very successful in the United States because there is a definite trend over there away from what may be described as "pap", for want of a better expression, and there is a demand from the public for more intelligent broadcasting and for more intelligent programmes. I think this is evidenced by the increasing power of the National Education Television Network in the States, the emergence of the Public Broadcasting Laboratory and the latest newcomer on the scene, the Corporation for Public Broadcasting. As we have said in the paper, we do have a great deal of success with the more prestigious productions that we do. This does not guarantee a coast-to-coast exposure over C.B.S., N.B.C. or A.B.C. It does mean knocking on the door of, basically, 300 major markets in the States and trying to make individual sales.

1149. Do other broadcasting organisations seem to be more successful here?

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[Continued.]

—No, Sir, I do not think that outside of the United States, Canada and Great Britain there is any great attention paid to overseas' distribution. Basically, Europe is not concerned with overseas' distribution; Canada is very marginally; Australia is, once again, interested marginally. Of course, their own local production is so very small by comparison to their total output.

Mr. Macdonald.

1150. A few weeks ago when we met Mr. Wheldon he remarked that the B.B.C. had buyers in America who in some cases see programmes at previews before they are displayed to the general public and the B.B.C. snap them up at the previews. Is there any corresponding facility the other way round? Do we ever show programmes or attempt to show programmes to United States' networks before they have been put out by the B.B.C.?—Yes, if they are available. For example, several pilot films, as well call them, from the Civilisation series have been available for some time, and they have been screened pretty intensively to interested parties in the United States. They have been shown to sponsors of advertising agencies, network people and broadcasting people and others. This is just a trading situation.

1151. What sort of sales force do we have in the United States?—There is a permanent sales manager there with a secretary and an assistant. We also use a distributor who handles our productions on a commission basis. He is a small man. I think that our product requires reasonably delicate handling because of its nature, but that does not mean to say that it does not need hard sales handling because it does, but the distributor needs to understand the product he is handling and he is doing quite well for us.

Mr. Costain.

1152. On overseas programmes one hears reference to the Radio Times and The Listener being for sale. I do not ever recall hearing any reference made to your Radio Enterprises. Is that forbidden under your Charter or is it modesty?—No, Sir, only modesty. In Television Enterprises' terms what we do, in a sense, is not of great interest

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in this country. In Radio Enterprises what we are doing is obviously of great interest in this country and I promise you that you will be hearing a great deal more about us in the future.

Mr. Whitaker.

1153. You have kindly given us figures for receipts of sales for your programmes. Could you give us the comparable figures for purchases of foreign programmes?—It is split up on an annual basis and there is a general statement there.

1154. I see that in 1968 14,000 television programmes were sold and this amounted to £1.4 million?—(Mr. Lamb.) The figure for the cost of purchases is at the bottom of page 150. It is averaged out, for a reason which Mr. Scuse will explain in a moment. The variations between one year and another are considerable and had we broken them down we felt that they might have given a misleading impression to the Sub-Committee in the absence of verbal explanation. If the Sub-Committee would like those figures they are available.

1155. We do have a deficit of £0.9 million in television?—No, because this is programme material to be bought, or to be paid for, in the same way as any other kind of programme material, that is, it is for use on the screen whereas the receipts from the sales of television programmes are, so to speak, additional to the cost which has already been recovered, in the book-keeping sense, by the showing of them on our screen in the first place.

1156. Do you have the figures for radio programmes? Do we purchase anything from abroad?—(Mr. Thorne.) No. (Mr. Scuse.) The purchase of radio programmes is not within my competence, nor indeed is the sale of radio programmes. The sale of such programmes is handled through the Transcription Service, which is part of the External Services. There is a very minor, minimal, marginal trade in radio programmes. This comes under the auspices of the Director of Radio.

1157. I see that we were paid £16,000 for radio programme sales in 1967-68. Were there any purchases?—(Mr. Thorne.) They were very very small indeed.

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[Continued.]

1158. Have you ever explored the possibility of a joint production with an enlightened American station?—(Mr. Scuse.) We do this all the time. This comes under the heading of "Co-Production". There are no less than thirty-five at this moment in some stage of negotiation. We do a lot of work with the National Education Television Centre, with the Public Broadcasting Laboratory, with N.E.T., with Westinghouse and we are always available, ready and willing to do any major co-production with any network or broadcaster. Also, at the moment we are doing quite a number of co-productions with various European countries, notably with Bavarian Television. There is a discussion going on at the moment for a major documentary series on the Commonwealth in which we hope our other partner will be "Time & Life" in America.

1159. Have you ever tried production with a film company?—No, only in so far as we need them to make a film if we cannot do it ourselves.

1160. I am thinking of an expensive production of Hamlet?—You mean as a feature film for theatric use as well as for television?

1161. Yes?—We tend to keep away from the theatric market because we could run into trouble under our Charter, which requires everything we handle either to have been made for television or intended for television.

1162. Since the Aldwych Theatre have found that they can overcome their financial problem by selling films on their own productions, might this not always be possible?—(Mr. Lamb.) There are questions of union agreements and the like which make this kind of thing extremely difficult to carry out. In addition to which, we have always felt that our primary object in making programmes should be to show them on the screen to the viewer. Our experience is that if you dilute that intention for some other perfectly proper motive, then the result may be that that programme is less successful for its primary audience than we wish it to be.

Chairman.

1163. Do you foresee the income from overseas sales growing significantly in the

next few years?—(Mr. Scuse.) Yes, without any question at all.

1164. What makes you optimistic?—I think that we are still a very small, baby organisation compared to some other organisations. We started in 1960. I have spent the past five years establishing B.B.C. Enterprises as a major distributor. In the third paragraph of our memorandum we mention our prospects in the Middle and Far East and in Latin America. We are now able to dub many more programmes into classical Arabic and Spanish and I am quite certain that the business will grow there considerably.

1165. Do you do your own dubbing?—We arrange for it to be done. We do our Arabic dubbing in Beirut and our Spanish dubbing is done in Mexico.

Mr. Lewis.

1166. I should like to preface my question by congratulating the selling department of B.B.C. Enterprises. On page 150 there is a reference to the sale of toys, et cetera, which I think is very good. The figure of £100,000 for turnover is given, which is obviously for both the royalties and the toys, et cetera. To what extent is there a profit there and to what extent could that be further improved upon?—The answer to the first part of the question is, basically, that it is largely profit. The merchandising operation is carried out by a very small team of people. The overheads involved are not great because, by and large, it is a 4d. stamp on an envelope containing a piece of paper which says, "Yes, you may manufacture this. Please send us a sample to approve". Concerning the extent to which it can be improved upon, merchandising depends on constant repetition of programmes. This requires long-running programmes, so the more of these we can get, the more constant the repetition and the better chance we stand of issuing a licence to the manufacturer who, after all, has to tool up his factories to make the doll, puppet or jigsaw.

1167. I had in mind that the whole production and appeal of those Daleks was absolutely fantastic. I should imagine that there is a terrific market for them in America?—No, largely

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[Continued.]

because we were never able to sell Dr. Who in the United States. They could not appreciate the whole concept, try though we might.

Mr. *Whitaker*.

1168. Will you keep the sales' right in the programmes you are making for the new University?—This is under discussion at the moment. Exactly what the outcome will be, I do not know. I am to meet the Vice-Chancellor of the University.

1169. There is quite a potential there?—Yes, I think there our great potential is non-theatric distribution, the sale of a film to a school or university using a 16 mm. projector, and many other types of extra and additional exploitation.

Mr. *Macdonald*.

1170. Your memorandum refers to currency difficulties when seeking to make sales to Eastern Europe. Do you ever get suggestions that you should be paid at least in part in kind in some form or other and, if so, what is your response and what advice do you take?—We have thought about this. It has never been offered to us before, but we have given a considerable amount of thought to the possibility of trading in this fashion. We have also had talks with the Board of Trade. However, so far we have never been offered any Polish butter. We did have a similar situation about a year ago in Algeria where we were thinking about dates or wine, but I think the British Council came to our aid and we were able to pay the money into their account and we were paid in London.

1171. You would not be dismayed if somebody offered you butter?—No, I would not certainly.

Chairman.

1172. Why is not the radio side of things in the same department as the television side?—It is now, Sir. Up to October last year they were both separate divisions, but in October I assumed responsibility for both. We are now co-ordinating them together. In fact, it is mentioned in the paper.

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Mr. *Lewis*.

1173. They were making a loss. You are going to put that right now?—I am doing my best.

1174. What was the loss?—I do not think it was a considerable loss, but I do not think we were in a profit position. By increasing the amount of material available, I hope we shall move into a profit position.

Mr. *Macdonald*.

1175. When you buy a film for display by B.B.C. T.V. do you buy the material or the spool, or whatever it is, to be shown as often as the B.B.C. think fit or do you buy the right to show that film on a particular occasion?—By and large, although we do talk about sales and purchases, in fact what we are talking about is the issue of licences. If we buy a feature film, or a tele-film series from the United States distributor, we will acquire a licence from them for up to two or three showings or an unlimited number of showings over a given period of years in consideration of the payment of a certain sum of money. If we buy a footage from a private individual who has made a film, then we will acquire similar rights, although cases vary and each contract, perhaps, is different. It is, basically, the acquisition of a licence to transmit X number of times in a given period of years over the transmitters in Great Britain.

1176. In negotiating for the licence to transmit, do you find the chief difficulty the price that is asked or are there other difficulties preventing you from getting the film you would like to get?—I have mentioned the going rate. The B.B.C. has its going rate and we try to hold whatever it is we are being asked for to that rate. If the distributor says, "I am sorry, I cannot afford to let you have it", it will become a programme decision as to how much Controller One or Controller Two wants it and how much he is prepared to up the price he is prepared to go to.

1177. There is no bar, other than a financial one, to prevent you getting the film that you require?—No, not that I can think of. The only haggle that one has is over price and sometimes

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[Continued.]

the duration of the right and the number of transmissions. We may think that for £X,000 we want three transmissions.

1178. In negotiating for the purchase of feature films, is it your responsibility to determine the kind of film, or do you receive advice from the department concerned with the display?—Negotiations for the purchasing of day-to-day material are conducted by the head of the Programme Purchasing Department, which is a department within the Television Enterprises set-up. My personal responsibility is a financial and contractual one, as an adviser, an overseer. The editorial control on what is purchased is vested in the controller of the network acting on the advice of the head of the Programme Purchasing Department, sometimes in association with the head of a particular output group. If there is a light entertainment series which comes up on offer, the head of Programme Purchasing may say to himself, "I should like the Light Entertainment Group to have a look at this, to confirm our opinion." It is then offered to Controller One or Controller Two, who will say, "Yes, O.K." The head of Programme Purchasing then goes back to the distributor and does the negotiation.

Chairman.

1179. I want to be sure that you understood what I was driving at in a question I asked a few moments ago. If a radio programme is sold overseas, it is the function of the External Services to do that and not your function?—Yes.

1180. Would it not be more logical for your department to deal not only with television, but with radio as well?—(Mr. Lamb.) The question as to what should happen in the future is now one being considered.

1181. Would you not agree that the logical place would be for whoever is selling one type to sell the other?—It depends on the purpose of the enterprise. In the case of the Transcription Service selling radio programmes abroad, this has always been regarded as part of the whole External Services operation as a means of projecting British programmes where they may be of most use

to Britain abroad. That is why that set-up started. In the case of television, the Enterprises department grew with television. I will go as far as you wish into this, but it is a very complicated story. The Government did not wish to involve itself in the financing of this operation for television in the same way as it had earlier involved itself in the financing of the radio operation. Therefore, this whole operation was conducted as a part of the television operation and not as a part of a grant-aided operation in relation to the External Services. This is a complicated field. I hope I have said enough to suggest the answer.

Mr. Whitaker.

1182. Have you ever considered the feasibility at some stage in the future of running a complete television network in North America with appropriate programmes for B.B.C. 1 and B.B.C. 2?—(Mr. Scuse.) This has been gone into at some considerable length, but I am afraid—and this is a personal opinion but I would stand by it—it would be entirely impracticable for a number of reasons, not the least of which would be the difficulty of getting a licence to operate a television station in the United States. It would be as though the National Broadcasting Company were to come to England to operate a television service. The second part of the story which, I think, would make it entirely impracticable would be the financing of it, which would be astronomical. We know, for example, that the educational outlet of W.N.D.T. Channel 13 in New York is desperately hard up, although it is supposedly supported partly by public subscription. If they cannot afford to do it with money from the Ford Foundation, public subscription and major prestige sponsor companies I do not see how the B.B.C. could ever afford to do it without a vast crock of gold, even assuming—and this is the third part of it—that the programmes are really acceptable.

Chairman.] I think that covers the ground very satisfactorily. Thank you very much.

TUESDAY, 29TH APRIL, 1969.

*The Sub-Committee met at the B.B.C. Research Department,
Kingswood Warren, Tadworth, Surrey.*

Members present:

Mr. A. P. Costain.
Mr. Arthur Lewis.

Mr. Macdonald.

In the absence of the Chairman, Mr. Costain was called to the Chair.

Examination of Witnesses

Mr. J. REDMOND, Director of Engineering, Mr. G. G. GOURIET, Chief Engineer, Research and Development, B.B.C., called in and examined. Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined.

Mr. Costain.] First of all, on behalf of my colleagues may I thank you for showing us around this morning. We have found our visit most interesting and we have been quite fascinated by what we have seen.

Mr. Macdonald.] I would endorse what you have just said.

Mr. Lewis.

1183. We have been very impressed by what we have seen and by the kind and helpful assistance we have received from all of the staff?—(Mr. Redmond.) Thank you. We have tried to show you a representative selection of the work of the Research Department and I am glad you have found it useful.

Mr. Costain.

1184. My own personal view, and my colleagues may or may not agree with this, is that I found it so interesting that perhaps it might be possible sometime to do a B.B.C. television programme showing the public, probably in less detail, what we have seen today?—That is a most interesting thought and we will convey it to our programme colleagues.

1185. How long has the Research Department been in existence and to what extent has it grown in size during that time?—I think that almost from the beginning of the B.B.C.'s activities, which was in 1922-23, there was a need for technical forward thinking and for forward development. Our Research Department proper came into existence in 1929 at Nightingale Square, Balham, in south London and it moved to Bagley Croft in Oxford in the war years. It moved to Kingswood Warren in 1948. Therefore, there has been a Research Department since the early period of B.B.C. activities.

Mr. Lewis.

1186. I think it would be generally agreed that you have a magnificent situa-

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tion here. Would you say that it is, in fact, perfect from your point of view?—Yes, I think so. From our point of view it is an excellent location, not too near London, not too far from London, with space because we need space for aerial work particularly. All round, I think it is a very good situation.

1187. The public generally complain about what one could term loosely state organisations spending lots of money; would I be correct in assuming that in this instance you have probably made a fairly large profit on your original outlay?—(Mr. Thorne.) The potential is certainly there. Obviously over a period of years we have a bigger asset value. However, we only include in the assets the purchase price and not the market value.

Mr. Macdonald.

1188. Do you feel that this site is adequate for your future needs as far as you can foresee them?—(Mr. Redmond.) Yes, the site is adequate. We have added to it. The Television Block is a relatively new block which we have added, but on the site we have space for even further development.

Mr. Costain.

1189. Would you say a few words as to how the Research Department has grown during the period?—(Mr. Gouriet.) In 1950 B block was built. That is the new building where you saw the television work going on. Between 1950 and 1960 the remnants were left at Nightingale Square and the whole Department came together in 1960. In 1960 and over this period of time the staff has grown to its present level.

1190. I think you said that this was 250?—The immediate, up-to-date figure is 238.

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[Continued.]

1191. What was it ten years ago, approximately?—(Mr. Redmond.) Not much less, I would have thought. We have run along at this level for quite a while.*

1192. Are you in a position to say how your staff numbers compare with those in the Engineering Division of the B.B.C. as a whole?—Yes, Within the B.B.C. there are about 7,000 engineers and technicians of one kind or another distributed throughout television, radio and External Broadcasting and within the Engineering Division. Of these 7,000, about 3,500 are within the Engineering Division proper and so the Research Department comprises 238 of these 3,500.

1193. Are your staff specially recruited for research work or are they interchangeable between other departments?—They tend to be specially recruited. They are specialists and highly skilled research men, the more senior of whom are internationally renowned men. They are not very interchangeable with the rest of the Division.

1194. When you say that many of them are internationally renowned, do they give lectures overseas or do people come to consult them here?—They go and lecture overseas and people come to consult them here. They tend to be authorities in their own particular field and are accepted as such in international discussions.

Mr. Lewis.

1195. In view of the fact that they are such highly reputable and able people, do you have trouble in keeping them and adding to them from a staff salary point of view?—On the whole, no. I do not think our salary scales are lavish, but they are certainly competitive and we are one of the foremost broadcasters in the world so we can give these enormously skilled men interesting and constructive work to do.

Mr. Macdonald.

1196. Do you have any movement of staff in and out with any other establishment or company either in this country or overseas, with a view to bringing in fresh ideas?—Not a great deal. (Mr. Gourié.) No. You are thinking of

* Note by witness: The number of staff in Research Department ten years ago was 223.

movement on the basis of a temporary attachment?

1197. In part, but I was wondering whether any of your staff up-anchor and go away for good and whether people come in who have spent part of their career with some other establishment or company?—We have occasional losses abroad, but this has not been a very serious problem. In recent years the recruitment of staff has tended to be from universities and we are not recruiting people at the more senior levels. Recruiting Honours graduates from universities has proved to be quite successful and these people turn into the experts you have seen today.

Mr. Lewis.

1198. For many years we have heard about the brain drain to America. Do I understand from your reply that, fortunately, not much of that is happening in this particular field?—I can quote three cases within the last five years.

Mr. Costain.

1199. What about people going to I.T.V.?—(Mr. Redmond.) There has been no case in recent years.

1200. Do they have a comparable research organisation?—They have a very small headquarters organisation. They do, of course, make considerable use of our own research activities and I am glad to say pay us quite adequate sums for that.

1201. Could you tell us what the B.B.C.'s expenditure on research work has been over the last few years?—(Mr. Thorne.) Over the past four years we have spent a total of £527,000 in 1964-65, £583,000 in 1965-66, £576,000 in 1966-67 and £635,000 in 1967-68. That includes capital expenditure which ranges from £26,000 in 1966-67, which was the low year, to £66,000 in 1965-66 and 1967-68.

Mr. Lewis.

1202. You say that you get adequate fees from the I.T.A. and, I suppose, from other sources. Could we have the figure for the income from your efforts?—Yes. The I.T.A. figure in total amounts to £175,000, but, in fairness, this ought to be subdivided between our Designs Department and our Research Department. If we take, broadly, two-thirds of that sum as being applicable to the

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[Continued.]

Research Department, the total income which we will receive in 1968-69 will be about £120,000.

1203. I think you have royalties or licence fees for inventions and patents, et cetera, to other countries. Do you have figures for what you have earned from that?—That figure includes those figures, but at the moment they are relatively small.

1204. Could you increase them if you were given assistance with exports?—(Mr. Redmond.) I think this is rather difficult. Much of the work that we do is of an investigational nature to try to establish how the B.B.C. should progress. In a way it is rather difficult to sell this kind of information; it is really to help us in our developments. A great deal of the work is mainly of value to the B.B.C. and is not of much value to others. When we do develop a piece of equipment such as the field store converter, which you saw this morning, then we can begin to collect income from it.

Mr. Macdonald.

1205. I assume that this department has a budget like other B.B.C. departments. In view of the difficulty of assessing the cost of research, I wonder if you could comment on the way your budget is framed?—(Mr. Thorne.) First, can I deal with this on the basis of operating expenditure. The Research Department follows the identical procedure as all other departments in the B.B.C., in so far as it has a budget for staff costs, accommodation, development allowance, and any increase that is required would have to go through the normal finance meeting procedure of asking for an increase. Under these circumstances it is on exactly the same basis as all other departments within the B.B.C. Similarly with any of its capital expenditure requirements—it puts up to the finance meeting scheme by scheme anything that it wants to do and this is approved at either Director of Engineering's finance meeting under delegated powers, or, if it is for a sufficiently large sum it would go to the Director General's finance meeting. However it follows exactly the same procedure as all other departments.

Mr. Costain.

1206. How much of your expenditure represents staff costs?—Of the total 391670

figure in 1967-68 of £635,000, £414,000 was expenditure on staff. This figure includes both technical and administrative staff, and house staff.

1207. How do you deal with the write-off of research equipment in that figure?—The write-off of research equipment would follow the procedure of, first, capitalising it and then, in this particular instance, writing it off as 100 per cent. depreciation the year it was incurred.

1208. You cannot do much more than that, can you? What is the procedure to determine the projects on which the department should concentrate its attention? Does it deal only with the problems that are referred to it, or does it initiate jobs on its own?—(Mr. Redmond.) It does both. I meet Mr. Gouriet at regular intervals and we talk round the work of the department. We try to think ahead of the kinds of things that we should be investigating to help the B.B.C. develop technically. The output divisions, that is television and radio, and the External Services may have requirements which may call for research work. We discuss them as well. We are involved in international discussions regarding developments in broadcasting satellites, for instance, and international broadcasting generally. Again, we see problems ahead and we discuss all these various possibilities and out of all this we evolve a programme of work for the Research Department.

1209. I know my colleagues would like to congratulate you on obtaining the Queen's Award for Industry. Could you tell us a little more about how that was achieved and what initiated the programme which produced that?—Thank you. We were, of course, delighted and honoured to receive this Award. Standards conversion is something that has been a problem for the B.B.C. for very many years. This country was the first country to begin a regular television programme of transmissions in 1936 and we started on 405 lines. Of course, one of the penalties incurred by people who are in the field first is that they tend to evolve a standard which can be improved by others as the years go by. Therefore, quite quickly, as the years went by, our standard of 405 lines, which in 1936 seemed to be an extremely high

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[Continued.]

standard, gradually slipped back in the international race. When the Americans began during the war they began on 525 lines. When the rest of Europe began after the war they began with 625 lines. The French even went for 819 lines. Therefore, quite quickly after the war when we began to become interested in European Television, or Eurovision as it has since been called, we found ourselves the odd man out. I think that the United Kingdom and Hong Kong were the only two places working on 405 lines. Therefore, to communicate with others we had to convert; we had to evolve standards converters. Right from the beginning of Eurovision we had to evolve a standards converter. The first B.B.C. converter was, in fact, installed at Dover to facilitate Eurovision programmes. These were relatively simple optical converters which were used for ten years or more for Eurovision work. After ten years or so we did some work in the relatively simple optical converter field to enable us to convert American video tape or recorded programmes from America from 525 lines to 405 lines and vice versa. However, these were still relatively simple optical converters. Then when we saw satellites on the horizon and realised the possibility of direct live television between North America and this country, we felt that we had to evolve something a bit better. At about the same time, or soon after this, colour television came on the scene. The optical converters that we had initially were quite useless for colour conversion, so we began to evolve electronic converters. Two departments, the Research Department, which you visited today, and the Designs Department both had ideas on how best to evolve electronic colour-capable standards converters which could convert between the North American standard and the European standard. The first and the simpler of these ideas originated in the Designs Department and about two years ago they evolved converters which permitted live television conversion between the North American standard and our standard. They had some defects, in particular they reduced the size of the picture. However it was a great step forward and enabled us to handle a good number of programmes, particularly involving President Johnson and the North

American elections and the visit of the Queen to Canada. More recently the Research Department, building on the experience of the Designs Department, produced what we would describe as a full information converter, which was used first for the Mexican Olympic Games and enabled us to achieve perfect conversion of programmes from North America in colour. Therefore, it was this whole programme of work from the Designs Department and the Research Department which achieved for us the Queen's Award for Industry, and which gives us enormous satisfaction.

Mr. Costain.

1210. Do you hope to sell any of these projects overseas?—Yes, we have licensed two manufacturers and all the prospects are that there will be quite substantial sales of these converters, both within the U.K. and abroad.

1211. Did this come within your normal budget in order to develop this?—(Mr. Thorne.) No, this came within the overall budget. There may have been schemes approved over the years on capital development for this, but it did not increase in any major degree the annual amount that we are spending on research.

Mr. Macdonald.

1212. Are you required to allocate the time or the expenditure of the department in proportion to the general expenditure of the B.B.C. as between television, radio and External Services, or do you carry out research as the need seems to arise and allocate the research that you happen to be doing in any one year under the various three heads?—The Research Department's expenditure is reviewed along with that of all other departments common within the B.B.C. Its expenditure is shared essentially between radio and television and is based on the man days of projects that have been embarked on during the year. The staff assess the time that they have spent on each project and we use this as the basis for charging radio and television. Although the External Services derive considerable benefit from what is being done in the Research Department, it is only charged to External Services on the basis of definable cost and they only pay 1 per cent. of the total expenditure.

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1213. If, for example, you have a promising line of research on radio, am I to understand that you would not feel inhibited from pursuing that on the ground that you might be spending too much on radio and not enough on television?—(Mr. Redmond.) Not at all.

Mr. Costain.

1214. I think that that leads on to my next question. In the Foreword to your 1967 Report it is stated that the selection of projects is "based wholly on 'value for money'". How do you assess this and is the department given a notional financial credit in respect of savings arising from its own inventions?—We assess the possible savings to the B.B.C. in our own evaluation of projects. Obviously there are many more things that we would like to do than we can possibly afford to do, so we have to be selective. For instance, it is fairly easy to see that Sound in Vision—one of the things you saw demonstrated this morning—could save us a great deal of money because if it is successful—and we are confident that it will be successful—we need not rent sound circuits from the Post Office, or, where we provide our own circuits, we need not provide sound circuits. Therefore, this is an obvious economy. The credit to the department for this kind of thing is not so much in terms of finance, but is more an overall assessment by the B.B.C. of the value of the Research Department. (Mr. Thorne.) Yes, we do not offset the income that we receive against the Research Department's budget; it is taken in as a general reduction of the B.B.C.'s expense, but we are fully aware of it and, as Mr. Redmond has already mentioned, we are hoping to increase the recoveries from other sources.

Mr. Macdonald.

1215. Do I take it from that that your research is primarily devoted to the facilities offered by the B.B.C. and only secondarily devoted to the possible commercial use or income arising from royalties from any of the research which you carry out?—(Mr. Redmond.) Oh yes. We consider ourselves to be one of the foremost broadcasters in the world. I am quite convinced that part of the reason for being in the forefront is because we are technologically ad-

vanced. Therefore, most of our research and investigation work is aimed at improving the technical methods of broadcasting, to improve our efficiency, to broadcast in a better way, to provide a better service to listeners and to viewers and is not primarily aimed at commercial success as such.

Mr. Lewis.

1216. Would we be correct in assuming that the Research Department is a "Shared Service", the expenditure being borne proportionately by the radio and television services? Would the work that you do here for the External Services be paid for out of the External Services' grant or would it come as a special grant?—(Mr. Thorne.) The External Services would pay out of its grant-in-aid. No part of this expenditure falls on the licence holder. I think I have mentioned before that the remaining expense is shared between radio and television on the basis of the work done by each of the sections within the Research Department.

Mr. Costain.

1217. We were told at one of our earlier meetings that there was a good deal of work done on the monitoring service for the Foreign and Commonwealth Office. Have you done any research that would help the monitoring service?—(Mr. Redmond.) Yes. We have carried out studies to decide the best location of the monitoring service because, after all, it needs a good signal. We have carried out that kind of investigational work.

Mr. Macdonald.

1218. What is the exact relationship between this department and the G.P.O.? What connection, if any, do you have with the G.P.O. engineers?—First of all, our relationship with the Post Office is between an organisation, the B.B.C., which is providing a broadcasting service, and the Post Office which is the Government agency to license that service. If we bring it down to engineering terms, we have considerable discussions with the engineering departments of the Post Office on the right sort of bands on which to introduce services, and on which frequencies should be allocated within these bands. For instance, when the Government

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decided that we should develop colour television in the U.H.F. band, the B.B.C.'s Engineering Division, and the Research Department particularly, had to demonstrate to the Post Office how best it could make use of the frequencies in that band to provide a U.H.F. 625 line colour service. Of course, the engineering departments of the Post Office assess our views and comment on them to the Postmaster-General, so that the Postmaster-General has an extremely well informed view on how best to do these things.

1219. This morning one of the things you showed us was the research carried out into the siting of transmitter stations and relay stations. However, the final decision—correct me if I am wrong—lies with the G.P.O. and the Postmaster-General. Is he getting any advice from sources other than from the B.B.C. and, if so, how is this possibly conflicting advice balanced against yours?—(Mr. *Gouriet*.) All the conclusions we come to relating to planning are discussed regularly with a planning group which includes the G.P.O.; so there are monthly meetings, at which the I.T.A., the B.B.C. and the G.P.O. are present, which give consideration to the proposals which we are making for siting.

1220. But the work is done exclusively by you?—The work is done exclusively by us.

Mr. *Lewis*.

1221. Could I ask a rather pertinent and perhaps leading question and I should like a frank answer. Is there any need for the G.P.O. to do this? Could not the department here do this itself? Is there a need for this tie-up?—(Mr. *Redmond*.) We do not mind other professionals commenting on our professional view.

1222. Is not this duplication? From a financial point of view are you not able to do it yourself? In other words, could you not be free from the Post Office?—We think we are entirely competent, professionally, to do this. We certainly do not find that the Post Office disagree with us in any considerable substance in any of these discussions. We do not really have any problem here.

Mr. *Lewis*.] I agree. Perhaps I can ask the question by expressing an

opinion. It seems to me that there could be duplication, a waste of time and money and endeavour. If the Post Office are happy and you are happy, why can you not carry it out without worrying about the Post Office. Could you do it if you were free to do it?

Mr. *Costain*.

1223. Before you answer that, do the G.P.O. bear any of the cost of this?—No. Of course, we could do it ourselves. The Post Office do not spend very much money on this sort of thing. They produce professional opinions on the overall competence of our submissions. (Mr. *Thorne*.) The Licence and Agreement says that we have to do this.

Mr. *Macdonald*.

1224. If the B.B.C. bears the full cost of the transmitter planning, which I assume from your answer that it does, and that technically or legally it is the G.P.O.'s responsibility, why do not the G.P.O. bear some of the cost?—(Mr. *Redmond*.) I imagine that the ultimate responsibility lies with the Postmaster-General who is the licensing authority. Presumably he has to satisfy himself by the best means at his disposal that our proposals are the correct ones and he does this by taking advice from his own staff. This seems to me to be quite reasonable. I doubt if it involves the Post Office in a great deal of work or expenditure, but I am really not competent to answer that point. (Mr. *Gouriet*.) We have to seek approval for all radio allocations so for this reason alone we would need to include the Post Office.

Mr. *Lewis*.

1225. How does the I.T.A. come into this? Do they benefit and, if so, in what way?—(Mr. *Redmond*.) They certainly do get benefit from our U.H.F. planning work, but we have entered into a research agreement with them by which they pay us for the planning work we do. On U.H.F. planning, we decide the exact location or the desirable location of stations which will carry both B.B.C. and I.T.A. colour television programmes.

1226. It works fairly well?—Yes.

Mr. *Macdonald*.

1227. Do you negotiate with I.T.A. direct or do you have to go up to the

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G.P.O. and come back down again?
—We deal directly with the I.T.A., we work closely together. (Mr. Thorne.) The agreement is entirely between the B.B.C. and the I.T.A.

Mr. Costain.

1228. Does this agreement with the I.T.A. extend to anything other than transmitter planning?—(Mr. Redmond.) No, not at the moment. (Mr. Gouriet.) Perhaps it goes a little beyond transmitter planning in so far as it is concerned with anything to do with the transmitting authorities' interests, but not the studios. It does cover the transmitting authorities' interests which is slightly wider than planning.

Mr. Lewis.

1229. I congratulate you on the development of new ideas and projects which we have seen here; but, probably because of my Scottish and Jewish blood, I am interested in how much money you make on this. Do you tie up with commercial manufacturing companies in any way and, if so, on what basis—licence or royalties? Is there any chance of you actually manufacturing yourselves and selling or of getting interested parties to manufacture for you? Could you do this?—(Mr. Redmond.) First of all, I think that all of our work is aimed at developing the techniques and skills of broadcasting. This often is not of much interest to anyone, other than to other broadcasters and I have described how we are working closely with I.T.A. on the U.H.F. coverage. We have, again related entirely to broadcasting, this specific problem of standards conversion and, as I have told you, these converters look like having useful sales elsewhere. We have licensed others to manufacture these and I hope we shall make money out of them. We do not do things ourselves unnecessarily. Where industry can do the work, then we ask industry to do it. We have close associations with the broadcasting manufacturing industry, particularly their Electronic Equipment Association with which we meet regularly and discuss our requirements. We make it clear to them where we have difficulty in obtaining any equipment and we try to persuade them to make equipment for us. It is part of our policy, of course, to buy British and when we cannot

obtain British equipment we make it very clear to the E.E.A. that we cannot get it and we ask them if they can help us. Discussions are taking place all the time on this point. Where we cannot buy British and where E.E.A. cannot help us, we tend to try to develop things ourselves and when we do this we try to license E.E.A. or the British industry generally to manufacture these devices and sell them abroad. Obviously there are not a great many broadcasters in the world and, therefore, this sort of business tends to be small. This may be a rather long answer, but I think the point is that we try to make money where we can, but we are not operating in competition with British industry, so that the fields are small.

Mr. Macdonald.

1230. Most of what you were good enough to show us this morning related, as I understood it, to the generation and transmission of signals and not to the reception of signals. How far do you feel inhibited from examining the design of receivers and what sort of relationship do you have with the manufacturers of television or radio receivers?—We are not inhibited at all in this way. In fact, we have very close relations with the receiving industry via BREMA. When colour television began in this country we realised that for it to be a success, not only had our transmissions to be good, but our receivers had to be good as well. We worked very closely with BREMA on this subject. Within the B.B.C. we evaluated every single British colour receiver that was manufactured and we conveyed our criticisms and recommendations back privately to each manufacturer. In the main they paid a great deal of attention to our views and made modifications to their prototype receivers, which we examined. I think we can fairly claim that all of this resulted in British industry producing very good colour receivers indeed. Although we have been going for little more than a year-and-three-quarters—we began experimental colour transmission in July, 1967, and in December, 1967, we began the full colour service—already British industry's colour receivers are as reliable as their black and white receivers and are producing very good quality pictures

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indeed. This is in the main a tribute to the British receiver industry, and partly to the P.A.L. system, which I think is an excellent system. Therefore, we are not inhibited at all. We work very closely with the receiver industry and that co-operation is paying off.

Mr. Costain.

1231. You see your role in life as selling knowhow rather than selling projects?—I am not sure that we sell much knowhow to the British receiver industry. I think we gave it, but we thought it was in our own interest to do so.

Mr. Lewis.] The point is whether or not you ought to sell it.

Mr. Costain.

1232. Could you say something about the division of work between the Research Department and the Designs Department of the B.B.C.?—Yes. This happens in two ways. As its name suggests, the Research Department does the advanced investigation and research work and when an idea has been proven to be feasible and when we decide that within the B.B.C. it is worth developing in order to further broadcasting, very often it is taken up by the Designs Department which produce the hardware. The other area of activity of the Design Department, and a very important one, is to produce special equipment for us which industry is not interested in because the quantities are so very small but which we need to do our job properly. The Sub-Committee visited Television Centre not so long ago where, I think, you saw new facilities being provided for Television News. The Designs Department developed and designed quite a number of items there which were required purely for our own Television News purposes and which were not of interest to industry because the quantities were so small. However, having done that, could I add that when we do develop special things for our own use, we always make it known to industry that we have developed a particular piece of equipment and quite often they are interested then in licensing themselves to manufacture this equipment for sale abroad.

1233. Who is responsible for co-ordinating Research and Design? Does that come under you?—Yes, but specifically under Mr. Gouriet who is Chief

Engineer, Research and Development. It would be simpler to say Research and Design, but Research and Development is a more common expression.

1234. The licences and royalties on the Research Department's inventions are apparently quite a lucrative source of revenue—this is on page 1 of your 1968 Report. What, in fact, has the revenue from these sources been in the last few years and how is it credited to the B.B.C.?—(Mr. Thorne.) I have the figures for 1967-68 for both research and design and excluding the I.T.A. participation in the work of these departments, the amounts that we received amount to approximately £30,000 during the year.

1235. Do you anticipate that growing or decreasing? Is it a once-and-for-all event or is it an annual event?—(Mr. Redmond.) The trend ought to be that it should increase because of the royalties we shall hope to receive from the standards converter, which over a period of time ought to be considerable.

1236. Are those royalties on that invention annual or once-and-for-all royalties?—They are per sale.

1237. You have not thought of taking a leaf out of the cigarette manufacturers' book and charging an annual royalty?—No, but it sounds a good idea.

Mr. Lewis.

1238. Do you sell anything to the Eastern bloc, or are your articles on the strategic list?—No, there is nothing that I know of that is specifically on the strategic list. We have sold very little to the Eastern bloc. We did sell one P.A.L. to S.E.C.A.M. transcoder in Russia fairly recently because they are working on the S.E.C.A.M. system. We are working on the P.A.L. system and any broadcaster interested in international exchange of programmes has to be able to transcode from one to the other.

1239. I am told on good authority that the Eastern bloc are very interested in the sort of work you are doing. Could you get whoever is concerned with this to look into this?—Certainly.

Mr. Costain.

1240. Could you interpret P.A.L.?—P.A.L. is the colour television system which we have adopted. It is a German development. We consider that it is an improvement on the original

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American N.T.S.C. system and it has been adopted by most of Western Europe other than France and Russia. P.A.L. is the main West European system of colour television. Its advantages over the American N.T.S.C. system are that it is easier to record and reproduce and travels better over long distances.

1241. What part did the Research Department play in the early development of colour television? Did it contribute anything to the debate on the merits of the different colour T.V. systems?— I think I can say, sparing my colleagues blushes, that the Research Department played the major role in this country in evaluating all the many colour television systems that were proposed and discussed, including considering and rejecting a few of its own ideas. The B.B.C. as a whole and the Research Department particularly had wanted to start a colour service for something like fifteen years before eventually we did start one and during that period we evaluated all sorts of possibilities and we were very pleased that the Government of the day decided on the P.A.L. system.

1242. Were you consulted by the Government in deciding what system to adopt?—Very much so. We were fully represented on the Television Advisory Committee which made recommendations on colour.

Mr. Lewis.

1243. In the Foreword to your 1967 Report there is a reference to the extra commitments that have been imposed by the advent of the local broadcasting experiment. Could you say what these extra commitments are and how they affect you and your department?— Before the experiment began we studied how best to handle them technically, on what frequencies the transmissions should take place, what form the transmissions should take and the kind of stations which were required. The Research Department particularly made their views known and our thoughts were discussed with the Government so that eventually when the Government instructed the B.B.C. to go ahead with the experiment, their instructions took account of the advice given by the Research Department. This kind of thing forms a large part of the work of

the Research Department, that is, to evaluate how best to conduct new broadcasting either experimental or firm services, to advise on what frequencies to use, what kind of equipment to use and how best to achieve the service in the most economic way.

1244. We were privileged this morning to see something which is now clear to us but which is not clear to the public, namely, the impossibility of setting up radio broadcast stations anywhere one likes. Would you explain for the record that it is not only a question of transmitting both radio and television programmes, but it is also a question of which channels to use, the difficulty of tying up with and marrying into the existing channels here and, of course, the Continental channels. I think the general public feel that this is quite simple, but, in fact, there are problems. Could you explain this in a few words?

—Yes. I think one should begin by saying that there is so much broadcasting throughout the world these days that all frequencies allocated for broadcasting tend to be busy ones. Particularly in developing any new service like local radio or even, more particularly, the U.H.F. television service, one has to work out very carefully how to get our particular requirements fitted into the band allocated for broadcasting without interfering either with others or, of course, with our own transmissions in other parts of the country. Therefore, an enormous amount of planning work has to be done to choose the right frequency, the right kind of aerial system, the right power from the transmitters to provide first class coverage for our listeners and viewers without interference to them from other broadcasters, or without our broadcasts interfering with others, either abroad or in other parts of this country. It is a highly skilled, highly computerised activity these days and we have to devote a great deal of our time to it. In doing this kind of thing, we have to satisfy broadcasters abroad that we are not going to interfere with them, that our activities will not reduce their coverage, and so we are involved all the time in a great international dialogue on how best to achieve broadcast services.

1245. This works on a reciprocity basis with our European friends in that

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they do not interfere with us?—This is absolutely right. The whole of Europe is covered by what we describe as a grid and we all work within this grid. Every country in Europe has to satisfy its neighbouring countries that it is operating professionally within the broad planning grid laid down at international conventions.

Mr. Costain.

1246. How do you view your responsibilities for transmitting to the Isle of Man and the Channel Islands? In your latest Report you refer to the work you have done on getting better reception in the Channel Islands. Do you consider that that is in your sphere and do they pay a radio licence in those areas?—I need to be advised on this. I think that both the Isle of Man and the Channel Islands do pay radio licences, but perhaps I could send you that information later. Certainly, of course, we try to provide them with the right sort of coverage. This is not difficult in the radio medium but in the television medium we have gone to a great deal of trouble to get good signals to the Channel Islands, which are quite a long way away in U.H.F. terms. However, I think that we have succeeded here. Getting U.H.F. colour signals to them would be very much more difficult indeed.

Mr. Macdonald.

1247. I should like to revert to the question of the relationship with manufacturers, because I have the impression that you are being quite generous to commercial interests with the fruits of your research. On page 11 of the 1968 Report it says, "On the advice of the Research Department the Marconi Company modified a camera to incorporate gamma correctors" and then it refers to various technical points. Was any financial consideration referred to in these negotiations or were they conducted exclusively on a technical basis?—This is always a difficult situation. As I said earlier, we try to buy as much of our equipment as we possibly can from British manufacturers. We write a specification and the manufacturers tender. Eventually we select a tenderer and we place an order. In this case of the cameras—and this is usually the case with every item—they were to a high standard of performance. How-

ever, when we have new equipment in service, after a while we begin to see ways and means of improving it and sometimes we discuss these improvements with manufacturers and sometimes we try out modifications ourselves. In this particular case we thought that the most useful thing to do would be to experiment ourselves because this was an entirely new field and these were the first generation of colour cameras. We often have to do this before we can be positive. Quite often it simply involves going back to the manufacturers and saying, "If you did it this way, it would meet the requirements of the B.B.C. better". This was the case here. Often this is not patentable material; sometimes it is just ideas or a different way of doing things. Of course, the moment we communicate it back to the manufacturers they usually are very willing to modify their equipment for us and they also modify all other equipment which they sell either in this country or abroad. Normally we do not get anything out of this, but we think it is well worthwhile doing because it helps British industry to improve its products. It does not worry us too much that we do not collect anything from it. When we can patent something and collect a royalty, then we do so, but often it is just ideas or a different way of doing things and it is rather difficult to collect anything on it. However, viewing it from a national point of view, I think we are helping industry. If I may say so, there are a great many broadcasters throughout the world who are only too willing to buy the kind of equipment that the B.B.C. buys.

1248. I am sure you are right in disseminating this information; indeed, I am delighted that you have the information to disseminate. I was just wondering whether or not there should be any limit to the concept of research, which ultimately is financed out of the licence fee, providing information, which although it benefits the country at large, benefits manufacturers particularly and not the public who have contributed to the cost of this?—This is a good point, but it is difficult to know exactly how to control this kind of thing. If we can improve our equipment we do; this is obviously in the interests of the viewers. It does not

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seem to us to be wrong to communicate that information back to the manufacturer, who then, of course, has it to improve his product generally for sale either elsewhere, in this country, or abroad.

1249. Is there ever any flow of information the other way?—Oh yes. I think it is only fair to industry to say that they, of course, do come along with ideas to improve their own products and we are only too interested then to apply these ideas to our equipment. I think there is a two-way flow.

Mr. Lewis.

1250. Years and years ago, when steam radio came into existence it was something, as with television now, that people never ever thought would happen. I remember a very old friend of mine saying, "Give the general public the steam radio and they will come up with ideas and inventions, the amateur is very often better than the professional"—I hate to say that here. Do you in any way take ideas and suggestions from the amateur or the general public and work on them and develop them, or does this not happen at all?—(Mr. Gourié.) Ideas from the general public do crop up fairly regularly. I would not like to state the number per year, but each of these are examined. Of course, because of the complexity of modern equipment, unless one is professionally involved, it is extremely unlikely that the ideas—although some of them are ingenious and very workable—can be used. Therefore, to my knowledge there has been no case for several years where an idea from the public has proved worth exploiting, although we give every one very careful consideration and reply.

1251. I assume that you would welcome ideas and suggestions?—(Mr. Redmond.) Yes, indeed and we do receive them and comment on them. There was an optical device two or three years ago based on Pepper's ghost which, I think, we used. However, there are very few these days because of the complexity of the whole business. I am afraid that the days of the dedicated amateur seem to be over.

Mr. Costain.

1252. I confirm what Mr. Lewis said. I made my first crystal set in 1919, but I do not even understand a radio diagram

now?—I think this is a shame because there are many people who are interested in this. Of course, we do get ideas from industry. We keep regularly in touch with research laboratories of industry and, of course, we are most interested in the advanced developments that are going on. Very often these sow the seeds in our minds as to where we might be moving in the future. It is the knowledge of what industry are doing that allows us to assess the worthwhileness of pursuing some new ideas.

Mr. Lewis.

1253. Do you liaise at all with the military and Service Departments?—This is always more difficult because they tend to be a bit secretive, understandably so. I suppose that satellite communications have evolved from near-military requirements and, of course, we gain enormously by this. We try to keep in touch with what is going on there, but obviously this is very difficult.

1254. In fact, you would be willing to help and work with them if they were to make the approaches?—There is nothing secretive about what we do and we are in touch. Mr. Gourié is on a Ministry committee of scientific people. (Mr. Gourié.) I am on the U.R.S.I. British National Committee.*

Mr. Costain.

1255. Do you work with any universities at all on research?—We keep in touch with universities and two years ago we held a symposium here to which we invited university professors and lecturers, to acquaint them with the work we were doing. As a result of this the contact with universities has been increased. There have been more enquiries from universities to us suggesting projects which they may use for Ph.D. theses which are more realistic than some of the projects they had to invent, and I think that on the whole the collaboration with universities is good. Could I just say a few words about the military aspect. In fairness to them I should say that we get regular invitations to their open days which are held at the various establishments, for instance, R.R.E., Malvern, and that

* Note by Witnesses: Research Department is represented on the Electronic Research Council which is concerned with military matters.

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which is not secret they are very forthcoming with. We take an interest in all their developments.

1256. What about safety at sea and radio at sea? Do you consider that within your terms of reference?—(Mr. *Redmond*.) Not in any particular sense, but we are involved in I.E.E. Safety Committees where we contribute to thoughts on safety generally. Could I add that in our liaison with scientific bodies we have an Engineering Advisory Council chaired by Lord Jackson, with half-a-dozen eminent scientists as members. It is here that we expose our broad thinking on scientific research and development for the years ahead and we discuss possibilities with them. We find this very valuable.

1257. Do you sponsor any scholarships to universities at all?—Yes, we do. (Mr. *Gouriet*.) The average is three a year.

Mr. *Lewis*.

1258. Are you or are you not affiliated to the Parliamentary and Scientific Committee and if you are not, could I make the suggestion that you might consider it. It is quite a nominal fee. It is an ad hoc Committee; it is not official. However, I think everyone who is interested in scientific development is associated with it. Commander Christopher Powell is the Secretary. We would like you to consider being associated with it. I think it would be very helpful?—(Mr. *Redmond*.) We will look into this.

Mr. *Macdonald*.

1259. Is there any way in which the general public might assess or make some comparison of the quality of B.B.C. transmissions? I am not thinking so much about the cost or value-for-money aspect, but I am thinking about the quality of the transmissions themselves. Do you ever, for comparison purposes, put out, for example, a colour broadcast uncorrected so that they can see how much worse it is before the research that you have done is applied?—No. It is an interesting point. I am not quite sure what one can do about it. We try hard to make our transmissions as good a quality as is economically reasonable and in colour, of course, we have had worldwide acclaim. We have had an enor-

mous number of compliments, not just from viewers but from overseas' broadcasters who compare our transmissions with the sort of things they see elsewhere and we come out of it all very well. I think I would rather continue to condition the viewers and listeners to good quality and not really talk to them about bad quality at all.

Mr. *Lewis*.

1260. If this question is embarrassing, please do not answer it, but it is meant to be helpful. Could you tell us about any ideas or suggestions you think we might consider which could be helpful to the development of your work in the interests, of course, of the people and the country generally?—It is certainly not embarrassing, but I am not quite sure what to suggest. While someone in my position is never absolutely content with the amount of money available for research, on the whole within what we are trying to achieve in the B.B.C. we are not inhibited. I would hope that we could continue on our present course, and remain in the forefront of broadcasting. The kind of research we are doing at the moment is not expensive and it pays enormous dividends, not only to the B.B.C. but to other broadcasters in this country and indirectly often helps industry. Therefore, at the risk of sounding complacent, I am reasonably content with the present level of development effort. I am enormously supported, of course, by the sort of people you have seen on your visit today, who really are in the forefront of broadcasting developments and who help me to help the B.B.C. keep in the forefront. I hope this does not sound ungrateful, but it is rather difficult to know exactly what else to suggest in this field. (Mr. *Thorne*.) May I just report, Sir, that the Channel Islands do pay the same licence fees as the rest of Great Britain.

Mr. *Costain*.

1261. Thank you. May I, on behalf of my colleagues, thank you very much for all you have shown us. Thank you for the very frank way in which you have answered our questions. I think our visit has been well worthwhile?—(Mr. *Redmond*.) On behalf of the B.B.C., could I thank you for taking enough interest to come here to see what we are doing.

MONDAY, 5TH MAY, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. Arthur Lewis.
Mr. Macdonald.

Mr. Neil Marten.
Mr. Ben Whitaker.

THE B.B.C. GENERAL ADVISORY COUNCIL

Memorandum submitted by Mr. J. S. Shields, Chairman of the Council

The G.A.C., first established in 1934, became obligatory in 1952. It consists of about 65 members, of whom 10 are *ex officio* (National and Regional Chairmen and others). The rest are invited by the B.B.C. to serve, usually for four or five years. The B.B.C. would like every sort of viewer and listener to be represented on it, but those who are invited and are able to accept must necessarily be those who are articulate and free to spare a day away from work. These two conditions exclude many of us, with the result that the Council is too homogeneous: its members either are born into or have become part of the professional and administrative group that manages our society and its societies. They also tend to be elderly: the young are too busy learning, earning or raising a family. The range of interests directly covered by the Council is roughly as follows: Politics (15, including 7 M.P.s), Industry (15), Education (12), Arts and Sport (12). Most members have many interests; for instance, I am concerned with education, sport, religion, marriage guidance, theatre and the deaf. Members receive no pay.

The G.A.C. meets four times a year from 2.30 to about 4.30 p.m. Usually there is about two-thirds attendance, but this is misleading. A small number come to every meeting, a few don't come at all. For many years, apart from questions, the agenda was decided by the B.B.C.; but a change was made in 1966 when a "Business Committee", selected by the Chairman, was formed. It meets eight times a year and decides the agenda for the next meeting of the G.A.C. Each meeting of the Council is preceded by a buffet lunch provided at Broadcasting House by the B.B.C. It is attended by nearly all those who come to the meeting. It creates a good opportunity for members to get to know one another and the Governors and senior staff. Council meetings are attended by all the Governors and Members of Board of Management; their attendance rate is not far short of 100 per cent. The agenda can be divided into two broad categories; items of information and items of controversy.

Here are a few examples:—

<i>Items of Information</i>	<i>Items of Controversy</i>
B.B.C. Relations with other Broadcasting organisations.	The use of Unobtrusive Devices.
B.B.C. Support for the Arts.	Financing Local Radio.
Training for Broadcasting.	The Future of Regional Broadcasting.

The function of the Council is primarily to advise the B.B.C. and secondarily to act as a channel of communication between the B.B.C. and that part of the general public which forms part of the circle of acquaintance of individual members. I personally believe that in fact it also has another value of which the members are mostly unaware and which no member of the B.B.C. has ever mentioned to me. Since the G.A.C. consists of sensible and responsible people holding in many instances prominent positions in the life either of the nation or at least of their area and since, as mentioned above, the Governors and senior

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[Continued.]

members of the staff attend its meetings, an individual head of department knowing that his policy may be questioned, his mistakes exposed and his misjudgments criticised is led to thinking out his policy a little more deeply. No man likes to appear short-sighted, incompetent or inept in the presence of his colleagues before a "jury". He likes to have sound, convincing reasons for his decisions. My personal belief is that this factor gives the G.A.C. more influence than could be expected from a casual glance at its structure. Another useful but less important by-product of its existence lies in the papers produced for it by the B.B.C. The authors are compelled to find out facts and consider reasons. The papers presented are first-class, accurate, logical and convincing. Some of them would not be written if there were no G.A.C. and the B.B.C. would as the result be less well-informed about its own activities.

Two final comments. At present the G.A.C. is a poor channel of communication. So the B.B.C. Chairman, the Regional Chairman and myself are meeting to discuss improvements. In its main role, the advisory one, the G.A.C. looks impotent: but when it has voiced a firm opinion (which does not happen or need to happen often) the B.B.C. like Byron's maiden "whispering 'I'll ne'er consent', consented".

Mr. J. S. SHIELDS, Chairman, B.B.C. General Advisory Council, called in and examined.

Chairman.

1262. Good afternoon, Mr. Shields. First, may I thank you for your memorandum. For convenience, we will take one or two points that arise from it and ask you to amplify them. You say that members of the General Advisory Council are invited to serve "usually for four or five years". Are there exceptions to this and do the same people, in certain cases, stay on very much longer?—I think the B.B.C. can answer this from wider experience than I can, but the impression I get is that they invite people to serve for three years and then sometimes for another three.* I have suggested to the B.B.C., and they are thinking it over, that if a member accepts but does not attend more than a trivial number of meetings, he should just be thanked for what he has done and cut off, because there are a few people who hardly ever come.

1263. Would you say that if you attended reasonably, three years is the right span for an initial stint?—Again, I think the B.B.C. will answer with more knowledge of the past history than I, but my own feeling is that it is very undesirable to have very long-service members. However, it is quite clear also that some of them are much more valuable than others and I think the B.B.C.

* *Note by Witness:* The normal term is currently four years in the first instance.

recognises this. If somebody's contribution is either nil or trivial, they do not invite him to serve after the first period, but those who take an active and lively part in the discussion and who do contribute something are usually invited to stay on for the maximum time, which is a total of six years. I do not think the B.B.C. invites people to serve after that.

Mr. Macdonald.

1264. In your memorandum you say that ten members are *ex officio*. Who appoints them to the office as a result of which they are *ex officio*?—The B.B.C. The *ex officio* members are the regional chairmen, the chairmen of the national bodies and also the chairman of the educational advisory body and, I think, the chairman of C.R.A.C., the religious advisory body, is a member. They are the *ex officio* members.

1265. Either directly or indirectly they are all appointed?—They are all invited by the B.B.C.

Mr. Macdonald.] How do the B.B.C. know who to invite. I notice, for example, that there are seven Members of Parliament. The B.B.C. have never invited me—that is a report not a complaint, Mr. Chairman!

Chairman.] If we are asking what the B.B.C. do or think, would it not be more appropriate to wait until we have the witnesses from the B.B.C. to put the question directly to them.

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Mr. J. S. SHIELDS.

[Continued.]

Mr. Macdonald.

1266. I was actually about to ask whether Mr. Shields, as chairman, was consulted in the search for new members?—The answer to that is, broadly speaking, no, but on the other hand if I know of somebody whom I think would be useful, I am in a position to recommend him to the B.B.C. Without naming anyone, very recently one of the members of the G.A.C. did find an extremely useful member and the B.B.C. at once invited her to become a member. Therefore, the members are one source of recruitment, but not the only source.

Chairman.

1267. You told us that the B.B.C. drafts the agenda in the main and that it comprises two types of topics?—Correction, used to draft it, but since the formation of the business committee, it has been the business committee, of which I am chairman, which lays down the agenda and the order of the agenda.

1268. Yes. Does this mean that the business committee will put on the agenda something which provides an opportunity for initiative to come from the Council rather than from the B.B.C., to get ideas moving from the Council to the B.B.C. rather than vice versa?—I should say it is about fifty-fifty. The business committee gets most of its ideas from members of the Council. Somebody gets up and asks a question and very often because there has not been much warning about the question, we feel that it ought to be developed further, so we put it on the agenda. However, correspondingly, the B.B.C. sometimes says, "I wonder if you would like to hear about this". This is something that they know is of interest or value and we consider it and very often say yes.

1269. When your members are those initiating a topic, do you find in practice that you get as generous a response to the topic as you would wish?—Absolutely. They never say that they do not want to discuss it. Occasionally they say, "It will be far more valuable if we wait until the April meeting because then the Latey report will be out," only it never came out. Sometimes they give advice or direction as to timing, but there is never a holding back.

Mr. Costain.

1270. You, yourself, Mr. Shields set out your particulars and your very varied interests. Are the members elected for their particular interests to which they keep or is there a cross-fertilisation of ideas with interests?—I would say that very often the B.B.C. will select a man for his special interests. I can think of somebody who is there, I believe, because of his connection with immigrant programmes. Sir Learie (now Lord) Constantine was obviously selected among other reasons for something like that. Somebody else was selected because of his connection with the University of the Air. However, nearly all of us have a great variety of interests and we contribute what we have.

Mr. Macdonald.

1271. How many members are there on the business committee and who appoints them?—First of all, the business committee is selected by me from the Council. However, I do consult both the members of the business committee and the B.B.C., although the final decision is mine. There are eight members and a chairman on the business committee.

1272. Is there some prior determination that the Council meets four times a year and if so, whose?—It is certainly not our decision. I think this is just historic. There always have been four meetings a year, but we have always thought that, if necessary, we could have an extra one and I think it is possible that we may be going to have an extra one. However, this is uncertain at the moment. It seems a reasonable number of meetings for very busy people.

1273. Are the meetings held in public?—No.

1274. Are the minutes published?—No.

Mr. Marten.

1275. Would it not be a good thing if they were?—I think that some members of the G.A.C. think this and the majority think not. The question turns really on this one factor that again and again there are matters which are either wholly confidential or have a shade of confidentiality about them. If we are told about decisions which are pending, but not yet made, the lives of a very large number of

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Mr. J. S. SHIELDS.

[Continued.]

people in the B.B.C. are going to be directly affected and the B.B.C. must be the people to tell them. On the other hand, if our meetings were public, then the B.B.C. would either say nothing or make misleading statements and, therefore, since we expect the B.B.C. to be absolutely candid with us, we accept the confidentiality of their proceedings.

1276. What is the ratio of those who would like to have the meetings public and those who would not like them to be public?—I do not know. I simply know that there are one or two people who rather press for this, but I do not think they represent anything like the majority.

1277. Have you studied the analogy of the borough council which has exactly the same problem but which, due to an Act which we passed, are encouraged to have the Press present at their council meetings?—I think this is a very different cup of tea. We are advisers and not doers. The borough councils, of course, are doers.

Mr. Macdonald.

1278. Does the agenda take the form of motions or does it take the form of topics?—Topics and not motions. We had a discussion about motions one day last year. Somebody wanted to move a motion and I, as Chairman, said that we did not have motions. One or two people got a little hot under the collar about this. Again, my logic is that if you have no executive power a motion is no more than words. We expect the B.B.C. to get the feeling of the meeting. On the other hand where there is some topic about which the B.B.C. would like to be able to quote that our thinking is unanimous, then we are perfectly prepared to do this. I have in mind the Representation of the People Bill.

Chairman.

1279. On this same subject, you tell us elsewhere that one of the purposes of the Council is to be a channel of communication. Has this method of dealing with the point that has just been the subject of question and answer been thought of, namely, to issue an agreed statement on that part of the meeting which is suitable for public announcement in order to acquaint those who want to follow these things with

the fact that this is the subject of discussion and may be again, and therefore opens the door to them to communicate with the Council, asking them to take account of certain views? Would not this go some of the way without breaking confidentiality, et cetera, to improving the channel of communication of the Council with the outside world?—I think I am inclined to agree. This is a point that we have discussed. There is the disadvantage that if you publish a statement the blanks in it speak for themselves.

1280. Surely, nobody will know what is left out because they will not even have seen the agenda. It could simply state, "The Council met on such a date and the following is announced". You cannot deduce what was not talked about?—With respect, Sir, supposing there had been a terrible row in Manchester about the headquarters and the G.A.C. then held a meeting a few days later, and supposing a statement was issued which made no reference to that matter at all, I think anybody could see the blanks. I do not say that this is an overwhelming argument against it, but it is the difficulty of preparing a statement without revealing too much that I think is one of the factors in this. However, it has been under consideration and we are going to have a meeting fairly soon about the publicity of this body and its public relations and this idea might very well emerge.

1281. How far in the context of you and the public, so to speak, are you made aware by the B.B.C. of the nature of the complaints or applause, as the case may be, received by them?—This arises partly as a result of questions. Members will ask a question about a particular broadcast and as a result in the course of the answer we generally are told that there were so many letters of complaint and 50 telephone calls, et cetera. It is only really in respect of rather highly controversial broadcasts that we get this information. We do not get it in respect of standard transmissions.

1282. Would it be right to assume that the public never use you as a vehicle for getting their views across, but almost invariably use the B.B.C.?—That would be an exaggeration. I do get a fair number of letters. I was previously

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Mr. J. S. SHIELDS.

[Continued.]

chairman of the West Region and I used to get letters from people in the West Region about West Region matters—complaints again and again about reception in the southwest, complaints about a particular religious programme, not a great many but many more if for any reason our names appeared in the press. This, again, is a matter which, when we are talking about our public relations, we are going to emphasise namely that there should be more publicity for our meetings, but not necessarily a public statement, although I rather think that one will follow from the other.

Mr. Macdonald.

1283. Is there any feedback? I assume there is no vote?—No.

1284. The B.B.C. having taken the sense of the meeting, are the topics raised subsequently to indicate what they have done or have not done as the case may be, according to the sense expressed at your meeting?—I would say that it is always reported in the minutes. Sometimes we are told and sometimes we see it in the event. Perhaps I could give you an example which I hinted at in my last sentence. A year or two ago the B.B.C. were on the point of embarking on a series of inquiries and investigations based on the use of unobtrusive devices. The Regional Councils and the General Council all expressed almost universal horror at the whole idea. The B.B.C. defended this practice with considerable skill and vigour with one of their remarkably good papers very well argued. We left it that we disapproved out that in certain circumstances they might do this. I believe that they have never used it since, but they were very firm that this was something that they could not jettison merely because we disapproved. You may like to ask them later whether they have used anything like that since, or not. I do not think they have.

1285. When a topic like that arises, is it introduced by a representative from the B.B.C. or by some other source and, if by the B.B.C., is there any other method by which the members of the Council are briefed on the topic to be considered?—With regard to the second part of your question, no. Concerning this particular matter, the B.B.C. produced a really splendid paper. It

was entirely factual to start with. It told us things we did not know about the devices; at least things I did not know, and having told us what the facts were, it then laid out the arguments for both sides. Of course, each individual gets this paper three weeks or so beforehand and is perfectly able to consult friends or experts without disclosing the details. Therefore, collectively we have a fairly good body to check on what they have to say. My experience is that their papers are really very good indeed. It may amuse you to hear that one member got up at one meeting and said, "Why do you not call it bugging?" and Hugh Greene replied, "Because we would be prejudging the issue if we did". I though it was a very good reply indeed.

Mr. Costain.

1286. If the public write to you, do you have a secretarial department which will help you to reply to the letters or do you, like an M.P., have to do it yourself?—I do it myself, but I have no doubt that the B.B.C. would do it for me. However, I think the public is very much happier if they get a letter from me which is rather badly typed, as opposed to a smooth job from the B.B.C.

Chairman.

1287. I think I am right in saying that the Council selects the members of the National Broadcasting Councils for Scotland and Wales?—Yes, this duty was imposed on us as a result of the Pilkington Report.

1288. How is the obligation, in fact, carried out?—I do not know the machinery.* I know that we are responsible, but so far as I can see, it is a formality. I think the background is that the National Councils and the B.B.C. together provide a name and the name is duly put on our agenda and then we do the formal appointment. I, personally, have nothing to do with this, but I did put the matter to the Council about three meetings ago. I think that originally they were appointed by the Government.

1289. Do you concern yourself at all with the finances of the B.B.C.?—

* *Note by Witness:* The facts are that members of the National Broadcasting Councils are selected for appointment by the B.B.C. by a panel of the G.A.C. This panel is chosen by the G.A.C.

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Mr. J. S. SHIELDS.

[Continued.]

No, not at all. However, every now and again they are unable to do what they wish they could do because they do not have enough money and we make sympathetic noises.

1290. A topic like the future of regional broadcasting, which is one of the ones you have listed as having been discussed, has financial implications?

—When I wrote this paper I was anticipating that this would be one of the major topics at our next meeting. We have not yet discussed it. I was just giving it as an illustration of the sort of thing we do discuss.

1291. Even in a case such as that, it would be relevant to go into the financial details?—It will all turn on finance.

1292. In that particular case you will be involved?—We certainly will, but it will rather be with the use of existing finances than with means of creating more.

Mr. Macdonald.

1293. How far do you feel that a body of this size, 65, meeting four times a year has a sense of being a corporate and continuing body?—I think it is very strong among those who come regularly and, obviously, very weak among those who do not come at all or who come very seldom. It is very much like a meeting of a club, beforehand anyway. We get very friendly with each other, particularly as a result of this luncheon which is held first and we meet and talk about the B.B.C., the weather, our gardens and golf. We get friendly.

1294. Do you find that the members come with ideas which they discuss or do they come and discuss the ideas that they find presented to them?—I should think that the majority do the latter. However, there are always some—and I think this happens in all bodies—who are the provocateurs. Richard Hoggart is always full of something; he is very much a producer of ideas and arguments. Joyce Grenfell is another. There are some who do this, but not by any means all of them.

1295. You do not find that 65 is rather a large body to have discussions of this kind?—Of course, there are never 65 there. The attendance fluctuates but it is just over 40 as a general

rule. Something between 38 and 45 is a typical attendance. I think it works fairly well, but perhaps I am prejudiced.

1296. How long do the meetings last?—We start at 2.30 and we finish not long after 4.30. I am very fond of punctuality; the meetings used to go on longer.

Chairman.

1297. Are you aware in any way of a lack of communication or experience between the V.I.P.s on the Council and John Citizen who comprises the bulk of the viewing public?—I am not conscious of that gap. I think it is likely to exist. I do not really accept your V.I.P.s on the Council. When you said that I thought you meant the V.I.P.s within the Council. Some of us are important people and the rest are pretty ordinary. I do not know about the important people, but the fairly ordinary people like myself are in pretty close touch. We comprise housewives and businessmen and we are engaged in the world in one way or another.

1298. Have you many members who earn their living with their hands?—I would say probably none. It is the point I make in the paper.

1299. Has there ever been any suggestion that to enable such members to afford to come, their out-of-pocket expenses, including loss of wages, should be made good to them?—We get expenses anyway and I have no doubt at all that the B.B.C. would make that necessary arrangement. However, their policy is rather to get those people who, as a result of qualities of personality or intellect, have, in fact, put themselves in a position. For example, I can think of one man who is quite clearly of that type. He is, in fact, now a trade union officer and does come. He does not earn his living with his hands, but he certainly used to once. They are quite well represented on our Council.

Mr. Marten.

1300. What is the average age of members of the Council?—A bit too old, but I do not know if off hand. As a result we have put on our Council a really beautiful young woman who gave us great pleasure.

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Mr. J. S. SHIELDS.

[Continued.]

1301. What about an ugly looking young man?—We are trying to get one like that too. He was not able to come last time.

1302. Seriously, what are you doing to get younger people?—We are appointing a chairman of a Students' Union. We want people who are 20 or 21.

1303. They are going to become members?—This particular young man has accepted and will come on the council for three years. He will not be re-appointed. We deliberately want to get a new young man who is still in touch with the student world.

1304. That is one out of 65?—Yes, but we have a corresponding young woman. I am working towards this desirable end.

Chairman.

1305. Is there a counterpart to your Council in I.T.A.?—I do not know.

1306. The suggestion has been made from time to time that although these two rival organisations stand to gain from a measure of competition, nevertheless the public in certain respects may suffer in regard to the lack of co-ordination in the timing of programmes, for instance, or in regard to the lack of a single piece of publication where all the information can be brought together. Has this aspect of your work been discussed and, if so, has the Council any views on it?—Taking the last point, one or two people put forward the idea that there should be a joint broadcasting paper and the B.B.C. replied saying that there would be political difficulties between the two bodies and they were obviously not at all keen. I do not think we pressed it very hard, but I, personally, feel that there should be more liaison between them. I can give you a very nice example of how they swear they cannot do something and then go and do it. When the Pilkington Committee suggested that the two bodies share a mast because there can be only one good site, the B.B.C. swore blind that it would not work and now they are doing it. They do come round in the end and they may come round to a joint paper. However, I think they have to be conditioned to this sort of thing by continual pressure and there

may be valid reasons why they should not.

1307. Has the topic of co-ordinated programmes in any shape or form been discussed?—It has not been discussed. It is one that I used to feel is very important, but it has become less important since the existence of B.B.C. 2, because to some extent you do get a balance of programmes between these two. When there were only two channels—the I.T.A. channel and B.B.C. 1—they definitely needed co-ordination and they deliberately avoided it.

1308. Nevertheless, there are some occasions when all three channels are showing the same programme, for instance the Cup Final?—That is because one is in colour, I suppose.

Mr. Whitaker.

1309. With reference to the B.B.C., the I.T.A. and the public, do you regard yourself as 100 per cent. representing public interests, or do you have some bias towards the B.B.C.?—Really I regard myself as representing the public, but I, personally, have great admiration for the B.B.C. and feel sympathetic towards it. I find that, on the whole, I tend to defend the B.B.C. when I am with the public because very often I think they are right. I must be prejudiced, but I do not feel that I am.

Chairman.

1310. How many years have you served in the capacity of chairman to reach this state of mind?—I have only been chairman for two years, but I have been chairman of a Regional Advisory Council and a member of the G.A.C since the end of 1962.

Mr. Whitaker.

1311. Concerning the possibility of combining the T.V. Times and the Radio Times, where it might possibly be said that the public interests lie in one direction and there was resistance from both broadcasting authorities, have you ever taken evidence from, say The Consumer Council or some other body representing the public?—No. I do not really think it would be our province to do this. We are only an advisory body. I have no power to take action. What we might very well say, although we have not in fact because this point has not been raised, is, "We advise you to take the following steps".

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Mr. J. S. SHIELDS.

[Continued.]

1312. Would you ask them at a later stage whether they had taken those steps?—Yes, and generally speaking they either do what we want or produce what, to us, seem sound arguments for not doing it.

1313. Do you have any dealings with the I.T.A. at all?—No.

1314. On the question of co-ordination, would it be fair to hear outside evidence or not?—I would not have thought that this was our function. To be quite frank, I think it would be right for the B.B.C. to hear outside evidence, but this is an Advisory Council with no executive powers at all and I cannot see that it would be of advantage to the B.B.C. for us to hear outside evidence. I try to persuade members to state the opposite case. We had a discussion about the finance of local radio, so I went out of my way to get one member to state as strongly as possible the case for commercial radio in order that the other side should very definitely be heard.

1315. On a particular topical problem arising, perhaps, from one programme, when it might be too urgent a difficulty to wait for the quarterly meeting, has there ever been an ad hoc meeting to consider the matter?—The answer is no, and I do not believe we would ever regard some indiscretion or something like that in the programme as sufficient ground for calling an *ad hoc* meeting. However, if something does arise which may alter the whole fundamental structure of the B.B.C., then certainly, if necessary, we would call a special meeting.

1316. Do you ever deal with future policy, or are you mainly concerned with the post-mortem work?—We are concerned with future policy. In fact sometimes we extract a promise from the B.B.C., which they find very embarrassing later, that they will not make decisions about a certain matter until they have consulted us. They give us this promise and then wish they had not.

Mr. Marten.

1317. What are the areas of work covered by the B.B.C. which are outside your remit?—The overseas services, although for information purposes we had a paper about them and when the Albanian programme was suddenly cut

off in its little blooming prime, we expressed the opinion that we thought this was unwise.

1318. So that is within your scope?—It is not really.*

1319. Have you not established a precedent there?—I suppose so. We would not hesitate to discuss it.

1320. Apart from that, there is nothing substantially in broadcasting that is outside your remit?—I would say nothing is outside our remit.

Chairman.

1321. There will come into your purview topics which are the subject of controversy between political Parties. Have you found from experience that your forum has been enlisted in the hope, by one or other side, that a verdict in their favour might be forthcoming?—About three years ago there was a tendency for the M.P.s to make what I called, being on the whole non-political, political speeches about things. However, that tendency has absolutely vanished now. It is very difficult to tell from what a man says which Party he belongs to; in fact, I am not sure I always know.

1322. I was thinking more of outside interests seeking to get a topic ventilated in your forum, rather than the members of your Council?—If they do, they do it very cleverly. I am certainly not aware of it.

Mr. Lewis.

1323. To what extent are the seven Members of Parliament fairly regular attenders?—Their record is very good. Very often they have to leave at about 4.05 before we have finished, but their attendance is very good.

Mr. Macdonald.

1324. I take it that papers are always prepared by the B.B.C.?—They are not always.

1325. When a paper is presented how far are members required to treat the papers as confidential?—Where a member raises an issue we sometimes say, "You prepare a paper on it" and then the B.B.C. makes a comment paper. We had a paper about the failure of the B.B.C. to look into the computer

* *Note by Witness*: An error: the overseas services are within our scope. See Charter clause 8, section 1 (1969 Handbook, p. 251).

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[Continued.]

future and one man is very keen on this. He produced the paper and the B.B.C. presented us with their defence.

1326. How far are they confidential?—They are all marked “Confidential”. However, we almost had a bit of a row about this, because if the B.B.C. say that they are confidential, then theoretically nobody can say anything, but the B.B.C. also wants us to be a channel of communication between them and the world and often their papers contain information which they long for us to pass on. At our very last meeting I made a statement on this and said that members had to use their common sense and that where it is a matter affecting the staff of the B.B.C. and their relations with the Government or their relations with outside bodies, members must treat the papers as confidential, but where it is quite clear that the papers are meant for publication, when they include material which, perhaps, has been published already, then, of course, members can pass it on.

1327. Have you found that members always observe reasonable common sense in this matter?—No, not always.

Chairman.

1328. Why do you consider that you are a poor channel of communication—I quote from your paper?—We are poor in comparison with other channels. We are only 65, of whom only 40 or so turn up. It entirely depends on the degree to which we endeavour to pass on information. I think we are fairly good at the flow in, but I do not think we are really very good or efficient at the flow out. If the B.B.C. wants to get something out to the public, the worst possible way would be merely to tell us. It could not get through.

1329. Do you think that the public are adequately aware of your existence and your work?—Not enough.

Mr. Whitaker.

1330. Have you facilities to deal with a large-scale increase in public participation? Supposing you went out of your way to ask the public's view, could you deal with the flood of letters?—I do not believe there would be a flood of letters. I wrote an article in the Radio Times which appeared in September. As a result of that I received about 20 to 25 letters and I thought this was quite a trivial response. The B.B.C. thought

it was rather a lot. They did not all come at once, of course, so I could deal with that.

1331. Does your Council have any code for what practice they should expect from the B.B.C. on controversial programmes which include violence or sex? Do you deal with these kinds of programmes?—Yes, indeed we do. I think we expect the B.B.C. to behave somewhat better than a good parent.

1332. You do believe in some form of censorship?—Not censorship, no, rather restraint and sense, and I accept their point of view. If we are talking about violence, we say that they should be restrained until nine o'clock, but that they cannot expect the whole of their broadcasting to be designed never to give offence to children. Up to nine o'clock they should exercise restraint. If there has been a ghastly accident, it is their policy to have general news at six o'clock and more detailed news at nine o'clock. May I say that the B.B.C. gave evidence that they absolutely resisted all suggestion that they should censor their programmes, they said this was a matter for the parents, et cetera, then they did it. They adopted this policy.

Mr. Costain.

1333. Does not this rather indicate that you have a more persuasive nature than your modesty permits you saying?—I maintain that we do persuade them; I think we do. They do take notice when we say something firmly and unanimously, or nearly unanimously, but if half of us think one thing and half think another thing, then they do not.

Mr. Whitaker.

1334. Do you deal with allegations of political bias?—The matter is raised again and again and the Director General tells us that both Parties complain bitterly about bias. I meet this in public houses and clubs.

1335. Do you agree that if your view is that both are complaining, the B.B.C. is doing a good job?—I think they are.

Mr. Macdonald.

1336. Who fixed the number of 65 on the Council, when and why?—The answer to the first part of your question is that the B.B.C. did. The answer to the second part is that it was long

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[Continued.]

before my time. I think it has been about this size for a good many years. Mr. Lamb will be able to answer that. With regard to the last part of your question, why, I think they wanted about 40 to 50. They did not want it to be too large, but, on the other hand, they wanted to cover all parts of the country and as many varied interests as possible. If you have too small a body, you cannot do this.

Mr. Lewis.

1337. At 10.30 the B.B.C. broadcasts a programme called "Listening Post" where listeners can complain. They use the services of the telephone answering device. Have you considered using such a device, where the listener could directly communicate with you and/or your Council?—We have not con-

sidered it and I do not believe I would find it tolerable.

Chairman.

1338. You have told us that your small group are considering ways of improving the channels of communication, primarily in one direction. Are there any other ways in which you think the usefulness of the Council could be improved?—It seems a rather feeble answer, but no. I have not thought of any ways. We are not an executive body. I get the impression that we are sometimes asked for advice and sometimes we give it unasked and then, generally speaking, if our advice is felt very strongly, it penetrates and has an effect.

Chairman.] Thank you very much indeed, Mr. Shields. We are most grateful to you for your help.

The Hon. K. H. L. LAMB, Director, Public Affairs and Mr. E. B. THORNE, Chief Accountant, B.B.C., called in and further examined. Mr. G. T. M. de M. MORGAN, M.C., Controller, Information Services and Mr. B. P. EMMETT, Head of Audience Research, B.B.C., called in and examined.

Chairman.

1339. Good afternoon, Gentlemen. We are concerned this afternoon with the audience research side of the work of the B.B.C. Are there other organisations with which you have any association or contact doing similar work for other clients?—(Mr. Lamb.) Yes, and I think Mr. Emmett, who is our head of audience research, can best speak to that point.

1340. Could you tell us a little more about the relationship that you have with them and how far the methods differ?—(Mr. Emmett.) Yes. There is only one other organisation that regularly and systematically studies audiences and audience reaction in this country and that is the organisation known as J.I.C.T.A.R., the Joint Industry Committee on Television Advertising Research. This body represents the programme companies, the advertising agencies and the Society of British Advertisers. This Committee sets the terms of the kind of research that they want done and this is sent out for tender. The firm that currently does the work for them is Audits of Great Britain Ltd., A.G.B. Their method is quite different from our own. It is designed to

provide only one aspect of audience research, that is, estimates of audience size, whereas our work covers not only estimates of audience size, but many other studies as well. Whereas we obtain our information by questioning a sample of members of the public, the system used by A.G.B. Ltd. is to install small meters on a sample of television sets and these meters record when the set is on and to which channel it is tuned. The methods are quite different. Concerning our relationships with them, we know A.G.B. Ltd. very well. Their statisticians are acquaintances of ours and there is a fairly free flow of information about what they do and how they do it on a purely private basis.

1341. Do you regard their method as reliable as your own?—Oh yes.

1342. Why do you not use the devices for metering what programme is being viewed?—There are several reasons. The most important reason is that a meter on a set can only tell you when the set is on and off and it cannot tell you who is viewing it or how many people are viewing it. There are ways by which you can supplement meter measurement, for instance, by asking the members of

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the household in which the meter is installed to keep a diary record of their viewing and this is done by A.G.B. We prefer our own method of asking a sample of people directly what they listened to and viewed the day before. We believe that it is a more sensitive and a more reliable method of getting that kind of information. Certainly I think that there is probably very little difference between the two methods. If we tried the meter method plus diaries, we would get very similar results.

1343. How does the expense of the two methods compare?—The meter method is considerably more expensive.

1344. I take it that the meter tells you the answer in the same household month after month, whereas you ask different households?—That is right.

Mr. Whitaker.

1345. Allowing for the difference in approach, does the disparity between the two sets of figures surprise you?—No. The disparity is, of course, much more illusory than one might imagine by looking at the published statement. The causes of the difference in the audience statistics are easily explained and are quite well known by all of us in the field. There are several reasons for the difference, which have been set out in several publications. Fundamentally, set measurements and viewer measurements cannot be expected to yield the same answers, so if the results differ it is no great surprise. Furthermore, the population samples differ. The A.G.B. sample is a sample of private households in which there are sets capable of receiving I.T.V. transmissions, whether or not they can receive B.B.C. transmissions or, indeed, any transmissions at all. Our samples are of the total population irrespective of whether they have television sets. Also, the period over which these averages that are quoted are taken differ. For one reason or another we choose a particular period of time and A.G.B. choose another. There is nothing sinister about it.

1346. The public find it rather confusing that the J.I.C.T.A.R. method always seems to make the I.T.V. seem better, whereas your method always seems to make the B.B.C. seem better?

—Yes, this is unfortunate. It is not due to sharp practice on our part, of course.

1347. Is there not a case for having one agreed impartial body to carry out this work, because what you really want is factual data?—Yes, but there are snags in doing this. The meter method can only give television audience measurements at best and, in our opinion, it does it rather expensively and not quite efficiently. We are providing information about radio as well and the mere idea of trying to meter all radio sets, including portables, is so grotesque that I do not think anybody has seriously considered it. They would not be interested in paying for a service like that and we would not be interested in not doing it.

1348. On the common ground has any joint approach been tried?—I think I am right in saying that it has been considered several times, but it has never got off the ground. The difficulties have proved to be so great that the approach has almost immediately been abandoned.

Mr. Costain.

1349. How many staff do you have and how long do they stay on this particular job?—The total number of staff in the department is, I think, 112. Some of them have been there a long time.

1350. Do they get fed up with doing it or do they become so interested in the work that they want to stay on and do this sort of research?—Obviously some of them—including a number of the more senior members—find it so fascinating that they have been there for over twenty years, including myself.

Chairman.

1351. Could we be told the total cost of the audience research department annually?—(Mr. Lamb.) Before Mr. Thorne answers that question, may I just revert to the previous question. Audience research is a professional exercise and, therefore, the movement in and out is as between the audience research department and comparable work outside, rather than as between departments inside the Corporation. (Mr. Thorne) The total cost in 1967/68 amounted to £250,000.

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1352. Could you say, if not exactly, approximately what proportion of that was concerned with audience size as opposed to audience opinion, which is a separate exercise?—(Mr. Morgan.) It was, in fact, £139,000 in the comparative period.

Mr. Macdonald.

1353. Mr. Emmett has just told us that the meter method used by I.T.V. is much more expensive. Are you in any position to give even an estimate of how much that costs?—There was a press release last July which gave a figure of £410,000 as the value of the contract signed by JICTAR. (Mr. Thorne.) The £250,000 I mentioned covers both radio and television.

Mr. Whitaker.

1354. Could you tell us, as a matter of general B.B.C. policy, to what extent do you weight the importance of the number of the audience?—(Mr. Lamb.) Many different factors are involved here. This is a very complicated question. Obviously, it is important. It is important because unless one knows whether the target audience is being reached—each programme has a target audience as well as generally hoping to get as many people as possible watching or listening—one lacks one essential fact in deciding whether or not the programme has hit that target. There are many other ways whereby one arrives at an opinion about whether a programme is successful or not. There is the professional view of those inside the broadcasting world; there is the view of critics; there is the view of our many programme correspondents—each year we have about a quarter of a million letters on programme matters from people who have a particular interest in particular programmes. Therefore, there are a number of factors that one has to weigh up. Another audience research factor is whether or not those who saw or heard programmes liked or disliked what they saw or heard, and why. That, obviously, is an important part of it and Mr. Emmett can speak about the way in which we assess this if the Sub-Committee would like to hear it. The size of audience is obviously an important consideration, but it is by no means the overwhelming criterion for whether or not a programme is regarded as successful.

Chairman.

1355. Could we put the question in a slightly different form. Apart from trying to find out whether the target figure for a programme has or has not been hit, to what other use do you put the size of the audience research information?—Certainly it is a factor in deciding, for example, whether a programme is rightly placed or not rightly placed.

1356. You mean in terms of time?—In terms of time. That is one consideration. If a particular kind of light entertainment programme has evidently failed to command a large audience, that *ex hypothesi* is more of an argument against continuing it than, say, if Sir Kenneth Clark's series had commanded a small audience, taking the obvious extreme. In other words, one has to assess the bearing of these figures in terms of what sort of programme you are dealing with.

Mr. Whitaker.

1357. Would you say that your approach is nearer to providing the public with what they want to see than what they should see?—In the presence of Mr. Shields, who was a member of the Pilkington Committee and if you remember, the Committee refused to be impaled on the horns of this particular dilemma, we should say that we are trying to provide programmes that are worth showing which will, on the one hand, be popular in some sense and on the other extend the range of worthwhile experience of the potential audience. I hope I am quoting correctly from the Pilkington Report. Therefore, these two factors could be brought together.

1358. You need not pay such respect to audience ratings as your commercial competitors—that is one of your advantages?—I would hope that we should never regard it as the overwhelming criterion for deciding whether or not to put on a programme.

Chairman.

1359. You have told us approximately the size of the sample you use. To what extent have you experimented with smaller samples and compared the results to see whether or not you are using as small a sample as you dare?

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—(Mr. Emmett.) The size of the present sample is determined more by the need to provide information about some section of the population, like the regional populations. If we went very much lower, then the number of people in various parts of the country—Wales and Scotland for instance—would be too few to make any statement about it at all. It is the size of these sub-groups that determines it, rather than the total size. It is just possible that we might be able to get almost equal reliability with slightly smaller samples, but one would not dare to go much lower.

Mr. Costain.

1360. I had a letter from a constituent last week saying that there ought to be a programme on stamp collecting. How do you respond to something like that? Do you wait until you get 500,000 letters, or do you initiate it?—(Mr. Lamb.) So far as audience research is concerned, perhaps Mr. Emmett might like to say a word about the pretesting of pilot programmes, which is an important part of the work of the audience research department, and then I will come back to the general question. (Mr. Emmett.) There are a number of possibilities for exploring the appetite for programmes of different kinds. We do run a large number of surveys of various kinds with that object in mind. We might be able to assess the demand for stamp collecting, but more formally still, if we get to the stage of producing a pilot programme, a trial programme, then we can and do try it out on the public to see if it is worth investing more funds in it or whether it is likely to catch on. This can be done by, among other things, making inquiries amongst samples of a relevant section of the population.

1361. I do not think this particular person would consider it a children's programme?—(Mr. Lamb.) Most subjects have been covered by programmes at one time or another. I find it very difficult to think of any that have not, but I say that cautiously. We have some experience, therefore, of what sort of size of audience is available for this kind of programme. Take a subject like fishing, when we only had one channel we really did not think there was a sufficient audience to justify using some

of the very limited time. However, since we now have two channels, we have run two series on fishing and evidently they have been of interest, but only to a relatively small audience. I do not mean to say that it is an unimportant audience, but you cannot do everything. However, it is providing something sometime for as many people as possible and then seeing how worthwhile an audience is.

Mr. Marten.

1362. With a programme like "That Was The Week That Was", why did you close it down? Was that as a result of audience reaction?—No, Sir. Every programme has a natural life cycle in my experience. I think I will speak personally in answer to this question. It is a question of judgment as to when a programme has exhausted its creative impetus. That was one of the factors which led to the decision to discontinue "That Was The Week That Was" although not the genre of programme which went on in other forms. There is also the question of timing in connection with programmes of this sort and, clearly, a decision on whether to continue a programme or not is dependent on what is happening in the world outside. The short answer is no, not simply in terms of diminishing audience.

1363. But you were able to test the diminishing audience and the number of complaints about it?—Certainly. Speaking from memory, I would not say that the number of complaints about it had increased and therefore that was a material factor.

1364. But the declining audience?—It was a factor, but I would not like to speak more precisely than that without the hard facts.

Mr. Lewis.

1365. Is that the case, because I read at the time that the audience was increasing, that the programme was very popular and was growing in popularity and that it was political pressure that brought it to an end. Was there anything in that?—No, Sir. It is true, as the Director General, Sir Hugh Greene, has publicly said, that one of the factors that led him to think that it might be wise to take it off at that particular time was the approach of a general

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election. I think it was the 1964 General Election. This kind of material might have had an effect which we would not wish it to have in those peculiar political circumstances. I cannot quote from memory, but I remember that he did make this point and I am sure that this was a factor in the decision. On the general question, I should like to check the facts. I am pretty sure that the audience was diminishing.

Mr. Marten.] I did get a letter from them saying it was.

Chairman.

1366. You have told us something about the methods for analysing the size of the audience and the quite different methods for analysing their reactions. First of all, what is the fundamental reason for a different technique?—(Mr. Emmett.) It would be impractical to graft further questions onto the interview which we conduct to find estimates of audience size because the range of variation in audience size is so enormous. Some broadcasts have very small audiences indeed and however large the sample, we would only get a handful of people who viewed them. Clearly, we could not use samples of such a trivial size as four or five people to provide valid estimates of reactions to those programmes. Therefore, we have to design different kinds of samples and that is really why we have panels of listeners and viewers to whom we send questionnaires about specific programmes. We do not use the panels to provide us with estimates of listening and viewing audiences because we know by definition that they will not be representative of the population in those terms.

1367. If they are not representative of the population, what prompts you to use them to give reactions?—I said, “in those terms” rather deliberately. I wanted to imply that they are representative of the audiences of specific broadcasts but their behaviour relative to the total listening and viewing does not represent the total population. It would be ridiculous for us to have on those panels people who confined their viewing to I.T.V. because, by definition, they would not be viewing B.B.C. programmes and so we would be throwing our money away by sending them questionnaires.

1368. Does the use of a panel to give you the answers to questionnaires entail choosing individuals who are known by their interests to be likely viewers of certain programmes, for example, fishing?—We certainly do not attempt to balance our panels with people who have all sorts of interests, such as fishing. We use much more general questions like their general interests in different kinds of material, such as, drama, music and so forth.

1369. How long do they remain on the panel?—We have four panels. They are not all treated alike. There are two viewing panels, one for viewing generally and one consisting of people who have sets on which they can receive B.B.C. 2. On both those panels the term of office is six months. They serve for six months and then they are replaced.

1370. What is the process by which their successors are chosen?—We select the members of our viewing panels from people who have been interviewed in the course of our survey of listening and viewing. We know their names and addresses and we write to them and thank them for sparing time to answer our interviewer's questions. We say, “We wonder if you would help us further by completing the enclosed questionnaire” and in this way we find out what their interests in viewing and listening are. One question we ask them is, “Would you be prepared to serve on our viewing panel if we ask you to do so?”. If they say yes, and the vast majority do, and we want them, we write to them again, thank them for completing this form and say, “We would like to enrol you on our viewing panel for the six months beginning on. . .”.

1371. Is there any pay associated with it?—None at all.

1372. Do you have any difficulty in getting enough people?—None whatsoever. There is a slight difficulty in respect of our regional listening panel. We have special panels in each of the regions and in some of the smaller regions, notably Northern Ireland and Wales, we are running rather low on our stocks at the moment, but we have means whereby we can improve this.

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Mr. Lewis.

1373. I think it was about ten years ago when you first sent out general invitations to the public to become members of the Audience Research Council, as it was then called. Is that how this committee was formed?—It dates back very much further than that. It goes back to pre-war times.

1374. I know of five people who applied and they have never heard a word from that day to this. They received no acknowledgement or answer?—I am very surprised to hear that.

1375. They still expect to be called before they get into that little box and go to some other place. Do you just forget them?—All applications are dealt with by the relevant section of the department and if I had ever heard a suggestion that we were being remiss in this respect, I assure you that I would have done something about it. I will chase it up when I get back.

Mr. Macdonald.

1376. I had understood from Mr. Emmett's previous reply that the panels were chosen by the B.B.C. picking people from those responding to the more general inquiry. Am I to understand that some people write in in addition to that agog to be members of the panel?—None of the viewing panel members are recruited by any means other than the one I have so far described. There are two other panels and the regional listening panel. We are sometimes forced to recruit additional members by inviting people to write to us, usually by an invitation over the air. In the case of the Third Programme panel, where we have a special panel of listeners to the Third Programme, this is invariably the case.

1377. If somebody wrote in and wanted to be on the panel for watching T.V., this would damn him?—Effectively. We should probably say, "We suggest that you keep an eye open and if we advertise. will you please apply".

Mr. Whitaker.

1378. Do you do any depth research to find out the effect of certain programmes?—I think we can safely claim to be the organisation that has done more of this than anybody else. Over fifteen years we have periodically been asked to study the short-term effects produced by specific programmes and we have done that sort of research. We have carried out about nine or ten studies on different kinds of programmes over the years.

Chairman.

1379. Is it your opinion that it is a practical proposition to get reliable results from such research?—Yes. I hope I made it clear that I am talking about the short-term, immediate effect of specific programmes. I am not talking about the general effect of television on the population over a generation or two. That is quite a different problem.

1380. When you say short-term, do you mean days or months?—Days. We are concerned with the communication of information—whether or not people have learned anything from a broadcast—how it affects their attitudes in the relevant areas. This is the sort of thing we study. Some years ago there was an hour-long documentary on television on capital punishment and this was one of the programmes we studied. We were asked to discover whether the experience of viewing this particular documentary had led people to change their minds about the question of the abolition of capital punishment.

1381. How did you set about that?—That was a rather special case. About two months before the programme went on the air—we knew when it was going to be transmitted—we questioned a sample of potential viewers of this particular programme and we asked them for their attitude on a number of social issues. We used attitude scales in the way the social psychologist familiarly does. We were careful to avoid concentrating on capital punishment and we included a number of other social issues. After the programme had been transmitted we again approached the same people to find out whether or not they had viewed the programme and then questioned them, again using similar psychological instruments.

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Mr. Whitaker.

1382. Can you remember the result?—It was an interesting case because there were almost as many abolitionists who moved towards retention as retentionists who moved towards abolition. The programme was deliberately and carefully designed to sit on the fence. It was not setting out to be an instrument of propaganda for one side or another. If it had, I suspect that we would have found a different answer.

Chairman.

1383. Are there any other methods, apart from those to which you have alluded, for keeping in touch with the public which you are using?—There are no social scientific techniques other than this formal sampling and sample inquiries, of course.

Mr. Whitaker.

1384. Do you feel that the people writing the letters are typical of the public?—No.

1385. How many letters a year do you get from Mrs. Mary Whitehouse? Is there a special department?—(Mr. Lamb.) We endeavour to deal with all correspondence as courteously and as informatively as we can.

Chairman.

1386. Is this audience research cost a shared service like a number of other items?—Yes.

1387. How do you decide which are the programmes to which you will get reactions?—Clearly, there is a kind of infra-structure of audience research which goes on from year to year. Then there are particular projects that are undertaken in the course of a year and the money for these comes from the particular output directorate concerned. If, for example, television wants a special study carried out on a particular question—

1388. For example, the Forsyte Saga?—Yes, then they will say that they would like this carried out and if Mr. Emmett has the resources to do it, he will do it. The cost for that particular study will be met out of the television budget and similarly with radio. Mr. Emmett has a budget which covers a certain number of these special projects

in any case year by year and then any additional money is found by the director concerned and we have a system of internal meetings to ensure that this is so.

1389. How does the cost of all this compare with preceding years? Is it growing or diminishing?—(Mr. Thorne.) The direct costs over the past four years are as follows: £236,000 in 1964–65; £229,000 in 1965–66; £234,000 in 1966–67 and £250,000 in 1967–68. Over a matter of four years, taking rising costs into account, they are really at a comparable level.

Mr. Macdonald.

1390. What are the criteria for appointing members to the Advisory Council?—(Mr. Lamb.) In the General Advisory Council we seek—as is described in the Handbook—a distinguished representative membership. We are primarily looking for people who, one way or another, have arrived at a point in their profession or walk of life which means that they can speak with some authority and experience about the particular thing which it is hoped they will bring to bear on the work of the B.B.C. It is partly for that reason that the number of members has increased. I think it is certainly arguable that the present number is too large. However, it is large because we want as broadly representative a membership as possible. That is also a reason for the average age of the Council, which I could not tell you off hand but which I could easily provide, being rather high. It is for that reason that we are looking for people who have arrived in their professions or jobs. We are also looking for people who have the time to spare and we are conscious that we need more young people on the Council. Therefore, we have made a concerted effort to add a number of young people—two so far in the last six months—in order to ensure that the Council is more representative. There are many other points which arose about which you might like to hear a B.B.C. view, but I would not want to go further than that in the absence of other questions.

1391. I should like to pursue this. In going for people who have “arrived”, you are confining your selection to a particular stratum. I am not necessarily referring to the financial aspect of this,

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but you are confining your selection to people who have made a success of their lives. Do you feel that this is in any way a defect?—It has its dangers, Sir. We have many ways, as I have tried to describe, of learning what the public's view may be. This is one of them and only one of them. I think that for the B.B.C. to have access to this kind of high level advice is very important indeed and this is one means whereby it can find out what the public thinks about what it is doing. In all sorts of ways other people bring their views to bear on us. The question is simply how best to find members for this particular Council.

Chairman.

1392. Would it be fair to paraphrase that answer by saying that you like to select from those who have made a success of their lives rather than from those who have failed?—Yes, but I do not want to suggest that we do not seek also to have a generally representative element in the Council, because we do. It would be invidious to name names, but we deliberately seek to have housewives, students and so forth as categories, so there are some such members on the Council. However, the main object is to get a distinguished representative membership in the sense I have described.

1393. Do you ever use such a body as The Consumer Council from which to get advice as to whom to select?—We range very widely. I do not recall that particular case, but we do consult very widely indeed about who should serve.

Mr. Macdonald.

1394. If you are seeking to include a limited number of housewives or people representing housewives, is there not some danger that on a Council of this size, with some members of very appreciable distinction, the housewives might be overawed and sit mute throughout the proceedings?—It is my belief that the strength of the Council's arrangement is precisely its informality. One can, of course, argue that if the Council were to be more formal in its method of appointment and in its procedures, it might be seen to bring public influence more effectively to bear on the decisions of the B.B.C. That is

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perfectly arguable. Personally, I do not agree with that because I think that by the kind of informality which Mr. Shields was earlier describing, people who join the G.A.C. do create relationships with those inside the B.B.C. which enable them to bring their opinions to bear more effectively, if less formally than might otherwise be the case. I do not think that necessarily more formality would lead to more effectiveness and I think what matters is that the B.B.C. should be constantly exposed to people who have a standing in different places who are in touch with the B.B.C. and who can make their opinions known, so that the people who run the B.B.C. pay attention to them, because it is a part of their whole life. I think that Mr. Shields makes an important point in his memorandum on this matter when he says that the regular meetings of the G.A.C. is a factor in the minds of all those who work in the B.B.C. because you have to answer for what you do on what is a semi-public occasion, with all the governors and directors present. From this point of view it is also a useful check on any tendency to irresponsibility in the exercise of the B.B.C.s power.

1395. What disadvantages would you see in either having the meetings in public or having the minutes published, or in having both?—When I was appointed to my present job at the beginning of this year, one of the tasks I undertook, and it was publicly stated, was to look at this whole question of the B.B.C.s advisory machinery and to consider in what ways it might be improved. We are doing that now. We shall, of course, be discussing with the General Advisory Council and the Regional Advisory Councils and no decisions will be made until this has been discussed. The business committee knows this and will find time for such a discussion as soon as is practicable. This is one of the subjects to be discussed, namely, the question of more publicity. I think it is very important that confidentiality should obtain over a very large part of the Council's proceedings because many of these matters are confidential. We do want to take the Council fully into our confidence in order to get their frank advice and if you make public statements about some part

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of what is done, then you have to face the fact that this is a large body of people and the pressures on so large a body of people to open up any information which may be provided following a Council meeting would be very considerable, especially when there is particular public interest in a particular matter. If you take the G.A.C. and the Regional Advisory Councils together, this comprehends a body of about 140 people. Therefore, the question of what publicity you give depends on the answer to the question: how essential is confidentiality to the effectiveness of the working of the advisory machinery and how far, if you breach it, can you, in fact, ensure that that which is confidential to the B.B.C. and the Council as a whole remains so, even if you talk about it as widely as we do if we consult these bodies. I do not want to be misunderstood. I am not saying that there should be no publicity; I am simply saying that there are very real problems here and they are under active consideration at the moment.

1396. I take it that you would agree with the observation by Mr. Shields that you might be a little inhibited if the meetings of the Council were public. Would this apply even to the publishing of the minutes, or part of the minutes? —Yes. The minutes of the meetings at present are pretty full. They contain a record of what is said; they are confidential. If they were to be published, clearly they would have to be cut back enormously and would simply be a record that such and such a subject was discussed, the B.B.C. stated its view and so forth. It would change the nature of those records of the proceedings, which have a value to members of the Council.

Chairman.

1397. Would you care to comment on some form of compromise proceedings which would not affect the confidentiality of the discussions, but which might involve the publication of an agreed statement which did not purport to tell the world everything that happened, but which confined itself to those facts which you thought it would be in the public's interest to disclose?—There is provision with two of the Regional Advisory Councils for just that to be done; it

has been done in the past. This is very much one of the possibilities.

1398. Is it used much?—No, it is not because, as I mentioned earlier, if you state anything there is always pressure to state more. It is not necessarily to the advantage either of the Council or the B.B.C. that the proceedings of the Council should be published.

1399. You confine the criteria as to whether or not it is in the interests of the B.B.C. Surely, one of the additional criteria is whether or not it is in the interests of the public?—I think that the representative of the public's interest is the Board of Governors and the Independent Television Authority in the case of the Authority. These are the bodies which represent the public's interest. That is what they are there to do. In the case of these advisory bodies, they are a very important source of information of which the B.B.C. can make use. They often supplement the other methods by which the B.B.C. can obtain the public's view on particular issues that are raised, whether by the Council or by the B.B.C. Therefore, with this process whereby the advisory councils express their own views and express them forcefully and frankly to the B.B.C., there is a real and full exchange of views on any subject that comes up. We are looking at the question of whether or not this process will be enhanced by the publication of the proceedings. If I may come back to the particular point you made, yes, certainly this is one of the proposals that we shall be looking at in the course of the review which I mentioned.

Mr. Costain.

1400. Has it ever been announced on a B.B.C. news broadcast that this Council has sat and do you not think, in this age of participation, that it would help the B.B.C.'s image if the public knew that such an eminent body did seek to take note?—To the best of my knowledge meetings of the G.A.C. have not been announced. Certainly meetings of the Regional Advisory Councils have been announced. I was in Plymouth about three weeks ago for a meeting of the South and West Advisory Council and that meeting was very much publicised. The difficulty is that if you just announce that a meeting has taken

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place, it does not carry you very far. If you can say that a particular subject was discussed, then naturally it is of more interest to the public. If you take the question of the Manchester headquarters, which has been a subject of some interest recently, if you said that this subject was discussed, the next question would be, "What was said?" and then you come into the area of what the B.B.C. said in reply and that may not be a matter which is suitable for publication. This is the difficulty which this whole process always runs into. There may be ways round it, but I certainly think it is desirable to publicise more the existence and activities of these bodies. We have done something towards this. The particular method Mr. Shields referred to might be one way of doing so. When new members are appointed, we try to make sure that this is publicised in their local papers, and so on, and that the places they come from know about this. We try to use the Radio Times in this respect regionally to publicise this information. I am sure that more needs to be done in this direction, but it is not an easy question to answer.

Chairman.

1401. Mr. Shields said, quite frankly, that he was unable to answer one question which was put to him. Is there a corresponding Council for the I.T.V.? —Yes, there is, but it has only recently been set up.

1402. Is it the intention of the B.B.C. to establish any form of co-ordination, joint working or consultation between the two, or is it your intention to keep them entirely apart?—I do not know that the matter has been raised. We have had this Council for a very long time—for 35 years or so. In the case of the Central Religious Advisory Committee, the I.T.A. decided to make use of that Committee, although it was already in existence for the B.B.C. In this case they did not make such a suggestion. There would be difficulties, unquestionably, for the same reason, of the frank disclosure of confidential information within the Council. However, I am simply answering the question by saying no, it has not been raised.

Mr. Costain.

1403. If one of the members of your Council was asked to join the I.T.A., would you consider that a friendly act on the part of the I.T.A. or on the part of the individual who accepted?—Certainly people are very good—as they always are in public life—about saying if they are invited. I think it would make it much more difficult for a man to do his job in respect of the B.B.C. if he were also on the I.T.A.'s advisory council, and vice versa. Apart from anything else, it is very difficult to remember what you know and what you do not know.

Chairman.] You mean what you ought to know! I think that covers the ground. Thank you very much indeed.

MONDAY, 19TH MAY, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. Macdonald.

Mr. Neil Marten.

Examination of witnesses.

Mr. D. G. C. LAWRENCE, O.B.E., Under-Secretary, Broadcasting Department, Post Office, called in and further examined.

Mr. N. M. JOHNSON, Assistant Secretary, Broadcasting Department, Post Office, Mr. G. S. DOWNEY, Assistant Secretary and Mr. J. A. FOWLES, Principal, Treasury, called in and examined.

Chairman.

1404. Good afternoon, Gentlemen. First of all, we want to get some idea of the effect of the Post Office Bill on the situation that has been described to us already by you and your colleagues. Could you tell us what changes will flow from the passing of the Bill, in the context, of course, of the B.B.C.? —(Mr. Lawrence.) The essential statute governing the B.B.C. is the Wireless Telegraphy Act, 1949. This is the Act which requires anybody who wishes to engage in any form of wireless telegraphy to get a licence from the Postmaster General. That power will remain with the Government. Under clause 3 of the Post Office Bill, the powers which now attach to the Postmaster General in respect of wireless telegraphy will attach to the prospective Minister of Posts and Telecommunications. Therefore, just as at present the Postmaster General licenses the B.B.C., so in the future the Minister of Posts and Telecommunications will license the B.B.C. From that, I think, the total operation flows. The licensing of receivers which is the basis of the B.B.C.'s finances, will be reserved to the Minister of Posts and Telecommunications and the task of ensuring that the revenue is collected will remain with the Minister of Posts and Telecommunications. Therefore, the licensing of the B.B.C. to operate and the licensing of viewers and listeners to secure the B.B.C.'s income will both be reserved to the Minister of Posts and Telecommunication.

1405. In connection with licence management, at the moment the B.B.C. is dealing directly with the Post Office. Will

that continue or will the deals in future be with the Corporation?—The responsibility for collecting the revenue will remain with the Minister of Posts and Telecommunications; the operational task of selling the licences across counters and of enforcing the licence fee system generally will be done for the Minister by the Post Office Corporation as an agency service.

1406. Take as an example the wish of the B.B.C. to see some increased effort made to stop evasion. Will the suggestion go direct to the Corporation which is the effective acting agent, or will it all be done through the Minister? —I should have thought that the right course would be for the B.B.C. to represent any views it has about the efficiency of licence collection to the responsible party, that is to say, to the Minister or to his officials. It would be for them to make sure that their agents were performing efficiently.

1407. Why would you think that that was the right course when, in fact, the effective people are those with whom obviously the B.B.C. would wish to have first-hand discussions?—I think you must deal with the principals rather than with the agents. The responsibility would be that of the Minister of Posts and Telecommunications. He would be answerable to Parliament for the collection of the revenue.

Chairman.] That may be an argument, but I would not have thought it was a conclusive one.

Mr. Macdonald.

1408. I should like to ask, not so much about the merits, but about the

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[Continued.]

mechanics. Mr. Lawrence has just told us what he thinks the right course would be. Am I to understand from that that the B.B.C. could, if it wanted to, make representations direct to the Corporation and by-pass the Minister?—No, I put it the other way round. I should have thought that the B.B.C. ought to deal directly with the Minister or with his officials, not by-pass him. One would hope that there would be such a close working relationship between the Minister as principal and the Post Office Corporation as his agent that if one really wanted to pull in people from the Post Office Corporation to give direct evidence of their experience to the B.B.C., this would be a matter for ordinary working arrangement. However, if one is talking about the principles of the matter, then it seems to be necessary that the B.B.C. should address themselves to the responsible party.

1409. It is the use of the word, "ought" which worries me a little. I am not seeking to challenge the rightness of your view; I am seeking to establish whether this is what must happen and will happen?—I should say that this is what will happen.

Mr. Costain.

1410. One of the problems about which there is likely to be some discussion if not misunderstanding is the fee to be charged by the Corporation for collecting the licence fees. During the debate in the House I challenged the Minister about this and he gave rather a different answer for the fees being charged for collecting the licence fees from the answer this Sub-Committee was given at a previous meeting. Can the Corporation charge what they like for collecting the licence fee with a percentage deduction? What control have we over them?—The questions which have been asked in this Sub-Committee have, so far, been addressed to the *status quo* situation in which we have been referring to the Post Office costs of collection at various stages—selling the licence over the counter and behind that the whole system of enforcement, sending a regular series of reminders, visiting, running our detector car fleets and in the end, where necessary, prosecuting people. So far the questions have always been addressed to

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that situation and to that, of course, answers have been given.

Chairman.

1411. I think the question really is to find out the extent to which those answers will no longer be the right answers in the new circumstances?—In the new circumstances the management of the licence fee system will be governed by a contract to be settled between the prospective Minister of Posts and Telecommunications and the Post Office Corporation. Such a contract will, of course, provide for the remuneration of the Post Office Corporation for doing the work.

1412. With whom will the B.B.C. negotiate for this? Will they have any say at all in the amount that will be deducted from the gross figure?—In the end this will be a matter between the Minister of Posts and Telecommunications and his agents. That must be the final position. One would expect them to keep the B.B.C. informed of the way things are going so that the B.B.C. would have the opportunity of offering any observations they wanted to offer on the negotiations.

Mr. Costain.

1413. It is more than observations. The Post Office would be given a monopoly to collect the licence fees. The Post Office Corporation will be, in effect, an organisation which makes profits. Supposing that they want 25 per cent. of the fee for collecting the licences, what redress does the Minister have if the Corporation says, "These are our terms, like it or lump it?"—I find it very difficult to believe that the Post Office Corporation will take up a position that it will only do it this way.

Chairman.

1414. I think it is important that the Sub-Committee should have quite clearly stated to it where, ultimately, the power to say yes or no resides?—(Mr. Johnson.) I think that ultimately the power here will rest with the Minister. The Post Office's duty in this function will be to pursue its financial objectives.

Mr. Costain.

1415. Which are?—Which on this kind of transaction is to make a 2 per cent. return on turnover overall.

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[Continued.]

Chairman.

1416. Are we to understand that the Minister will be negotiating so to speak for his godchild, the B.B.C., if I may use plain language?—Yes. (Mr. Lawrence.) Yes, this will be the position.

1417. Is it expected that there will be any change in the ability of the B.B.C. to call on the technical side of the Post Office staff as a result of these changes?—Of course, the B.B.C. have their own highly skilled technical departments. I should not have thought that either now or in the future they will need to call, departmentally, upon technical advice in order to undertake their projects. However, the Ministry of Posts and Telecommunications will certainly have its own technical unit for its own purposes, one of which will be to help it verify the sort of technical proposals which the broadcasting organisations may from time to time want to make.

Mr. Costain.

1418. May I go back to the previous question because I am not satisfied with that answer. I said that the Post Office would have a monopoly to sell the licences. One of the witnesses has told us that the Post Office Corporation expects to make 2 per cent. on its turnover, which is presumably 2 per cent. profit on its turnover?—(Mr. Johnson.) Yes, that is right.

1419. If the Post Office Corporation has a monopoly to sell B.B.C. licences over the counter, it is going to make 2 per cent. plus the cost of collecting. Who is going to be the judge of how, in a Post Office, you ascertain the cost of collecting the licences, because I think it would be impossible to assess whether or not a particular Post Office needed extra staff to collect these licences? In some Post Offices they could do it in their spare time; in others they may need an extra person. Is a limit laid down anywhere as to what charge they may make?—(Mr. Downey.) I think this aspect is only one part of a much larger problem. If one were looking purely at the collection of licence fees, I think this problem of identifying the exact cost of this particular service would be a very real one. In fact, the Post Office Corporation will be carrying out quite a number of counter services for Government Departments generally—vehicle

licence fees for the Ministry of Transport, various pension arrangements for the Ministry of Social Security and so on. I think that this question must be looked at in the round and negotiations are at present being undertaken to settle the sort of terms on which the Post Office Corporation can charge for these services to Government Departments. There is another side to this question. Government Departments do undertake certain tasks for the Post Office Corporation and will do so in the future. There is a question to be decided as to whether not only should the Post Office Corporation charge a profit on the services which it provides for Government Departments, but equally on the other hand whether the Government Departments should charge some sort of margin over and above their costs on the services which they provide for the Post Office Corporation.

Chairman.

1420. Which Minister will be responsible for the Corporation?—(Mr. Lawrence.) The Minister of Posts and Telecommunications.

1421. In the case of the fee to be charged for pension arrangements, that Minister would negotiate ultimately with the other relevant Ministers, and, failing agreement, presumably the matter would go to the Cabinet?—(Mr. Downey.) The intention is that there should be an overall agreement with the Post Office Corporation whereby the same sort of terms would be charged by the Corporation for all the services it provides for Government Departments. It is more sensible that there should be a standard arrangement for charging than that each one should be negotiated individually with the Departments or the Ministers concerned with a particular service.

1422. Such an ultimate arrangement will, presumably, consist of a formula in relation to costs?—Yes.

1423. Who is to determine costs in this instance, because if the formula is going to have costs as its basis, some theoretical or negotiable factor in addition to costs will have to be the foundation for working this out. The reason why the Sub-Committee is bound to approach this aspect of the matter differently from the matter of pension

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arrangements is because the amount of money available for the service affects the customer. It is not so in the case of pensions which are laid down by statute. Whatever it costs to pay out pensions, the pensioners do not suffer. If it costs too much to collect the licence fees, too much is deducted and the viewer has a poorer service. Therefore, I should like to have confirmation that the arrangement with the Corporation to give service to the B.B.C. in the form of licence money is a different arrangement from any other arrangement for a Government service rendered by the Corporation?—I think the checks which would be required are the same in each case though. Clearly, there is no intention of paying to the Corporation on the basis of estimates of costs which are not verifiable. There are to be arrangements for post-costing and arrangements for scrutinising the costs which the Post Office Corporation assess as attributable to each service.

1424. Does this mean that the B.B.C. cannot be told at this moment in time whether their revenue from licences will go up or down, not by the number of licences but by the amount of discount which the new arrangement will require as opposed to the old, because nobody can tell what the new one means yet?—(Mr. Lawrence.) It is true that no contract has yet been concluded with the Post Office Corporation for the collection of licence fees and it is certainly true that until the terms are finally concluded one could not tell the B.B.C. exactly what their expectation of licence revenue should be.

1425. When is it expected that negotiations will be completed?—The particular contract has to wait upon the settlement of the more general discussions which are now being conducted, I think, centrally by the Treasury for Government Departments as a whole.

1426. When is it expected that that will be concluded?—(Mr. Downey.) I should think within the next two or three months.

Mr. Marten.

1427. I should like to ask about your expression that we must look at it "in the round". Is the implication of that that somebody who buys a television

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licence through the Post Office and who does not have a car and, therefore, would not have to buy a car licence, might have to pay marginally more for his television licence because you are looking at it in the round?—I did not mean to imply that. I did not mean that there should be cross-subsidisation between the payment for one service and the payment for another service. In determining the terms which the Post Office Corporation could charge for the services it provides for Government Departments, it seems sensible to have a single formula on which, for example, the profit at issue would be the same in each case. However, the intention would be to cost the services quite precisely and to that extent there should not be any cross-subsidisation from one service to another.

Mr. Costain.

1428. On this 2 per cent. basis, roughly it is going to mean that the new Corporation is going to collect something like £1½ million of the licence money plus the cost of collecting?—(Mr. Fowles.) It is 2 per cent. of the costs; it is not 2 per cent. of the turnover including the licence revenue.

1429. What is turnover then, please?—(Mr. Lawrence.) There might be a confusion here between the amount of revenue collected, that is to say the figure of the order of £100 millions a year, and the cost of collecting the revenue. The 2 per cent. does not, of course, relate to the total amount of revenue collected.

Mr. Macdonald.

1430. Nonetheless, if the cost of collection were to be exactly the same as the result of applying this yet-to-be-determined formula as it now is, then am I to understand that the deduction will be slightly more than it is now because the Corporation will then charge its existing costs plus 2 per cent. of those costs?—(Mr. Downey.) That is right, yes.

Chairman.

1431. Therefore, the revenue which can be allocated to the B.B.C. will fall by that amount?—(Mr. Lawrence.) To that extent, yes, although it is part of the total concept that the Post Office,

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as a commercial organisation, should have an incentive to do the work. One would expect that payment for doing the work would mean that they would try to do it with even greater efficiency than obtains at the moment.

Mr. Macdonald.

1432. With deep respect, surely the formula now enunciated has the reverse effect? If their profits are to be 2 per cent. of their costs, what incentive do they have to reduce their costs?—(Mr. Downey.) This is the inevitable drawback of any cost plus arrangement and this makes it very necessary that there should be adequate control and scrutiny of the costs incurred by the Post Office.

Chairman.

1433. Has the decision been taken to negotiate on the basis of cost plus, or is it still open for an annual fee to be charged, leaving the Post Office to make the best of it?—Given the complexity of the services which are involved here—this is not just a question of the collection of one licence, but a multiplicity of services for Government Departments as a whole—I think the likelihood is that anything other than a cost plus arrangement would be very difficult to operate.

Mr. Costain.

1434. There are enormous sums involved here. Is the B.B.C. entitled to collect its own licences, because I am quite certain that the B.B.C.'s own bankers have at least as many, if not more, branches than the Post Office has. What is to stop the B.B.C. issuing these licences through its bank—it could be Barclays Bank, Lloyds Bank or any of the other banks—which, I should have thought, would be delighted to take on a contract of this sort?—The amounts involved are not great. This is not an addition of 2 per cent. on the licence revenue; this is an addition of 2 per cent. on the cost of collection. If any other agency were used to collect licence fees, they would, similarly, want to charge a commercial return.

Chairman.

1435. Is there any evidence to suggest that the present cost of 1s. would not be attractive to anybody else?—(Mr.

Lawrence.) I do not think that there can be any evidence because the question has not hitherto arisen. One has to observe, though, that under the Wireless Telegraphy Act the licence issued is the Postmaster General's licence; it is not the B.B.C.'s licence. This is what the viewers and listeners are getting.

Mr. Costain.

1436. Although this Sub-Committee was given the figure of 1s., in the House the Minister gave a different figure. When I looked up the evidence it showed that 1s. was the net cost at the counter. Now I have reason to believe that it is more than 1s. Is that correct, or not?—We have the latest figures with us. (Mr. Johnson.) I think the point may be that the 1s.—it is a little over 1s. now—is the cost of issuing the licences at counters. There are other costs in the collection of broadcast receiving licence revenue, namely, the keeping of records, the sending of reminders and the investigation involved. There is also the cost of the interference investigation service which is a charge against the licence revenue. The figures for 1967-68, which are the latest figures we have, are: 13·5d. for issuing a licence, 22d. for records and reminder work—this is the maintaining of records of the licences and sending out reminders to people whose licences are about to expire

Mr. Marten.

1437. That is 1s. 10d.?—Yes, that is right. Licence investigation is 6·9d.; printing, postage, et cetera, is 6·8d. and Headquarters costs come to 2·9d. This adds up to 52·1d.

Chairman.

1438. Could you say why, in answer to Question 50 on the 27th January, the Headquarters figure was given as 1·7d. and is now given as 2·9d.?—(Mr. Lawrence.) Not without notice I am afraid.

1439. Would you look at the answer to Question 50, which gives a series of figures, such as we have heard, and where there is a difference could we have a note as to why the first figure was given and why the second figure is right, or vice versa?—(Mr. Johnson.) The figures we gave you in January were the figures for 1966-67. The ones

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[Continued.]

I have just given you are for the 1967-68 financial year.

1440. There is a substantial increase in the Headquarters costs?—(Mr. Lawrence.) If you would like to have an explanation I will send you one?

Chairman.] Yes. I did not realise that the figures were for different years, but I think we should like an explanation as to why the Headquarters costs have gone up so dramatically.

Mr. Marten.

1441. It has been said that the costs would be scrutinised and controlled very carefully. By whom would they be scrutinised and controlled?—(Mr. Johnson.) Primarily by the Ministry of Posts and Telecommunications who would be the principals for whom the Post Office Corporation would be acting as agent.

1442. Would the B.B.C., who really are the people most concerned, get a chance to scrutinise the costs?—I think we would expect the B.B.C. to raise questions about this if there were a noticeable increase. (Mr. Lawrence.) I would expect the B.B.C. to put any questions it had to ask about the costs of the Post Office Corporation and of the managing of the licence fee system to the Minister.

Chairman.

1443. When we touched on this question before we were told that it was thought that some of the other services across the counter, notably the postal order service, were probably run at a loss, implying therefore that there was an element of subsidisation. Can you elaborate at all on that since that information was given to us and can you give us the costs of any other across-the-counter services?—I have the costs of a number of services here. Perhaps I could read them?

1444. I think the Sub-Committee would be interested to hear them?—The cost per local taxation licence issued is 23d. and in Northern Ireland the cost per local taxation licence issued is, again, 23d. The cost per broadcast receiving licence issued is 14d.; the cost of a Post Office Savings Bank deposit is 20d.; the cost of a withdrawal is 20d.; the cost of a National Assistance payment

is 5d.; the cost of National Health and Pensions insurance payments is 5d.; the cost of an old age pension payment is 5d. and a supplementary pension payment is also 5d.

1445. Is the figure for postal orders given?—I do not have the figure for postal orders.

1446. I believe the poundage charged is 3d. Is it known whether that is more or less than enough to cover the costs?—I do not know the answer to that question without notice. Would you like to have a note on that?

1447. I think the Sub-Committee would be interested, because that is a charge that has been known for some time?—I will send you a note on that.*

Mr. Macdonald.

1448. If enquiries are to be made, it might be useful to know the cost of issuing a dog licence for comparison purposes?—Yes, I will let you have that.

Mr. Costain.] I was under the impression that the figure for the issuance of a broadcasting receiving licence was 1s. 0d. If we add all these figures up we get a figure of 4s. 3d.

Chairman.

1449. No, there is some confusion here. Am I right in believing that the cost of issuing the licence as opposed to anti-evasion and all the other aspects of it is 1s. 1½d., rounded off here in 14d.?—That is so.

Mr. Costain.

1450. You must have the Head Office records on the cost of collecting, surely?—Yes, indeed.

1451. If the Post Office did not collect the licences and this was done by an outside agency, the B.B.C. would be able to pay, as I understand it, 4s. 3d. for the services of servicing, collecting and checking on the licences? Am I right or am I wrong?—I do not think there is any simple answer to this. It envisages, for example, that an outside agency will conduct prosecutions. Without notice, I am not sure that they would be able to undertake this kind of work.

* See Appendix 10, p. 237.

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[Continued.]

1452. How much do the Post Office receive for all the services they give relative to licensing?—(Mr. Johnson.) The total cost for collecting the licence revenue is 52.1d., 4s. 4d. (Mr. Lawrence.) It is 4s. 4d. per licence issued; that is the average cost per licence for the 18 million licences issued.

1453. Which is over £3 million?—(Mr. Johnson.) Yes, it is nearly £4 million.

Chairman.

1454. Will any part of the new Ministry be borne directly or indirectly on the licence revenue?—(Mr. Lawrence.) Yes, as hitherto, part of the costs of the broadcasting department will be a first charge on licence revenue.

1455. Is there expected to be any change in the amount under that heading under the new system?—I can see no reason why there should be. The total effect so far has been an increase of one in the number of staff in the department, but I suspect that that increase would have been necessary anyway. This is a reflection not so much of the change of Post Office status, but simply that the amount of work in connection with broadcasting continues to grow.

1456. Under the form of the Estimates at present one can see the cost of licence management and, therefore, find out what the net revenue of the B.B.C. is. Under the new layout it would appear that that will be obscured. First, would you confirm that that is so, and, secondly, will it be possible to enable the discount to be ascertained by some fresh arrangement of the information?—(Mr. Johnson.) It is, strictly speaking, true that it is not quite so clear under the new arrangement, but the changes are fairly small and the sums of money which are no longer discernible are fairly small. Under the system where we had the broadcasting vote, the payment to the Postmaster General for his functions in running the licence system and in administering broadcasting was shown under subhead C of the broadcasting vote. Under the first Estimates of the new Ministry of Posts and Telecommunications there is a sum, which is nearly the same but for a few thousand pounds, but which is shown under subhead G—Wireless Telegraphy, payment to Post

Office for agency services. This is not quite the same. Subhead G of the new Estimates includes payments to the Post Office for some wireless telegraphy agency services which were not previously shown in the broadcasting vote. These are services to help the Ministry of Posts and Telecommunications in administering other aspects of their control of radio communications. The amount of money involved in that in 1969-70 is of the order of £45,000, which would be met by appropriation-in-aid from the fees for the wireless telegraphy licences. On the other hand, subhead G of the new Ministry's Estimates no longer includes the costs which are now, and which always have been, borne by the Postmaster General's department for Headquarters' administrative costs for those kinds of administration which will continue to be part of the Ministry's work under the new organisation. This amounts to £123,000 in 1969-70. However, the sums of money involved are really quite small and in broad terms subhead G of the new vote is much the same as subhead C of the old one.

1457. With the exception of those two qualifications, one may trace the expenditure from the past into the future by means of those two sub-heads?—Yes, that is correct.*.

1458. The new Estimates include an item, sub-head E.3, for the Open University. Has the responsibility been transferred to the new Ministry or does it remain with the Department of Education and Science?—I think this is only a temporary arrangement until a charter is granted to the open university. The intention is that when the university receives its charter, it will deal with the B.B.C. direct and the payment to the university will appear on the vote of the Department of Education and Science.

1459. In the meantime which Ministry is responsible for its development?—The Department of Education and Science. The sum of money shown here is paid through the Ministry's vote and there is also a supplementary estimate for 1968-69 in the broadcasting vote. However, it is counter-balanced entirely by appropriation-in-aid from the universities and colleges vote.

* The make-up of the old and new subheads is set out in more detail in Appendix 11, p. 239.

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1460. Is the Ministry of Posts and Telecommunications actually in this instance the agent of the Department of Education and Science?—Yes, that is exactly the position.

1461. So it will be for the Department of Education and Science to decide how much money they are willing to put aside for that purpose?—Yes.

1462. Turning now to evasion, in the previous evidence you told us that for some reason undisclosed the fines were not being levied very severely by magistrates and that it was hoped that more deterrents would be forthcoming. Have you any information on that which you were not able to give us last time?—(Mr. Lawrence.) Certainly it has been a matter of considerable disappointment to us that despite the fact that Parliament has raised the minimum fine from £10 to £50 for a first offence, magistrates in general have raised fines by relatively small amounts. I think in the past they used to levy fines of a little less than £5 and now, on casual inspection, they seem to levy fines of a little more than £5. To this extent the deterrent effect is certainly not as effective as we would have hoped. I do not think there is any more information which I can give you about this.

1463. Have any steps been taken to make representations in any quarters?—This is extremely delicate ground. The magistracy are part of the judiciary and under the constitutional conventions the executive does not like to interfere. I think this is pretty common form. We have told the Home Office that we are disappointed and if there is anything which can properly be done it is for them to do it. However, plainly, this is very delicate ground.

1464. You have made representations to the Home Office?—We have told the Home Office that we regard this as disappointing. I think that that is the most we can do.*

Mr. Costain.

1465. But the constitution would allow this Parliamentary Committee to express some surprise at the new penalties

* *Note by Witness:* I find on further enquiry that we have not approached the Home Office since before the 1967 Act. More recently the Postmaster General approached the Lord Chancellor.

allowed by Parliament not being enforced? That would be constitutional?—It would indeed and we would welcome it.

Chairman.

1466. There seems to be a reluctance somewhere, I am not quite sure where, to use the information forthcoming on television sales from retailers in respect of sales prior to the passing of the Act, although it was thought at the time that this would be very useful information which would help you identify the million-and-a-quarter people who view and who do not pay?—I think this must be a misapprehension. The power in question, section 3(2) of the Wireless Telegraphy Act, 1967, empowers the Post Office to call upon dealers to give them details of rentals and other agreements which were in force on the Appointed Day to the Act. The Appointed Day to the Act was the 28th January, 1968. Under the Act dealers have at least a year in which to furnish the information. If we were to ask dealers for this information now and in the near future, getting on for three years would have elapsed since the Appointed Day before the information we are asking for actually became available to us. We think that it would have lost nearly all of its value by the time we received it. It relates to a situation which was fixed in time, the situation as it obtained on the 28th January, 1968. We would be inquiring about agreements which were in force then. It would be about three years from that date before the information became available to us. By that time most of it would have been hopelessly out of date.

Mr. Macdonald.

1467. Could Mr. Lawrence enlarge on that? Why should it take three years from the Appointed Day?—The Appointed Day was the 28th January, 1968. We are now in May, 1969, and a thing of this sort must take two or three months to organise. Dealers must then have a year in which to provide the information. The total amount of time from the Appointed Day to the time when we receive the information is, therefore, approaching three years. We have been informed by the trade that the average life of a rental agreement is something of the order of three years.

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We have supposed that the kind of people we are after, namely, the people who evade paying licence fees, are not the kind of people who hold rental agreements for the full time, but are probably the sort of people who have many and short rental agreements. For these reasons we concluded that the information would be of practically no use to us by the time we received it and it seemed to us that we owed it to the trade not to put them to a great deal of fruitless trouble.

1468. The kind of people who you are after may very well be those who enter into a rental agreement for a short time. Are you concluding from that that when they terminate their rental agreements they no longer have television sets? Surely they continue to have television sets, although perhaps different models?—No, Sir, I do not infer from this that they no longer have television sets. I would suppose that they go and get another rental agreement, perhaps with another company. It would, of course, follow then that under the terms of the 1967 Act we must be notified of that new agreement. We would then be aware of the fact that this person had a television set and we could check on whether he was licensed or not. (Mr. Johnson.) The power we have is only for agreements entered into before the Appointed Day and which are still in existence at the time when the information is supplied, not to all agreements before the Appointed Day.

Chairman.

1469. We understand that there is a big discrepancy between the number of colour television sets sold and the number of colour licences sold. Is there any evasion here?—(Mr. Lawrence.) I have, of course, read the evidence and I can only suppose that this arose out of a complete misunderstanding of the situation. There are some 100,000 colour television licences in force. By the time we have allowed for the stock of colour television sets held, but not disposed of, and I think this is where the discrepancy largely arises, we would put the evasion rate—and it has to be a judgment—at something quite small, it might be of the order of, perhaps, 10,000 licences.

Mr. Costain.

1470. Is it not also true that the actual aerial required for a colour television set is quite a large one and cannot be so easily concealed?—I wish that were true, but unfortunately it is identical with the aerial for U.H.F. reception, so this would be no guide to us. (Mr. Johnson.) Only colour television sets which came into use before the Appointed Day could be in question here. All of the others we shall have heard about through notifications from dealers. As the full colour service did not start until December, 1967, and the system of notification by dealers started at the end of January, 1968, there is really quite a small gap here.

Chairman.

1471. When you said that there was a misapprehension, on whose part was that a misapprehension?—I read the evidence and, speaking from memory, I think it arose from the figures of sets supplied to the home market.

1472. The discrepancy described in Question 624 was something between 150,000 and 75,000?—(Mr. Lawrence.) There must have been a misapprehension in the witness's mind.

1473. But the evidence was not corrected after it had been studied?—I can only say that it seems to us to be a complete misapprehension of the position.

1474. Have you discovered any other instances where the Sub-Committee might have been misled by evidence that was based on a misconception?—I think not.

1475. Can a detector van identify a colour television set?—Not as a colour television set.

1476. It can distinguish between a colour set and an ordinary set?—No. It would know that a set was working in the U.H.F. bands, but monochrome sets and colour sets both work in U.H.F. bands.

1477. What progress is being made in getting this figure of a million-and-a-quarter reduced?—We have presumed that the 1967 Act had a remarkable effect at the beginning, part of which was psychological. From now on it seems to

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us that we cannot hope that progress will continue to be so spectacular. As time goes on plainly we shall reach a situation in which the ownership of more and more sets is known to us because dealers will notify us of new agreements and new sales. This should help us to continue to improve the position, but I think it would be wrong for me to suggest that we had any expectation now of quite spectacular successes.

1478. Do you expect to get the figure reduced to below half-a-million?—I should have thought that we would be lucky to get it down to that figure. I should have thought that the figure would be rather higher than that.

1479. Is that statement based on the knowledge that the ease of evasion compared to the difficulty of detection is so great that you would never expect to do better than that?—There are limits to the manpower resources which can be deployed to counter evasion. This is the chief limiting factor.

1480. A commercial concern would judge the amount it thinks worth spending in detection compared to the successes of finding people. Have you any formula which would guide people in determining policy in this respect?—Cost-effectiveness is, plainly, an important consideration for us and we can see, as time goes on, that as we approach the hard core of licence evaders the cost of catching them becomes greater and greater.

1481. Have you decided that it is not worth spending any more money?—Certainly not, no.

1482. Can you tell me anything to indicate your thinking on this subject? Will you please tell me if there is any more precision in the Department?—We do not think we are anywhere near the point at which we should ease up in any way.

1483. Are you spending more this year than last year on this?—(Mr. Johnson.) Yes, Sir, we are.

1484. Would you tell us a little more about the application of your policy in this, because so far I for one am completely unable to follow beyond the broad consideration. Here we have a million-and-a-quarter evaders who are worth several million pounds in lost revenue. If you have not reached the

limit, do you expect to put expenditure up significantly?—(Mr. Lawrence.) We should expect to go on putting the expenditure up, provided that we can usefully deploy the resources which that represents. The important thing for us is to have available the number of people to use on counter-evasion work. This is the limiting factor at the moment, rather than expenditure.

1485. What sort of people are you short of?—(Mr. Johnson.) The staff who are employed on this kind of work in the Post Office are a grade of staff of whom there is currently some national shortage.

1486. What sort of people are they?—They are postal and telegraph officers who are the officers who man Post Office counters and who do the behind-the-scenes clerical work in head Post Offices.

Mr. Macdonald.

1487. Am I to understand from that reply that you are placing your greatest hopes for successful detection not so much on the operation of detector vans, but on a close scrutiny of electoral rolls and existing licences, et cetera?—(Mr. Lawrence.) Certainly, Sir. The use of detector vans is never more than a supplementary means; it is not the main means of detecting evasion.

Chairman.

1488. So you do not intend to step up the number of detector vans?—We certainly might step up the number, but there are limits here again to the effectiveness. It would be wrong to suppose that a detector van going round a town can detect a large number of sets at work. Time simply precludes it. The value of the detector van, although it certainly detects sets working, is largely psychological. Its appearance is enough to make many people fear that they might be detected and then they go out and buy licences. I would not say that we have too many detector vans or, indeed, that we ought not to have more, but I think it depends for its effectiveness largely upon the psychological impact it makes and this can be overplayed. I ought to mention one other thing in this connection because it may have been lost sight of. I think you have been told that we are putting

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the licence record system onto computers. This, obviously, is rather a long-term business. We have 18 million licences in force at present and to transfer this complete system to computers is a job of some years. However, progressively, we hope to get it all onto computers and this, obviously, will enable us to process information with very much greater speed. It will not give us more information, but it will enable us to use the information we have at very much greater speed and, of course, without needing the same staff resources.

1489. You do not think it will be out-of-date by the time you have done it?—No, I do not think so.

Mr. Costain.

1490. But you are satisfied that you do not want any more powers from Parliament to help you to enforce this? For instance, would it have been wiser in the Bill to have arranged that any dealer who went to service a set had to report a set in that position?—When the Wireless Telegraphy Bill was before Parliament we, of course, discussed at great length with the trade what we could reasonably ask them to do, and what could reasonably be expected of them. They disliked anything which imposed a burden on them in their relationships with their customers, I think to carry this to the point when it might look like spying in people's homes is something which we would regard as abhorrent. I would not have thought it was possible. The answer to the question is that I do not think more powers need be sought from Parliament.

Chairman.

1491. Moving on to local radio and the regional structure of broadcasting, has the B.B.C. given any estimate of the effect on the licence fee of providing a full service of local radio?—Some years ago the B.B.C. told the Pilkington Committee that the cost of running a general service of local radio would require a 5s. addition to the licence fee.

1492. That has not been amended since?—I know of no more recent figure than this.

1493. You determine the form of the B.B.C.'s published accounts and it has

been suggested that they have to give more information than the I.T.V. companies. Do you regard that as a fair comment?—(Mr. Johnson.) I think that is so, Sir, yes. Strictly speaking, we do not determine the form of the B.B.C.'s accounts. We have a power under the charter, which I do not think has ever been used, to give the B.B.C. directions about what information to include in their accounts. Quite a substantial amount of information which the B.B.C. give in their accounts is included largely as a result of recommendations of previous committees of inquiry, particularly the Beveridge Committee in 1949, which took the view that it was appropriate for the B.B.C., as a public Corporation, to give considerably more information in its accounts than a commercial company and this was one of the Committee's recommendations which the B.B.C. acted on.

1494. Has any study been given to the proposition that the accounts should be so presented that the efficiency of the B.B.C. could be compared with that of I.T.V.?—(Mr. Lawrence.) I do not think the question has ever been posed in quite those terms, but that is not to say that it has not arisen in other ways. Certainly a few years ago when a committee of officials was inquiring into the B.B.C.'s finances very great attempts were made to make comparisons. In fact, it is singularly difficult to make meaningful comparisons. There are so many differences of practice and procedure, even in the form in which accounts are kept, that one could only draw the most general conclusions from a comparison. Therefore, the answer to the question is that it has not been specifically considered in the way you put it, but it has been discussed at some length and found not to offer very much.

Mr. Macdonald.

1495. Arising out of that, I understood that, in general terms, the B.B.C. had financial information available to them which they use for comparison purposes in assessing their own service and efficiency, and they thought this would be quite meaningful. Is this information available to the Post Office or to the Treasury?—Without knowing a little more about the financial information to which the question refers,

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I find it difficult to give an answer. I wonder if I could know a little more about the information?

1496. It is not information known to me, but I understood that they were able to make comparisons about the cost of producing roughly comparable programmes?—I am afraid I cannot help the Sub-Committee on this. I do remember that when this committee of officials looked at this, it was singularly difficult to make any close comparison. I imagine that for a broadcasting organisation working in a studio, it might be easier for it to get the kind of detailed information it requires.

1497. If this information were available, am I right in thinking it would be helpful to the G.P.O. and to the Treasury in ensuring that the B.B.C. are making efficient use of their funds?—This leads straight into some very difficult territory. The guiding proposition on which successive Governments have thought it right to let a broadcasting organisation proceed is that they should be completely independent in the day-to-day running of their affairs, including programme content. If you inquire into the detailed cost of programme production it is practically impossible to observe that general injunction. We do not inquire into the detailed affairs of either broadcasting organisations.

Chairman.

1498. Will the Post Office have access to any part of the McKinsey Report if they so wish?—Certainly not as of right. This is the B.B.C.'s report; the B.B.C. commissioned it and it is their report.

1499. Is it expected that the Post Office will have access to it?—I should not have thought that we would. It is quite likely that we shall hear in general terms what the findings are, but we should certainly not expect to see the report, and I very much doubt whether it will be offered to us.

1500. Was there any condition attached to the increase in licence fees in respect of such a report as McKinsey's?—No, Sir.

1501. Is the Treasury, through its very responsibility for public finance, expecting to have access to any part of the

McKinsey report?—(Mr. Downey.) I do not think so, Sir, no.

Mr. Macdonald.

1502. When we had the pleasure of visiting the B.B.C.'s Research Establishment we saw the work that the B.B.C. is carrying out in order to determine the location of transmitters. However, we were advised that the responsibility for determining the location rests with the Post Office. Does the Post Office carry out any research of its own or does it receive additional advice and information over and above the work and recommendations supplied by the B.B.C.?—(Mr. Lawrence.) This is, specifically, research on the location of transmitters?

1503. Yes?—I would imagine—I do not know—that the Post Office has at one time and another carried out research into this field, but if you want an absolutely firm answer on this, I must have notice of the question and then give you the answer. I would have expected the Post Office engineers, certainly in the ordinary professional way, to have kept in touch with colleagues in the B.B.C. and to have been aware of the kind of work they are doing.

1504. I appreciate that this is difficult to answer off-the-cuff, but if the B.B.C. is doing all the work, which is the situation as it appears to me, why does not the responsibility rest with them?—The function of licensing transmitting stations in this country is a function of the Postmaster General and not of the B.B.C. It is certainly the Postmaster General's job to see that no wireless transmitting station of any kind operates without his licence. He would, therefore, have to take steps to equip himself to be able to locate these stations if they operated outside the law.

1505. And he is getting the B.B.C. to do this work for him?—I am not sure that I should accept that he is getting the B.B.C. to do it. I did not know that the B.B.C. were doing this kind of work.

Chairman.

1506. On the question of the procedure when an increase in the licence fee is in the offing, the initiative starts with the B.B.C. because they need the extra revenue to do whatever they wish to do. Is it primarily the Treasury or

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the Post Office which advise the Government on the timing of any increase and the extent of it?—It is a matter in the first place certainly for the Postmaster General, although he would certainly need to consult colleagues in the Treasury.

1507. Apart from the interest of the Treasury in the licence fee, is there any other aspect of the work or life of the B.B.C. over which the Treasury has control?—(Mr. Downey.) I do not think I would say, "control". This is very much a matter of working together with the Post Office in deciding what should or should not be done. I think the attitude of the Treasury is very much determined by the wish of successive Governments that the B.B.C. should be subject to as little interference as possible. I think there are two main areas in which the Treasury thinks that there is a continuing role for itself. First, I think we have a responsibility which, perhaps, we are in a better position than the Post Office to fulfil of viewing the investment needs, the investment programme of the B.B.C., in the context of the demands on resources in the public sector generally. The broad lines of the programme are, of course, the result of Government decisions on major developments and expansions of the system and so on but there are circumstances, for example, in 1965 and again in 1967 after devaluation, when some weight has to be attached to the general state of the economy and the demands on resources. In those circumstances we felt that it was perfectly proper to ask the B.B.C. to make a contribution towards the economies that were being asked for elsewhere in the public sector. I think the second main interest we have is the general one of keeping an eye on efficiency in the public sector. In the case of the B.B.C. this is not arrived at by any form of detailed intervention on the part of the Treasury. We have relied much more on periodic reviews and inquiries, sometimes by independent bodies, sometimes by inter-departmental committees upon which the Treasury are represented, and to some extent also, on the use of consultants.

1508. Would it not be in keeping with this last thought that you should have

access to the McKinsey report?—We should very much like to have access to the McKinsey report, but I am not sure that we have the right to ask for it.

1509. May be constitutionally you do not have the right, but do you have the right otherwise?—No.

Mr. Costain.

1510. May we just test your answer a little further. Is not it rather Treasury modesty to say that you control nothing but you expect everybody to do as you tell them?—I wish it were.

1511. How would you relate your suggestion to the B.B.C. as compared to any other Government Department? How does the B.B.C. differ?—I am not sure that I have quite understood the question.

1512. I am trying to test what other Departments you look upon with the same sort of godchild, but not son, approach that you have led us to believe applies to the B.B.C.?—I think that the B.B.C. is in several respects rather special and I think we do treat it at rather greater arm's length than we do most other industries in which we have an interest.

1513. Can you think of any other industries in which your approach is similar to the one you use on the B.B.C.?—I suppose the nearest is the nationalised industries. There again, we expect not to intervene in the day-to-day operation of the industries, but in the case of the nationalised industries we do exercise a more direct control over investment, for example, than we do in the case of the B.B.C. In the case of the B.B.C. we exercise a general control in conjunction with the Post Office over the capital investment. The B.B.C. submits a programme extending five years ahead which is scrutinised along with other investment programmes, but I think it is fair to say that the extent of our scrutiny of that programme is rather less than that of the nationalised industries.

1514. Do you expect the new Post Office Bill to give you less or more control over the B.B.C.?—I should not think the new Post Office Bill will affect our position at all seriously.

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Mr. Marten.

1515. How do you compare with the Airports Authority, for example?—I think that might be quite a good analogy, largely for historical reasons. The Airports Authority evolved from a Government Department and to that extent at least up until the present we have had rather a special relationship with the Airports Authority which enables us to scrutinise their investment programme and so on in a slightly less formal way than is the case with the other nationalised authorities.

Chairman.

1516. Has the Treasury any views on the merits or otherwise of the B.B.C. borrowing for its capital expenditure needs?—I really do not see any advantage in the B.B.C. borrowing for its capital needs. I think the main factors which lead me to that conclusion are, first of all, that the B.B.C.'s activities are not revenue-earning, that there is no income that it earns itself by which it can service the borrowing for its activities. Therefore, the interest and amortization payment on any borrowing would in any case have to be financed in the same way as the capital investment is financed now, that is, out of the licence revenue. I know it has been argued that there is some advantage in avoiding a situation in which the viewers of today pay for the benefits which will only accrue to viewers of tomorrow, but I think this is a position which occurs in many fields. I think one can answer that argument on two grounds. I think it is equally true to say that the viewers of today are benefiting from the investment of the viewers of yesterday and I think in other fields it is often necessarily the case that capital investment has to be undertaken, whether it be in roads, hospitals or whatever it is, in which payment now is only matched by a return in the future. I do not see anything particularly distasteful about that, particularly in the case of television where the benefits will accrue within a reasonably short space of time and the same people who are benefiting now will, on the whole, benefit in the future.

Mr. Macdonald.

1517. I am a little dismayed to hear this Treasury view. In the case which seems to me to be parallel of local authorities, which in the main do not carry on revenue-earning activities, they are not inhibited from borrowing. In fact, they borrow quite extensively to finance the construction of a new library or something like that. Is this not a comparable situation in the context that you have outlined and, therefore, why do the strictures that you had just advanced against the B.B.C. borrowing not apply to local authority borrowing?—I do not think I have an answer to that really. I am not very familiar with the borrowing activities of the local authorities. (Mr. Fowles.) I do not think Mr. Downey was saying that he viewed with dismay the prospect of the B.B.C. borrowing. He was simply saying that he did not see particular advantage to them doing so, because the interest, et cetera, has to be paid in the end. There may be advantage in the case of local authorities having services earlier, but there is no gain in the commercial sense as in the case of the nationalised industries—I think this is the essence of it.

1518. If the B.B.C. were to exercise its borrowing powers, which they do not significantly do now, there would not necessarily be decisive objection from the Treasury, although you would not be very enthusiastic?—(Mr. Downey.) As I understand it, their borrowing powers would be inadequate to finance their investment in total. Certainly I think they could, and I think they probably have, used their borrowing powers in the short run to meet deficits which were purely temporary. I think this is a perfectly reasonable way of meeting a deficit without having to have frequent changes of the licence fee.

1519. My question specifically related to funding capital investment by debentures or something like that over an appreciable period, which I think they can do under their charter?—Yes. As Mr. Fowles has said, I do not see any particular advantage in this, but I do not see any overwhelming objection either. I think the B.B.C. themselves have told the Sub-Committee that they

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would not want to do this, but I am not sure what their objections to it are.

Mr. Costain.

1520. Is not the Treasury's view on this rather flavoured by the length of life of an asset and is not it rather a fact that a B.B.C. television camera probably has less life than a sewage farm?—This is true. (Mr. Lawrence.) It is, perhaps, worth calling to the Sub-Committee's attention that this question was examined by the last independent committee of inquiry which reached the conclusion that, in general, the B.B.C. should not finance development out of borrowing.

Chairman.

1521. Would the Treasury hold the view that the present system is a little more of a brake on the use of public money in this way than would be a system whereby borrowing was approved?—(Mr. Downey.) I think it

certainly would be for some time. In the end the payments required to service the borrowing would catch up on the B.B.C.

Mr. Costain.

1522. Mr. Downey said that he thought viewers of today were having the benefit of investment of yesterday. I hope he did not have in mind that silent films were about to be shown. What is it that he has in mind, is it the studios or the research?—There has been a continuing investment in broadcasting, much of which only provides its benefits after some years.

1523. You mean research, basically?—I think investment in equipment as well yields its benefits over a number of years, although the cost of it may well have to be met in year one.

Chairman.] I think that that covers all the ground we had in mind. Thank you very much.

WEDNESDAY, 11TH JUNE, 1969.

Members present:

Sir Spencer Summers, in the Chair.

Mr. A. P. Costain.
Mr. William Hamilton.
Mr. David Howell.

Mr. Arthur Lewis.
Mr. Neil Marten.
Mr. Ben Whitaker.

Examination of witnesses

Mr. C. J. CURRAN, Director-General, B.B.C., called in and examined. The Hon. K. H. L. LAMB, Director, Public Affairs, and Mr. E. B. THORNE, Controller, Finance, B.B.C., called in and further examined.

Chairman.

1524. Good afternoon, Gentlemen. Mr. Curran, this is the last of the meetings at which we expect to take evidence from witnesses, so if we cover quite a lot of ground in little jumps you will understand that that is one of the reasons. I do not think it can be a very logical discourse. Is there any machinery by which the Government sees that the B.B.C. conforms to its incomes policy in the matter of salaries?—(Mr. Curran.) There is no formal machinery

for the incomes policy. There is consultation with the Post Office under the terms of the present prices and incomes legislation. There is a permanent injunction to the B.B.C. which now applies to the I.T.A., which appeared in the White Paper of 1962. That requires the B.B.C. to follow the general terms of the prevailing incomes policy of the Government of the day.

1525. That applies also to I.T.V.?—No, to the Authority, not to the companies.

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[Continued.]

Mr. Lewis.

1526. You say that this does not apply to I.T.V. Does not this, therefore, have a harmful effect on both maintaining labour and obtaining labour, *vis-à-vis*, the B.B.C. against the I.T.V.?—I think in normal times—if I may take normal times as those times during which prices and incomes legislation would not apply—there were difficulties. There are, of course, no comparable difficulties now, although there is always some difficulty in the application of precisely comparable rates of pay as between staff working for the various companies and staff working for the B.B.C. It is true, however, that the attractions of working in television are not wholly financial attractions and this, on the whole, does work to our advantage.

Chairman.

1527. It has been very clearly emphasised in the course of our exchanges that the B.B.C. and the I.T.V. fulfil the original policy of competition, which was laid down by the Government. We have explored to some extent whether or not there is scope for co-operation to the benefit of the public without fundamentally violating that principle of competition. A sphere in which such thoughts have emerged is in the presentation of your programmes. For instance, do you see any major objection to a publication comprising both B.B.C. and I.T.V. programmes, provided that the two halves are completely editorially separated, and therefore whatever policy one might wish to follow in its presentation would not be binding on the other, bearing in mind that many members of the public would be pleased to be able to buy one publication rather than two?—I do not wish to seem querulous, but I should like to suggest a question to you, who would have the front page?

Mr. Lewis.] What about alternate weeks?

Chairman.

1528. This would be a matter about which Solomon would probably say every other week?—I do not think Solomon would be a welcome guest in that case.

1529. You have strong objections?—Yes.

1530. Could you give us some reasons why the public, who clearly would like this, ought to be denied it?—I am not entirely sure that I accept your premise that the public would like it. The evidence at the moment is that there is an overlapping readership which is about two-thirds of the people buying both the T.V. Times and the Radio Times. I think there is an effective demand for two papers giving both programmes. There is also the question of radio programmes which is a difficulty in our handling of Radio Times. It is not, I think, an economic proposition to include the radio pages, but we feel that at any rate for the time being it is necessary to include the radio programmes in the B.B.C. journal. I can see substantial arguments about the inclusion of radio programme in a combined television journal.

Mr. Whitaker.

1531. If the public did prefer it, would you respect their wishes?—I should like to see very solid evidence of the public's preference.

1532. You have not answered my question. If they preferred it, would you respect their wishes?—Not necessarily, because I think there are other considerations in this than simply the service to the public, just as there are other considerations in the publication of a number of newspapers from Fleet Street.

1533. Which do you think should have greater importance, the convenience and interests of the public or the empire-building in respect of editors of the T.V. Times and the Radio Times?—With respect, I would not accept that there is empire-building. We have a publication which has a continuous history of very nearly forty years. It is an established publication. It has served the public very well indeed. It still serves the public very well indeed and has a substantial circulation. I really believe that the interest of the public as distinct from the public interest is reflected in their support of the present circulation of the Radio Times, which is very adequate.

1534. Are you really saying that where, in some cases, the public express their wish that it would be a convenience to them if the two publications were combined, you know better than the members of the public?—I do not honestly

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think that this is a sensible business proposition. I do not think that publishers of periodicals say to themselves, "What would the public prefer—to have two magazines in the women's field on one". They say, "Is this a profitable publication" and that is precisely our approach.

1535. Leaving aside the publications question and looking at the same principle in other areas where, for example, both the B.B.C. and the I.T.V. accidentally have sporting programmes on at the same time so that the public has no real choice—I think the same applies with political programmes, but I appreciate that you have no control over that—and where there is unintentional duplication, do you not think that co-operation to provide the public with an alternative would be beneficial?—That was not the intention of Parliament when it passed the legislation. The intention was that there should be competition and if one of the incidental effects of competition is that there is duplication of programmes, there is very little one can do about it.

Chairman.

1536. I should like to clarify the fact that a separate consideration comes into this: the co-operation over programmes is not identical with the publication of rival programmes under one cover?—I quite agree, Sir.

Chairman.] I just wanted to clarify the point that your answer to the second consideration should not be confused with your answer to the first one.

Mr. Whitaker.

1537. Do you not think that there is a public interest and convenience distinct from the separate interests of the B.B.C. and the I.T.A.?—I think that the public interest can only be satisfied if the proposal which is made is a practical one. I do not believe that it is a practical proposition to edit journals which include programmes which are essentially competitive. I do not see how you can resolve the editorial problems.

Chairman.

1538. If some private enterprise person sought your co-operation to put a combined binding over your publication, independently produced, and sought to do the same with the I.T.V. publication,

would you use all your powers to prevent the fulfilment of such a venture?—No, Sir. I should still want to know who would have the front page. This is the issue—to whose programmes is prominence to be given if you have a magazine which includes the programmes of two competing services.

1539. If there are only two, what would be unfair about alternate weeks?—The mere fact that in the week when you did not have the front page, you would suffer.

1540. So would your rival during the other week?—I do not think they would be very happy to suffer either.

Mr. Whitaker.

1541. Seriously, that is your most cogent objection to public convenience?—No. We find that Radio Times is historically a viable publication in economic terms. It has a long and successful history.

1542. You have had to put up the price considerably recently?—It is not out of line with others.

1543-4. Many consumers would not appreciate your price going up such a considerable amount. I think at one time it was 2d. It is now four times that amount?—It is 8d.

1545. In any event the combined price of the two is now a matter of complaint amongst my constituents; they say that the overheads could be reduced by a single publication, which would also be much more convenient?—I doubt very much whether overheads could be reduced significantly in the foreseeable future or even in the near future. We have a long running contract with the British Printing Corporation and there is a break clause in 1972. I do not think that anything could be done before 1972. The T.V. Times is printed at three separate plants, although it may be two. I think the practical difficulties are quite enormous.

1546. If they could be overcome do you think more people would find it more convenient?—The programmes are, of course, printed in the newspapers and the newspapers value this.

1547. Would not it also be of value in a detailed programme magazine?—Yes, if the practical problems could be reconciled.

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[Continued.]

Mr. *Hamilton*.

1548. Is there any evidence anywhere that the public really want this?—Not to my knowledge.

Mr. *Hamilton*.] I wondered whether or not the questioning is based on evidence that has been given to the Sub-Committee?

Chairman.] Surely, this question must be discussed when the Sub-Committee is debating amongst itself.

Mr. *Hamilton*.

1549. There is no evidence to your knowledge, Mr. Curran?—Not to my knowledge.

Mr. *Howell*.

1550. Has any study been made of the difficult circumstances of American television where competing companies provide conditions for publication, because in some cities there can be as many as eight companies and the eight programmes are listed in a single booklet?—I think the original position in American television was that there was no guide at all, except in the press. Therefore, there was a commercial opportunity for something called T.V. Guide to be built up. Originally T.V. Guide was a free supplement. It was essentially produced by a lithographic process and it gave the comparable programmes time by time in each setting. Therefore, this is not a question of a pre-existing magazine; it was a single magazine coming, as an advertisement vehicle, into a situation where there was nothing and where, quite frankly, there is very little real choice.

Mr. *Lewis*.

1551. Let us assume that I.T.V. would agree to cease their publication if you granted them equal advertisement of their programmes in the Radio Times on a payment basis. What would be the reaction to that?—It is not a proposition I have considered. I think the practical difficulties would be precisely the same; they would want conditions from us about the display to be given to their programmes. If you start from a logical position of no magazine and say, "Let us have a television programme magazine", then the sensible thing to do from outside is to have one. If the magazines belong to the two

bodies, it seems to be impossible to reconcile them so long as they belong to the two bodies. The only solution would be for both of them to vacate the market, and I would not want Radio Times to vacate the market because it carries for us a very useful profit.

Chairman.

1552. On the question of the licence fee and how long it is likely to last, we were informed that it was originally estimated that it would probably last until 1973/74. Does the evidence to date prompt you to think that that will be fulfilled or that it will get into the red sooner or later than you originally thought?—It will not get into the red later. Conceivably it could get into the red sooner, although our intentions are that it should not.

Mr. *Hamilton*.

1553. How far would it help the situation if you could catch the people who do not pay their licence fees? Would this mean that you would avoid being in the red for a period of years beyond 1974?—It would depend on the proportion of the evaders that one caught. If one caught three-quarters of them, I think it would make it very improbable that we should have to go into deficit at all because by that time, with any luck, the colour licence revenue should be rising.

1554. You are saying that if you caught 75 per cent. of the people who are now avoiding paying their licence fes, you would keep out of the red without having to further increase the licence fee?—Yes, provided that the evaders are caught quickly. The point is that the sooner you catch them, the more money they give you in the intervening period. If you catch them late, you do not get as much money out of of them.

1555. Are you satisfied with the steps that are being taken to catch the evaders?—I cannot say that we are entirely happy with the situation where there are still 1½ million evaders. I believe that our original hopes, which forecast that there would be fewer evaders by now and on a diminishing curve of evasion, could still be fulfilled. I think

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we find our Post Office colleagues somewhat less optimistic than ourselves on this matter.

1556. These detector vans are not coming along as they might. Whose fault is that?—The detector vans are entirely the responsibility of the Post Office, but I think the detector vans are an important psychological weapon. The major weapon is the consistent work of following up records, both from the dealer's scheme which came in under the recent Act, and from the combing of local registers of licence holders and voters to see which homes have televisions and which have not. This is the work which really produces the yield in revenue.

1557. Presumably it is part of your function to bring pressure to bear on the Post Office, the Postmaster General and those responsible for seeing to it that the evaders are reduced to a minimum?—I think that my predecessor, in evidence to this Sub-Committee, said that "pressure" was a very strong word. We make the strongest representations to the Post Office, and sometimes they can be very strong indeed.

Chairman.

1558. How is the extent of evasion measured?—This is partly done by normal sample methods. We do, of course, conduct surveys of the amount of television viewing.

1559. Does this mean that people admit they have a television set for which they have not taken out a licence?—No. We can deduce the number of television homes there are from the number of people who say they are viewing. One compares that number of households with the number of licences issued, and there is always a greater number of people viewing than one would expect to find from the number of licences issued. There is also the Post Office's calculation of the probable increase—this is on a statistical basis—of the number of television households in the country.

Mr. Whitaker.

1560. Are there any simple measures to reduce evasion that might be taken by the Government?—I do not think there are any simple measures. I think we should like to see maintained the

system of combing the lists of householders in order to see whether or not those householders who are not registered as having licences ought to have them. We should like to see, of course, the dealer's scheme, that is the review of records supplied by dealers of new television contracts and purchases, beginning to produce results. Of course, at the moment it is only in the early stages of analysis. We would hope that the analysis of those statistics would soon begin to show positive financial return. The computerisation of the records by the Post Office, which is admittedly a longer operation, should eventually simplify the task and cheapen it, because it is a very costly business to apply manpower to the collection of a number of individual licences. I think we should also like to see some attention given to the question of car radio licences. I believe it is a fact that there are about 1,000,000 car radio licences in force and the industry has estimated that there are some three million car radios in service. That is an evasion rate of something like 60 per cent.*

Mr. Hamilton.

1561. What does that represent in revenue?—It is 25s. a time, less 5s. collection charges approximately—£2 million annually.

Mr. Whitaker.

1562. Do you think the penalties for evasion are a sufficient deterrent at the moment?—I think the penalties provided in the Act are sufficient. It is not for me to comment on the application of the penalties in the courts.

Mr. Costain.

1563. Are you satisfied that the 5s. that the Post Office charge you for collecting is good value? Have you considered instituting another system for collecting the radio and television licence fees? Other nationalised industries have their licences issued by the banks. Have you thought of setting up your own computer department to do this, of taking on the problem yourselves as you are the biggest losers? Five shillings a time is a very large revenue?—

* *Note:* These figures have been corrected by the witness and differ from those originally given in evidence.

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[Continued.]

(Mr. Thorne.) The total is now about 5s. 8d. altogether for each licence issued. (Mr. Curran.) We have not looked at this question because, of course, associated with the duty of collection is the practice of combing the register and the duty of prosecution, and we have no power to prosecute. The question of using our computer would be quite a difficult one. Our computer would not have the capacity to handle this kind of work at present and it would be a formidable step to take to install that kind of computer capacity.

1564. With the millions of 5s. that you received you could set up quite a good organisation, could you not?—Not, I think, an organisation comparable with that of the Post Office which, for other purposes, maintains the greatest possible number of branch offices that any organisation could have throughout the kingdom. It would not be economic for us to set up that kind of branch office organisation. Admittedly, in taking a share of the effort in those branch offices one also takes a share of the overheads and whenever one is charged overheads one is not happy.

Mr. Howell.

1565. I am not at all clear what it is that is holding up the drive to bite into this missing £7½ million. It seems to me that it would be good business from everybody's point of view—the Post Office's and the B.B.C.'s—to invest substantial sums in getting this money out because the returns would be enormous on any investment. Why is it not done tomorrow?—We believe that non-recurrent investment in tracing evaders, which would lead to a continuing return from the people who then took out licences, would be worthwhile for a time. It would be expensive because of the application of labour. We believe that the effort would be worthwhile. I do not think I ought to give evidence for the Post Office, but I believe their difficulty is manpower.

1566. It would be worth your while if you were prepared to offer a higher fee to scoop out these missing £7½ millions?—I do not think money is the problem. I think that if they had the manpower in the right places to do the job properly, they would not hesitate to

charge us and we would not hesitate to pay.

Mr. Lewis.

1567. Could I make a suggestion which for a long time has seemed a feasible and better way of dealing with this altogether. Every premise in the country has to be rated; almost every premise has a radio, a television or both. Is it not possible to work out a scheme with local authorities so that automatically they charge a licence radio fee which is paid to the B.B.C. by them, the B.B.C. paying them a fee for doing this? It would then be up to the residents to contract out on proof if they wanted to claim back what one might term non-rates for T.V. This is done with water and other services. If you were to get the local authorities to do this, you would save a lot. Tied with that, could you have a Giro system of payment by 1s. or 2s. a week? If a Giro number was known I am sure many people would use it because there must be many people who cannot afford the lump sum, but who could put 1s. or 2s. into a Giro payment if they knew that it was practical?—On the question of adding the licence fee to the rate collection, the great advantage of the licence fee system is that those people who do pay it, which is the great majority, do so voluntarily. If you were to add the licence fee to the rate bill, I think you would attach to the radio and television licence the unpopularity which attaches already to the rates. I would not be particularly anxious to do that. The higher the licence fee goes, the more unpopular it is and, therefore, the less unpopularity one ought to attract to it by other means. I am not sure if the local authorities would altogether welcome this suggestion. There have been various suggestions of the same kind over the years. There was one suggestion at one time which looked attractive at first sight, but which looked much less attractive when we went into it—it was to add a proportion to the national insurance stamp, to pay for the licence fee weekly. I think on this day of all days you will see the inappropriateness of that. There was another suggestion that since most television sets require to be attached to the main supply system, it could be added

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to the electricity bill. That is not an impossible suggestion and you would, in fact, proceed by exception. In other words, those people who did not have a television set would be required to say so and would be required to deduct that amount from their bill and, if necessary, would be required to verify the fact that they did not have one. I think there are difficulties here of the same kind as I mentioned about the B.B.C. collecting the licence fee—the electricity authorities have no prosecuting power in relation to the wireless licence. One can be extremely ingenious about this, but in the last resort I come back to the attraction which attaches to the voluntary character of payment of the licence fee. I think that this is quite important. You did make another suggestion about Giro and, in effect, this is a question of instalment payment of the licence fee because of the comparatively large sum which is now charged.

1568. No actual cost?—I take the point about no cost, but I think the more important issue is the question of payment by instalments. The problem about collecting a licence fee in instalments is that you run the risk that some people will default, possibly for no fault of their own, so it may be inevitable that defaulting should happen. When they default the broadcasting organisation has lost that money. If we get the single sum we have the guarantee of it through the year and since our finances are continuing and have to assume a continuing rate of income, the loss of bits of income through the year is a very powerful argument against an instalment system. The only kind of instalment system which would work from the point of view of collecting a guaranteed revenue would be one which had some built-in measure which the moment default occurred would deprive the offender of the benefits of credit payment. I think it would be a very difficult political task to enforce that kind of measure against the defaulter.

Mr. Costain.

1569. Coming back to the radio in the motor car, would you require additional Parliamentary powers for the licensing motor car authority to issue a different coloured licence for the radio, so that

it would be easy for a policeman to check that a car with a radio has a licence? Would not that be a very simple method of catching up on these defaulters?—I am not sure what method of definition might be most appropriate.

1570. What about a different coloured licence from that of the ordinary vehicle licence?—The main thing is to identify the people who have radios and who do not pay for them in their cars.

Mr. Lewis.

1571. And the people who do not pay their road fund licence fee?—That is, of course, a very much higher figure, and possibly more worth evading than the radio licence. There is a possibility which we feel might be worth exploring. The application for the road fund licence does include a statement and there is a reminder at the bottom of that statement that if you have a car radio, you should have a licence for it. It might be sensible to put a question on the form which requires an answer, yes or no, plus the date and number of the licence to which it refers. That would then become a statutory declaration, because you have to sign the form as a statutory declaration. Having got the information, we would then have to follow it up and that, again, is a question of manpower. If the Post Office is short of manpower, in my view it is more profitable for them on our behalf to exercise the manpower they do have on licences worth £6 rather than on licences worth 25s. However, I still think that we ought to do something about licence evasion.

Mr. Costain.

1572. Surely the car licence authorities would be pleased to do that for you for 5s.?—It is an interesting thought; I had not thought of it that way.

Chairman.

1573. Do you find that, in practice, evasion has increased as the licence has increased in value?—That is a very difficult question to answer because one cannot really measure evasion in quite that way. When the total volume of licences goes up, as a proportion of those licences evasion also tends to go up. One cannot really tell whether this is a result of the general expansion of the

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[Continued.]

viewing of television or of the level of the licence fee. (Mr. Thorne.) In the last eight years the number has come down—from roughly 2 million to 1½ million. (Mr. Curran.) There has been a reduction in the last two years. This is the effect of the Act.

Mr. Marten.

1574. If a person takes out a television licence and after six months his eyesight fails and he has to give up his television, why cannot you give him back a rebate for the next six months?—Because we have already counted on spending £5 of the £6.

1575. But with the car licence the Chancellor has also done the same thing, but you get a rebate?—Yes, this of course is on the premise that the car is no longer in use. I think the same problem arises where you have any proposal for relief of particular licence payers. If they are living alone, then clearly there is an annulment; if they are not living alone, then the other people still have the benefit of the licence.

1576. If you do not have a licence you cannot use your set?—If there is nobody else in the house, I would agree, but if there is somebody else living in the same household—

1577. They are then committing an offence if the licence has been handed in?—I would much sooner not have them committing an offence and paying the licence fee. I do not wish to be confusing, but let us say that there is a household with one man who loses his sight and three others—a fairly normal pattern. The one man loses his sight halfway through the year, having paid his licence fee. The other three members of his family presumably continue to view the television.

1578. Quite incorrectly if he has received a rebate?—Yes.

1579. The point is that if there is a single man who loses his sight after six months, he cannot get back the money he has paid out for the other six months?—That is quite true.

1580. Why not?—Because the money, having gone into the revenue for that year, is assumed to be spendable totally for that year.

Mr. Whitaker.

1581. Would not you argue anyway that social exceptions like this should be paid for by the Ministry of Social Security and should not be borne by the B.B.C.?—I would entirely agree.

1582. Do you know how much the exception for blind people costs you?—I think we have some figures for the radio licence but not for the combined licence.

1583. Is it borne by you or by the appropriate Ministry?—It is borne by us as a loss on the licence revenue.

1584. Should not it be borne by the Ministry?—I would think that would be reasonable.

1585. If you could reduce evasion, would this save you from putting up the fee?—Now or in the future?

1586. How long would it last?—At this stage it would see us through, bearing in mind that we hope to see the revenue from colour licences increasing. One has to make calculations on the facts about colour licences in 1974 or thereabouts. I would not like to guarantee that it would absolutely rule out the possibility in 1974-75 of an increase.

1587. But until then?—I would think so.

Chairman.

1588. Have you relied on a certain reduction in evasion in building up your forecasts?—Thank you for asking me the question—I was going to make that point. There is already a built-in element of reduction in evasion in our current estimates and, therefore, the benefit that we would get on our estimates would be only if we got something in excess of the figure which we have already counted. I think your question, Mr. Whitaker, was about the possible recovery of the full amount of evasion.

Mr. Whitaker.

1589. Up to practical limits?—I think you have to assume that those people who are constantly changing their houses are very difficult to catch. At any time I suppose something like 5 per cent. of the potential viewing public is changing their residence. That does not mean that we should not try to catch them.

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Chairman.

1590. Would you have any objection to saying what is the built-in element on this account?—(Mr. Thorne.) It is a reduction from 1½ million to roughly 600,000.

1591. *Pro rata* throughout the period?—The main reduction takes place in these first two years, 1968–69 and 1969–70. This is why we regard the anti-evasion methods to be so essential now, rather than spread over the next few years. (Mr. Curran.) This is the point I was making earlier, the early return which is so extremely important.

Mr. Whitaker.

1592. Do you think it will go up with colour?—I would hope not because the dealers' scheme of notification should apply wholly to colour receivers, and the proportion of the problem should be entirely manageable.

Chairman.

1593. All this discussion on evasion arose because you told us that this was the largest factor in being able to meet your budget. There are signs of danger, so to speak, but a really successful operation on evasion would eliminate the danger and it would probably see you through?—I think that is true.

1594. Although this has been an exceedingly useful exchange it has cut out some subsequent questions. Does the rate of growth of television colour licences figure largely in the successful fulfilment of your budget?—It does. We assume that there will be in the hands of the public a total of two million colour receivers by the 31st March, 1974. That is not an unreasonable rate of sale according to the industry.

1595. Is the graph of sales a straight line?—I could give you the estimated figures. In 1968 we estimated 100,000, which of course is merely the beginning. In fact, I believe we have put in figures?

1596. But not for the final two years. I think the Sub-Committee would like to hear them again?—The final two years run to 1,300,000 in the hands of the public and 2 million for the final year, so we are estimating the rate of increase in those last years as being about 600,000 to 700,000 a year.

Mr. Howell.

1597. You say that this is not over-optimistic according to the industry. What about yourselves?—I wish I could believe that people would buy colour sets now rather than a monochrome set, when the initial money lay-out is about the same. I think the build-up may be slower, but I think the eventual target may be reached. As with licence evasion, the same factor applies: the earlier the money comes the easier the problem is.

1598. Going back to American experience in this, do you think that the way in which things have turned out there justifies this fairly ambitious hope?—I do not think that the experience in the United States is comparable because when their colour programmes first started they were on a much lower scale than ours. They went in for the special colour programme; they did not provide a continuous colour output and for those people who had colour sets there was only a relatively small proportion of colour viewing. In retrospect, I do not think this was the right philosophy. I am sure the answer is saturation in colour to attract the purchase of sets. The more services there are in colour the better. That is why I said in public that I hope I.T.V. can match us in the provision of colour programmes and colour transmissions. That is the first comparison. The second comparison is that I think the Americans were very adventurous in going into colour as early as they did. I think that their standard, as they themselves will admit, in the early years was not as good as the viewer was entitled to expect. We tried to make sure that our colour transmissions were absolutely first-class when they went out because we knew that the initial impression was going to be extremely important. We believe that we have secured the right impression. The third factor is that colour transmissions in the United States were very often in urban areas with major obstructions to the signal and reception was, therefore, pretty uncertain. I think our situation is better. There are certain areas which experience difficulty in receiving U.H.F.—I think Kensington and Chelsea give us particular trouble and trouble is also experienced near Streatham. However,

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in general the technical task of giving a good signal over the country is easier and I think we shall be more successful

Mr. Whitaker.

1599. Have you had complaints, as I have, from people in Somerset who are still unable to receive B.B.C. 2; they complain that all this money is being spent on colour television and they cannot even get B.B.C. 2?—The provision of B.B.C. 2 in Somerset is not a question of money, but a question of planning permission for the siting of the transmitter.

1600. Are you sure it is the right economic priority to spend so much money on colour instead of on other things?—I do not think it is for me to advise the Chancellor. I can make suggestions about what I should like to see happen in the interests of broadcasting and that I have done in public so far as the purchase of sets is concerned. So far as the provision of a colour service is concerned, that decision was taken by the Postmaster General some time ago and once taken has been carried out by us. I think that that decision is in the past. The priority has already been settled.

1601. Is it in any way at the expense of radio?—Not at all. They are separate in practice. Of course, there is no absolutely dividing line between the money which comes in on one form of licence and the money which comes in on another.

Chairman.

1602. Did the B.B.C. have any say about the amount chosen for the colour supplement?—The idea of the colour licence and the amount were the conception of the Post Office.

1603. It was their calculation. You played no part in fixing the amount of £5 extra?—No, we simply took advantage of the figure that came.

1604. Turning to hours, we have had explained to us the difference in the incentives for longer hours as between the B.B.C. and I.T.V. Do you feel that you are obliged in any way always to use the maximum number of hours you are permitted?—Yes, I think in most circumstances we would find it inevitable to use the maximum permitted hours because we could not afford to be in the position of providing a service from the

public revenue which was noticeably less good or less comprehensive in any sense than that which was provided by our competitors.

1605. The extra 3½ hours were added when the licence fee went up. Do the number of hours and the licence fee itself require, in practice, to be stepped up simultaneously, and was this taken into account?—They do not necessarily require to be stepped up simultaneously, provided that there is enough spare in the budget to cover them. The effect of imposing additional load on the licence fee is to shorten the period of validity for any particular amount of licence. Concerning the other part of your question, my impression is that those 3½ hours were not taken into account in our previous calculations. (Mr. Thorne.) That is quite true. No provision was made for the cost of those hours in the B.B.C.'s estimates.

1606. The cost of that will be over and above the figure when the licence fee was fixed?—That is right.

Mr. Whitaker.

1607. Could I turn to the question of co-operation over programmes. I appreciate what you said, that it may well be Parliament's fault for telling you to compete in this way?—Well—

1608. Do you accept that it is inconvenient for the members of the public if there are almost identical programmes going on at the same time? In fact, because of your competition when one of you puts out a good current affairs programme, very often the other one puts out one at exactly the same time to compete. The result is that those people interested in current affairs are unable to see both?—(Mr. Curran.) I should not have thought this is entirely true, but it could happen. The Tuesday documentary on B.B.C. 1 is opposite an entertainment programme on I.T.V., and for very good reasons—because the entertainment programme can count on a rather larger audience as the documentary will be getting a slightly smaller audience. This is quite a normal planning concept. It would be fairly unusual for the two to clash. I think the occasions to which you are referring are probably ten o'clock and Twenty-Four Hours. This is a perpetual planning

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difficulty. If you put Twenty-Four Hours at 10.25 it becomes rather late; if you put it at 9.55, you clash with News at Ten. I am afraid that the problem of living in a democracy is that you do have to make choices. That is the essence of a democratic society.

1609. From the point of view of broadcasting services, do you not think that the public surely want less than cut-throat duplication?—I think that is something that might have been said in the debate of 1955.

1610. An example where it seems to operate against the public interest is where you and I.T.V. auction the exclusive rights of a sporting event, like the World Cup, for up to astronomic sums of public money. The public do not care whether or not it is an exclusive right. This does seem to be, to some extent, against the public interest?—I think we are still discussing the same problem as was referred to in my last answer. It is true that the effect of a bid by a subsidiary of one of the Independent companies did have the effect of raising the price in the end for both Independent Television and the B.B.C. I do not know yet by how much the price has been raised because we still have to have discussions with our European partners. However, had the normal procedure been followed on this occasion in the European Broadcasting Union, the force of collective negotiation I think would have brought benefit to both ourselves and Independent Television. On these occasions we do co-operate.

1611. I do not quite understand why the B.B.C. are so obsessed by TAM ratings. I see why I.T.V. are—because of their advertising—but the B.B.C., by paying vast amounts of money for exclusive rights, seems to be going for T.A.M. ratings just as much as I.T.V.?—I do not think I would accept the phrase, “obsessed by TAM ratings”. I think I would say that a public service, if it is to prove its comprehensiveness, must sometimes, indeed many times, secure access to a large proportion of the audience, because comprehensiveness of service is not simply concerned with serving minorities; it is concerned at the same time with serving majorities and if you do not bid for the majority, you cannot really claim to be a comprehensive service. The position in sport, which

I think is your particular subject of reference, is that the B.B.C. in the late 1950s took a decision to invest in sports programmes and Independent Television took a corresponding decision that a sports programme was not as profitable commercially as other forms of programme. We then established a position in sport which we wish to maintain and I think it is reasonable to continue to fight every inch of the way to maintain it.

Mr. Howell.

1612. Would you not agree that it is very much in the public interest occasionally for there to be similar subjects covered on both channels in that this gives the public a chance to choose between the quality of the two and stimulates one organisation or the other to better production?—This does, in fact, happen, an example is when World in Action was against Panorama. I think it is a very good thing. As I said, the essence of democracy should be choices of this kind and people should be forced to make them.

Mr. Marten.

1613. The snag is when you get one Party Political Broadcast going out on all stations and there is no choice?—There is, indeed, no choice.

1614. It is very hard luck on the consumer. What steps do you take with your rivals or with other people to try to get the Party Political Broadcasts put out at different times, so that viewers can switch onto something else if they do not want to watch it?—The answer is that we make representations to the parties, and so far this has been without success.

1615. That is interesting. You have made representations?—It is not an easy problem. It is not the only right answer to say that there should be simultaneity of broadcasting. There are good arguments for simultaneity and there are also good arguments for splitting them. Mr. Lamb is more familiar with the details of this particular discussion because he was engaged in the last series of discussions with the Parties on the timing of political broadcasts.

1616. I should like to know why they cannot be shown at different times, even

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if there is only half-an-hour's difference between them?—(Mr. Lamb.) Traditionally these broadcasts have been shown simultaneously. It has been the view of the Parties that it is desirable that these broadcasts should blanket the screen when they are offered. This matter is obviously one which affects both the broadcasting organisations and the viewing public, as well as the Parties. We shall continue to represent our views in this matter to the Parties, but these are matters which are subject to consultation. Party Political Broadcasts are based on the offer of time by the broadcasting authorities and to change a system which has been in operation over a long period without the acceptance by the Parties of the desirability of that change is a hazardous process.

Chairman.

1617. Moving on to another subject, have you yet estimated the effects of S.E.T.?—(Mr. Curran.) I think Mr. Thorne can quote the figures. They are very simple. They have, of course, just been increased. (Mr. Thorne.) The present cost is running at £2 million per annum of which £1,700,000 is for Home Services. The last increase, which will be brought into effect in July, will increase the domestic services by another £500,000.

1618. Was any of that part of your budgeting when the fee was fixed?—(Mr. Curran.) I do not think S.E.T. was. I am pretty sure that S.E.T. was not in those budgets. Perhaps we could verify that?*

1619. Yes, indeed. Is this not another field in which a change would have a dramatic effect upon your ability to fulfill your budget?—Very much so, Sir. I think that to some extent one can forecast the probable increase in taxes which already exist, although not completely.

Mr. Whitaker.

1620. Have you represented the view that you are, in fact, publishers?—We have made representations first for total exemption on the grounds that a service which is paid for out of public money should not be taxed as a service since it is an instructed service, so to speak.

* See Appendix 12, p. 241.

We failed in that representation. Secondly, we made individual representations to secure exemption for various categories of activities. We have secured various exemptions, but, of course, for only part of our activities. (Mr. Lamb.) We would be chary of making our financial future dependent on a remission of a tax which might be increased, maintained, diminished or abolished in the future.

Chairman.

1621. I think few people would be surprised at that policy! We have been told that the revenues from radio and television respectively are allocated to their respective services. Do you foresee any change in that respect?—(Mr. Curran.) No, Sir, because I do not think the practical circumstances would suggest it. There is, as I think my predecessor said, no constitutional barrier to our shifting money from one side of the accounts to the other, but I do not think the practical budgeting circumstances would call for it.

Mr. Howell.

1622. Therefore, it is unrealistic to suggest that there might be cuts in radio in order to finance expansion of television services, say, colour?—Certainly.

1623. This would go right against your existing budgetary policy?—That is not going to happen.

Chairman.

1624. We understand that when the Pilkington Committee was asking about the cost of local radio, a figure of 5s. was then given for the cost of such a service. Has any more recent figure been calculated and produced?—No, Sir.

1625. As far as you know, this is reasonably accurate?—I think one would have to make modifications to the Pilkington calculations in two respects. One is that it related to what I think we call "town" radio, that is for 150 stations. One might be able to do with less, I do not know. If one were able to make do with less, then the calculation would have to be re-done. That is one respect in which one would have to do it. The second re-calculation would be on the estimated cost of running a

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station. There have, of course, been rises in costs since 1962 and we have now had experience of running different types of stations. We believe that the figure is somewhat higher, as I believe the Committee have seen, from the figures relating to local broadcasting.

Mr. *Costain*.

1626. Would it be correct to assume that the leaks in the papers that you were going to cut the radio were not inspired leaks, but bad guesses?—To cut the radio?

1627. I am referring to the argument published over the weekend that you were going to cut the radio programmes to finance the television service?—I am in a considerable difficulty. Although I would very much like to answer that question in detail—it would give me the greatest possible pleasure—the processes of consideration by the Governors and the consultations with various bodies they have to consult are not yet complete and it would be premature to say that firm decisions have been reached yet.

Chairman.

1628. When do you expect the situation to be clarified?—One would hope that some time in early July we might be in a position to say that we have reached firm decisions. However, any decision that we reach by then would have to be subject to some sort of adjustment in the light of the decision which might be taken in one direction or another by the Postmaster General in relation to local broadcasting. Concerning the pattern of broadcasting, if it is B.B.C. broadcasting we would see it as a whole and it would not make sense to say that we can do that in national broadcasting without making assumptions about what one was to do in local broadcasting or what, perhaps, somebody else was to do in local broadcasting. (Mr. *Lamb*.) Might I just for clarification add that I think the Director General had in mind, in speaking of firm decisions early next month, that at that point we might be able to publish the conclusions we have so far reached so as to allow for a phase of public discussion and then for the announcement by the Postmaster General as to his responsibility in the field of local

radio. Then when all these factors are assembled, the time would come for a decision which would thereafter be implemented. (Mr. *Curran*.) This is perfectly true. The firm decisions of which I am speaking are decisions about what we should suggest. Thereafter there will be a good deal of public argument. One's suggestions are always open to modification in one respect or another. We ought to have got the answer about right, but we could be pushed in this direction or that.

Mr. *Marten*.

1629. Does that include the decision about the regional orchestras?—This would be the recommendation which would be made in public. There is a particular difficulty here. The orchestral discussion is, of course, a matter which we should have to pursue with the Musicians' Union. When one is in course of consultation or discussion with a particular union, it is, on the whole, inadvisable to be too precise at too early a stage about what one is going to do unless one has reached agreement.

1630. You are in that position now?—Yes.

1631. Can you say when any decision is likely to be reached?—It is quite clear that there will be no decision on that subject, that is, no decision which could be put even for public discussion, before early July and I should have thought it most unlikely that there would be any sort of conclusion of the discussions with the Musicians' Union before the autumn.

Chairman.

1632. The Postmaster General has to sanction new developments in broadcasting. Is his consent required for the abandonment of a programme?—If it involved a change in the use of a frequency, yes, in respect of the frequency.

1633. If what we used to call the Third Programme were abolished, would his consent be required?—It is a hypothetical question.

1634. It is not hypothetical in the sense that there must be knowledge as to whether or not his consent is essential?—Please may I emphasise, because I shall almost certainly be quoted

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by the press on this answer, that I am answering an absolutely hypothetical question on the abolition of the Third Programme. If it involved a change in the use of frequencies, then the Postmaster General's view would certainly be necessary. If there were no change in the use of frequencies, and that, of course, is impossible in the nature of things but let us assume it were possible, then I think it would be most inadvisable of the B.B.C. to proceed without regard to whatever views might be expressed by the Postmaster General.

1635. In other words, he is a pretty important chap in this respect?—Certainly.

1636. Do you foresee any difference in the licence management under the new Corporation on the one hand and the Ministry of Posts and Telecommunications on the other? Are you satisfied with the arrangements as they appear to be laid down?—To my knowledge the arrangements are not yet firm and I must say that we do have some anxieties about the mode in which we would make representation to the new Corporation.

1637. Is there anything which you think the Sub-Committee could usefully hear on this subject from you?—Only I think the feeling that we have been very happy with our direct relationship with the Post Office as the collector of the licence revenue, that is the Post Office as a Department operating under the Minister. We should hope that the officials of the new Ministry would play a very active part in the matters of licence collection.

1638. Would we be right or wrong to read into what you have just said the fear that the deduction from the licence fee for the cost of collection might go up?—Yes, Sir, you would be right. I think there is a 2 per cent. profit on costs which is required by the Corporation on its general activities.

1639. You are coming to the end of the McKinsey investigation. I take it that the report will be available to you before very long? Would you be prepared to let the Treasury and/or the Post Office see it?—Could I make an initial comment on the assumption that there is a report. There was what they call a preliminary diagnostic report

some months ago. Since then there have been a number of subsidiary reports and there will, in fact, be no final McKinsey report of the kind which could be presented to some particular body. There will be a whole series of papers which will be fairly incomprehensible if you do not have some detailed knowledge of the inside working of the B.B.C. In so far as the diagnostic report is concerned, I think I would have two hesitations about its distribution outside the B.B.C.

1640. In case we are at cross-purposes over the use of the word, "distribution", I was speaking specifically of the Treasury and the Post Office?—We have disclosed to McKinseys, as though they were internal consultants, all our day-to-day activities and I do not think it would be appropriate for those day-to-day activities to be exposed to the scrutiny of the Treasury. I think the same would apply to the Post Office. The second consideration is that I am not at all sure that McKinseys would be happy with that because it would affect their relationships with any future clients who might be in the field of Government—there may be the fear that their reports might be made available.

1641. Were any conditions drafted at the outset of their investigations which would be violated if their findings were discussed or shown outside the B.B.C.?—(Mr. Thorne.) Their terms of reference were specifically to report to the Governors. (Mr. Curran.) That is so. If you said to me in specific terms what particular clause of the agreement would be violated, I do not think I could point to a particular one, but I would be in no doubt as to the spirit of the understanding, that this was entirely a confidential inquiry between the B.B.C. and the consultants.

1642. This was recognised by the Treasury and the Post Office at the time?—I do not think the Treasury or the Post Office raised the question at all. (Mr. Thorne.) It was undertaken at the initiative of the B.B.C., and the Post Office and the Treasury were informed that it was in no sense a response from an initiative from the Post Office or the Treasury that an inquiry was set up.

1643. Turning to educational broadcasting, we discussed at an earlier meeting other ways of financing educational broadcasting than the one that is now

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in fashion. Have you looked at alternative methods of financing it so that it does not fall as much as it does now on the general licence?—(Mr. Curran.) May I make it clear that I do not exclude this totally as a possibility, but I think it does raise some quite difficult questions. First of all, it is, I think, a central characteristic of our educational system, whether it is broadcast education or education in the schools, that it should have an independent character. It is a fact of educational life that the educational world looks at the Department of Education and Science and says, "Please let us be kept out of its immediate jurisdiction" and I think the educational world looks to the local authorities in that respect as its protectors. I think that in precisely the same way questions of independence would arise, let us say for a Government source of finance being put into educational broadcasting. I am not saying that those problems are insoluble; I am simply saying that they have to be considered. There would have to be some form of constitutional relationship which would assure the educational world of the continuing independence of the school broadcasting and educational broadcasting content of the B.B.C.'s programmes.

1644. In that immediate context, would there not be an analogy between the fears that might be expected to prevail as to the independence of the External Services from the Foreign Office, fears which have been allayed over the years? Would not the same principle apply, that they could be allayed without any particular formula being applied?—It is my experience of working in the External Services that leads me to think that it would not necessarily be impossible to devise some sort of constitutional relationship which could both guarantee and publicly assure people of the fact of independence.

1645. Are there safeguards in the foreign field such as could be translated in terms of the internal field, or is it purely good will that has established this faith?—There are moments when it has been considerably less than good will. I think that the most important safeguard is the fact that the External Services are a part and a relatively small part of the B.B.C., which has its

independence in another right, so to speak. This is what gives the External Services the standing they have in the world and vis à vis the Foreign Office. I do not mean to suggest by this that relations between the External Services and the Foreign Office are bad. They are not. However, there are moments when they are bound to be tense because there are two people expressing opinions, and when two people express opinions they will, from time to time, diverge. I think the position in relation to the educational world is slightly different. There are useful analogies in the field of the External Services. I think one might use the prescription formula, perhaps applied in a different way. The question is who would be the prescribing body—would it be the Department of Education and Science, the local authorities or the School Broadcasting Council. There is a whole series of questions which would need to be most carefully examined.

1646. Is the amount of money spent in this field likely to grow over the years, thereby meaning that the impact on the general licence fee becomes more acute?

—The fact is that at the moment it cannot grow because of the general position of broadcasting revenue from licences. This is one of the factors in the broadcasting situation which has most exercised me since I have come into office. There appears to be no possibility within the present financial situation of development in educational broadcasting. Naturally, I should very much like that position to be changed because I believe that there is a real need in this direction.

1647. This really means that there is quite an incentive behind the proposition of additional finance from some other source if it is to grow?—I think the incentive would be for the educational world rather than for the B.B.C., although the B.B.C. would not be slow in taking up the suggestions. I return to this quite difficult question of constitutional relationships. Unless you get those right, I do not think it matters how much money there is.

Mr. Whitaker.

1648. I should like to ask whether the B.B.C. might or should consider

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more research into the effect of television programmes on viewers, in particular the violent nature of some programmes. Hundreds of pounds a year are spent on audience research. Do you not think it an appropriate social priority to spend at least an equivalent amount on the effect of the programmes you are putting out?—No, because if you did spend that amount of money you would not find any purposes on which to spend it. You could not possibly spend £400,000 or £500,000 on the kind of research you are indicating because you would not find the people qualified to spend that amount of money. In answer to your first question, ought we to do more research into the effect of violence, having regard to the difficulties of this kind of research, yes, we should do more but that more is a fairly small quantity. We have, in fact, been considering plans for doing this, but it cannot be done on a large scale.

1649. But I.T.V. have spent a certain amount of money on this. Do you not think that at least the B.B.C. should match their contribution?—The Independent Television Authority made a substantial grant some years ago towards the workings of the Television Research Committee. The proceedings of that committee have illustrated the difficulties of applying research money to the production of particular results. I do not wish to boast at all, but I think I am probably one of the few people who have read all the documents of that committee. The more one reads those documents, the more one is conscious of the difficulty of sensibly applying money to get particular results. The committee itself reports that this was an interdisciplinary field which required an effort over a broad front by qualified researchers who were few in number, and the results were not likely to be seen for many years to come. Our feeling is that we ought to make some little contribution to the work of studying violence, but we do not expect to get results. The kind of thing that has not been done—and this is quite remarkable—is the definition of what people mean by violence when they are talking about violence in television programmes. This might seem a simple piece of work; it is certainly not a costly piece of work; but it is some-

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thing which it would be very useful to do. This is one of the things we are considering. There are certain basic elementary steps which have not been taken.

1650. Do you not think that it is as important as measuring the numbers of your audiences, which you spend £400,000 a year on?—The questions are not at all comparable.

1651. In terms of social priority, which would you say is the more important?—I do not think you can have a social priority unless you can have a result on which you can assess that priority and there is no result comparable in scale to the money we are spending on audience research.

1652. How much have you spent on that?—I find it very difficult to say. It is minute.

Chairman.

1653. To summarise what you have just said, with all the will in the world and with twice that much, it is difficult to progress further and farther down this road for the reasons you have given?—That is right.

1654. It is not lack of desire; it is rather the impracticability of early successes?—That is true. There is, of course, also a financial question. When one is short of money social priorities have to be very strictly related to what is practical. (Mr. Lamb.) Might I just add that what is spent on audience research is by no means confined to the measurement of audience size. We carry out a number of studies in relation to the impact of programmes, which I tried to outline briefly at an earlier session of the Sub-Committee.

Mr. Costain.

1655. Is there any way in which you think the public could help you on this audience research matter? What advice would you give to a Member of Parliament to pass on to his constituents, who consistently write complaining about the B.B.C.'s programmes?—(Mr. Curran.) My advice would be, first, that the constituents should write to the B.B.C., because very often we find that complaints are based, to some extent, on misapprehension. That, of course, is not true of

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our general complaints about violence. It is useful to us to know when people have thought particular parts of programmes are unacceptable. It is useful in two senses. First, we know how people have felt about a programme—it is not the only evidence or even conclusive evidence, but it is evidence. Secondly, it does enable us to enter into some kind of exchange with the people who have thought certain things when violence has taken place and perhaps we can even suggest that there were some reasons for the particular violence.

1656. On a parallel point, do you encourage your own staff to pay extras to make scenes? Where there have been violent scenes on a street, is it your knowledge that some of your people have gone round offering payment to students to make a fuss or to chuck a glass through an unbroken window?—No, it is not our policy and if any incident of that kind were reported to me, I would take a most grave view of it because it is directly contrary to a standing instruction.

Chairman.

1657. I should like to ask you a few questions on the External Services. We have been told that it is the practice to give targets of savings to the various departments. Is that practice followed in the External Services?—Yes.

1658. When we made inquiries about the re-organisation, we asked what estimates of savings were expected and the answer was that none were made. Is that really so?—You have me in a difficult position because I was the director who advised the re-organisation.

1659. It is the best possible position?—It may be the best possible position for you, Sir, but it is not for me! When you are proposing to make changes in an institution with a long history and a set pattern, it is on the whole advisable to suggest to people that what you are proposing to them is really in their own interests to help them to do their jobs better. I think this was put to the Sub-Committee in terms of an improvement of efficiency, a better application of the skills and knowledge in the External Services. That certainly was one intention of the re-organisation. If at the back of your mind there is the thought

that as a result of the various changes there might be economies, it is sometimes sensible to reserve those thoughts to yourself because there is nothing people resist more than economies. I did have a target in mind and I reported that target to the Board of Governors. I did not, I fear, tell my staff what it was. If the Sub-Committee were to press me, which I hope they will not, I would be prepared to tell them, but then I should be revealed to the staff at Bush House in my true colours.

1660. Let me try to reconcile our interest with yours. Has the target which you set yourself but which you did not reveal all round, been reached?—Not quite, but I think it is well within reach. I believe that savings which were made of necessity in order to meet the requirements of the Treasury at the last budgetary exercise, were made possible by the re-organisation and I think that there could still be some way to go.

1661. We have been told that the B.B.C. is in close touch with the Ministry of Overseas Development in the provision of technical assistance to other broadcasting organisations. Who bears the cost of this?—Most of it is borne either by the receiving organisation or in some cases by the Ministry of Overseas Development. Perhaps I could give you some indication in detail of how those costs are borne. We have an engineering training centre and they have a rate of fees for B.B.C. students which is based on the extra identifiable costs of having those students. We have sometimes charged lower fees for Commonwealth students. That is not an invariable practice. So far as radio production is concerned, there is a long history of training of overseas students. In earlier days a formula was arrived at by which the then colonial development and welfare fund met 60 per cent. of the costs and the B.B.C. met 40 per cent. That situation still prevails and it is my belief that it should not prevail for much longer because I think that what we are carrying out here is a service which is totally in the national interest and not necessarily in the direct interest of the licence payer. In television we spent ten years trying to persuade the Government that the responsibility for training students of overseas television

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[Continued.]

should not be allowed to pass to other countries. The Soviet Union is extremely active in this field and the West German authorities also have a very considerable interest. In 1965, not having secured any assistance, we started a series of television training courses on the self-financing basis of £1,000 fee per student. Now, in cases which are approved by the Ministry of Overseas Development, that fee is met by them. In other cases it is met by the parent organisations of the students, but it is a self-sustaining operation on this fee-paying basis. However, we did have to take a considerable risk in capital investment, in studio resources and in the training of the staff who now run the school.

1662. For instance, when you spend money training British Council officers is that passed on?—That fee is passed on if they are taking part in this full television course. We are looking again at the whole of our training activities because, quite clearly, we have to be very scrupulous about our commitment of money to purposes which are not directly related to the benefit of the domestic viewer and listener. I do not think it would damage this particular operation, but, of course, it would be easier if one were supported in this. So far as overseas training is concerned there has been a very important function in the secondment of B.B.C. staff overseas to the relative organisations. At any one time in the past few years there have been between 30 and 50 professionally qualified members of the B.B.C. staff seconded overseas and they go from periods of six months to two years. Of course, we accept a responsibility to resettle them when they come back. That is quite a responsibility. We have never failed yet. We make those secondments to organisations in which Her Majesty's Government has expressed an interest. Normally the salaries and pension contributions of the staff sent out on secondment are met by the receiving organisation. This applies in almost every case. We sometimes make an exception for professional visits. These last from four to six weeks and our people go out and advise overseas organisations on some particular aspects of their activities. At one time Mr. Thorne conducted one of those visits

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himself, to advise the Nigerian Broadcasting Corporation on its financial structure.

Mr. Marten.

1663. What is the benefit accruing to the B.B.C. from doing this—any?—The benefit of decent relationships with fellow broadcasters in the Commonwealth. That is quite important. It is not a tangible benefit. I think one can justify it only on the ground that one does not lose money by doing it.

1664. It is not quantifiable in terms of selling them films, programmes and so forth. There is no visible yield coming back?—No. There is, of course, a tendency to turn to Britain for that kind of thing, but programmes in the last resort are bought according to the need of the organisation and according to the prices charged. I think there is an indefinable benefit in the sense that, for example, engineers who are trained on equipment used by the B.B.C. will tend to look for equipment which is also used by the B.B.C. when they are equipping their own studios.

Chairman.

1665. Concerning the Transcription Service, we were told that it was under consideration as to whether or not this should be transferred to the Enterprises Department?—I think this may be something of a misapprehension. I remember reading this point in the evidence and rather wondering what was implied.

1666. Could you just tidy it up?—Yes. One of the tasks which we asked McKinseys to perform was to look at our various commercial operations and to see whether they had any recommendations to make on those or not. They were not asked specifically to consider whether the Transcription Service should be associated with Radio Enterprises. If they had made such a recommendation, of course it would have been considered. For my own part, I think it most unlikely that such a recommendation would be made because the Transcription Service is supported substantially by grant-in-aid and there would seem to be very little point in transferring a department supported by grant-in-aid into an organisation

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which runs on the normal basis of turnover and possible profit. I think it is difficult to divorce one department which is supported by grant-in-aid from the other grant-in-aid departments because the grant is treated as a single whole. It might be that if reductions were contemplated in one area of external broadcasting, it would be preferable, from the point of view of the national interest, to say, "Let us reduce the funds allocated to the Transcription Service

rather than to the Arabic Service". Similarly, it might be desirable to say, "Let us place the emphasis in one of the broadcasting services rather than cut the Transcription Service at this time". The manoeuvrability within the total field of grant-in-aid is a powerful factor in arguing for the retention of the Transcription Service in that area.

Chairman.] I think that covers all the ground and we are most grateful to you.

APPENDIX 1

FINANCIAL RELATIONSHIP BETWEEN THE GOVERNMENT
AND THE B.B.C.*Memorandum by the B.B.C.*

The financial relationship between the Government and the B.B.C. is governed by the current Royal Charter (Cmnd. 2385) and Licence and Agreement (Cmnd. 2236) which both came into operation on the 30th July, 1964. Under the related memorandum on B.B.C. Finance and Principles Governing Expenditure, the B.B.C. is required to supply the Post Office with the following information.

Home (Radio and Television) Services

1. Copies of the audited accounts for the financial year. The Annual Report and Accounts for 1967-68 can be seen in Cmnd. 3779.

2. An outline forecast of income and expenditure (the latter categorised as operating and capital expenditure) each year covering the current year and the three ensuing years. Between 1964 and July 1968 the normal practice was replaced by a continuous dialogue during the negotiations for a £6 licence fee. In the course of it, the B.B.C. produced summary tables of their estimates in October 1964; the summer of 1965; February 1966; and January 1967. Much more detailed information was supplied between the autumn of 1967 and the summer of 1968.

3. A statement of Civil Defence expenditure each financial year certified by the B.B.C.'s auditors. It is supported by a further statement showing the authorisations, expenditure and unexpended balances of each individual project.

4. A quarterly statement of Civil Defence expenditure giving details of the cumulative expenditure incurred to date and the amount of the Grant due supported by a further statement similar to the one in 3 above.

5. Proposals for each Civil Defence project when the estimated cost is £5,000 or more, supported by any requisite details.

6. Annual estimates of Civil Defence expenditure and the Defence Grant for the three ensuing years. In recent years the Post Office has asked only for estimates covering the current financial year and the following year.

External Services

7. Copies of the audited annual accounts. The annual Report and Accounts for 1967-68 can be seen in Cmnd. 3779.

8. Details of all fixed assets held at the end of each financial year analysed between Broadcasting, Monitoring and Civil Defence (Sub-heads B1, B2 and B3 of the Estimate) and by class of assets and location.

9. A quarterly return of income and expenditure segregating by Service (Sub-heads B1, B2 and B3 of the Estimate as in 8), the Current Vote and the Capital Vote.

10. Proposals for the disposal of assets when the book value of these are in excess of the B.B.C.'s delegated authority.

11. Proposals for new operating and capital expenditure in excess of the B.B.C.'s delegated authority.

12. A projected Grant-in-Aid Account and Balance Sheet showing the amount of the final instalment required of the Grant-in-Aid for the year.

13. An explanation of the differences between Expenditure, representing the Grant-in-Aid drawn, and the Parliamentary Vote.

14. An estimate each year of the expenditure required for the following year and a forecast for the current year. Since 1964 the Estimates have also been submitted in an alternative form at the Treasury's request showing the two previous years as a comparison.

15. A Report:

- (a) When, in the course of any year, it appears that the amount provided in the Estimate for that year is likely to be exceeded.
- (b) When it becomes apparent after the expenditure for new developments (referred to in 11 above) has been sanctioned, that the amount authorised is likely to be exceeded by 10 per cent. or £2,000 whichever is the less.

General—Home and External

16. The following returns which are not mentioned in the Memorandum on B.B.C. Finance are also submitted to the Post Office in connection with the Public Expenditure Survey:—

- (a) An annual return in summary form of the B.B.C.'s total (Home and External) capital investment programme.
- (b) An annual return of Vote Borne Expenditure which includes Home Services Civil Defence and External Services operating and capital expenditure.

Both returns give a forecast of expenditure for the current year and the following five years and also the actual results for the previous year.

17. A return of expenditure and receipts in foreign currency by country for the half year ending 30th June or 31st December if (a) the expenditure is less than £100,000 or more than £200,000, or (b) the receipts are more than £100,000.

16th January 1969.

APPENDIX 2

EXTERNAL SERVICES: BROADCASTING

Estimated Apportionment of Annual Rate of Expenditure by Services

1. At 31st March 1967:—

	Total	English	European	Arabic	Latin American	Other Vernaculars	Transcription
	£000	£000	£000	£000	£000	£000	£000
Programme and Associated Expenditure ...	4,523	1,583	1,433	518	185	594	210
Studios and Recording ...	627	208	192	58	36	67	66
Accommodation and Services ...	915	310	295	107	38	122	43
Transmitters and Lines							
U.K. Stations ...	1,158	430	395	120	75	138	
Overseas Relay Stations	422	216	39	60	38	69	
Share of General Administration and Overheads	841	289	268	98	36	112	38
	8,486	3,036	2,622	961	408	1,102	357

2. At 31st March 1968:—

	Total	English	Euro- pean	Arabic	Latin Ameri- can	Other Vernac- ulars	Tran- scrip- tion
	£000	£000	£000	£000	£000	£000	£000
Programme and Associa- and Expenditure ...	4,618	1,592	1,463	506	203	628	226
Studios and Recording ...	657	220	203	62	38	72	62
Accommodation and Ser- vices	969	327	310	107	43	134	48
Transmitters and Lines							
U.K. Stations ...	1,230	455	418	127	80	150	
Overseas Relay Stations	433	221	40	62	38	72	
Share of General Admini- stration and Overheads	804	275	256	88	38	109	38
	8,711	3,090	2,690	952	440	1,165	374

APPENDIX 3

EXTERNAL BROADCASTING—DECEMBER 1968

Note by the B.B.C.

The attached table shows the weekly output, language by language and in toto, of the six leading external (direct) broadcasters, expressed in programme hours per week.

It will be seen that the B.B.C. virtually shares fourth place with the Federal German Republic. The first position is held by the U.S.S.R. followed by China and then Voice of America in third place. However, if the output of Radio Liberty and Radio Free Europe to East and Central Europe were added the combined United States total figure would be about 2,000 programme hours a week, that is rather more than the Soviet total.

In 1950 the B.B.C. had the largest output, followed by the U.S.S.R. with Voice of America in third place. Since 1950 Voice of America's output has more or less doubled and Soviet output more than trebled. The corresponding B.B.C. increase has been about 12%. The Federal German Republic and Egypt has not begun external broadcasts in 1950 and Communist China's output was then very small—sixty-six programme hours a week.

TABLE
EXTERNAL BROADCASTING OUTPUT BY THE U.S.S.R., COMMUNIST CHINA,
EGYPT, B.B.C., V.O.A. AND THE GERMAN FEDERAL REPUBLIC

(Output figures represent programme hours per week at 31.12.68.)

	U.S.S.R.	China	Egypt	B.B.C.	V.O.A.	German Federal Republic
TOTAL LANGUAGES ...	82	38	35	39	38	33
TOTAL OUTPUT ...	hrs. mins. 1,863·55	hrs. mins. 1,312·35	hrs. mins. 598·30	hrs. mins. 721·30	hrs. mins. 994·45	hrs. mins. 721·20
Afar (African) ...	—	—	5·15	—	—	—
Albanian ...	21·00	—	—	—	7·00	—
Amharic (African) ...	10·30	—	5·15	—	—	12·50
Amoy (Chinese) ...	—	71·45	—	—	—	—
Arabic ...	68·40	14·00	282·20	70·00	49·30	19·50
Armenian ...	25·15	—	—	—	7·00	—
Assamese ...	10·30	—	—	—	—	—
Aserbajani ...	12·50	—	—	—	—	—
Bambara (African) ...	3·30	—	5·15	—	—	—
Belorussian ...	7·00	—	—	—	—	—
Bengali ...	17·30	—	7·00	4·45	7·00	—
Bulgarian ...	10·00	—	—	14·45	10·30	7·00
Burmese ...	10·30	24·30	—	7·00	42·00	—
Cantonese ...	7·00	38·30	—	3·30	—	—
Catalan (Spain) ...	0·30	—	—	—	—	—
Chaochow (Chinese) ...	—	10·30	—	—	—	—
Chinese ...	168·00	262·30	—	10·30	66·30	6·25
Creole ...	1·00	—	—	—	—	—
Czech/Slovak† ...	84·00	3·00	—	22·15	14·00	17·45
Danish ...	7·00	—	—	—	—	2·00
Dari (Middle East) ...	7·00	—	—	—	—	—
Dutch ...	7·00	—	—	—	—	3·00
English ...	184·40	126·00	47·15	255·00	269·45	73·05
Esperanto ...	—	3·00	—	—	—	—
Estonian ...	1·45	—	—	—	7·00	—
Finnish ...	18·30	—	—	8·30	—	—
French ...	63·10	28·00	31·30	40·15	30·15	34·55
Fulani (African) ...	—	—	6·25	—	—	—
Georgian ...	—	—	—	—	7·00	—
German ...	47·55	14·00	8·45	33·15	11·45*	357·00
Greek ...	24·30	—	—	9·45	6·00	3·30
Guarani (South America) ...	3·30	—	—	—	—	—
Gujerati ...	7·00	—	—	—	—	—
Hakka (Chinese) ...	—	24·30	—	—	—	—
Hausa (African) ...	14·00	7·00	10·30	8·45	—	12·15
Hebrew ...	3·30	—	24·30	—	—	—
Hindi ...	24·30	28·00	7·00	5·15	10·30	3·55
Hungarian ...	7·00	—	—	18·45	14·00	10·00
Ibo (African) ...	—	—	5·15	—	—	—
Indonesian ...	24·30	31·30	8·45	5·15	38·30	8·10
Italian ...	24·30	10·30	7·00	5·15	—	3·30
Japanese ...	31·30	45·30	—	5·15	5·00*	—
Kannada (India) ...	7·00	—	—	—	—	—
Khmer (Cambodia) ...	7·00	14·00	—	—	14·00	—
Korean ...	24·30	28·00	—	—	14·00	—
Kurdish (Middle East) ...	10·30	—	—	—	—	—
Lao ...	7·00	17·30	—	—	7·00	—
Latvian ...	4·05	—	—	—	7·00	—
Lithuanian ...	12·00	—	—	—	7·00	—
Lingala ...	3·30	—	5·15	—	—	—
Macedonian ...	3·30	—	—	—	—	—
Malagasy (African) ...	3·30	—	—	—	—	—

	U.S.S.R.	China	Egypt	B.B.C.	V.O.A.	German Federal Republic
	hrs. mins.	hrs. mins.	hrs. mins.	hrs. mins.	hrs. mins.	hrs. mins.
Malay	—	14·00	5·15	1·45	—	—
Malayalam	7·00	—	—	—	—	—
Marathi	7·00	—	—	—	—	—
Maltese	—	—	—	0·35	—	—
Mongolian	32·05	21·00	—	—	—	—
Ndebele (African)	3·30	—	5·15	—	—	—
Nepalese	3·30	—	—	—	—	—
Norwegian	10·30	—	—	—	—	2·00
Nyanja (African)	—	—	5·15	—	—	—
Persian	47·15	7·00	10·30	5·15	—	12·15
Polish	12·10	2·00	—	22·15	14·00	13·30
Portuguese	24·30	14·00	7·00	5·15	—	5·50
Portuguese (South America)	17·30	14·00	8·45	15·45	23·30	7·00
Punjabi	7·00	—	—	—	—	—
Pushu (Afghanistan)	7·00	—	7·00	—	—	—
Quechua (South America)	8·45	—	—	—	—	—
Rumanian	36·30	2·00	—	16·30	10·30	15·15
Russian	220·00	299·50	7·00	30·00	70·00	17·30
Sanskrit (India)	—	—	—	—	—	0·10
Serbo-Croat	24·30	7·00	—	11·15	7·00	9·40
Sesuto (African)	—	—	5·15	—	—	—
Shanghai Dialect	7·00	—	—	—	—	—
Shana (African)	3·30	—	5·15	—	—	—
Sinhala	7·00	—	—	2·00	—	—
Slovene	3·30	—	—	5·45	3·30	1·30
Somali (African)	7·00	—	7·00	7·00	—	—
Spanish	20·30	7·00	—	8·00	—	5·50
Spanish (Latin America)	71·45	28·00	8·45	28·00	48·00	16·55
Swahili (African)	24·30	10·30	10·30	8·45	7·00	25·40
Swedish	12·50	—	—	—	—	2·00
Tadshik	14·00	—	—	—	—	—
Tagalog (Philippines)	—	10·30	—	—	—	—
Tamil	7·00	7·00	—	2·00	3·30	—
Telugu (India)	7·00	—	—	—	—	—
Thai	7·00	21·00	7·00	5·15	7·00	—
Turkish	36·45	7·00	7·00	7·45	3·30	7·00
Uighur (Chinese)	14·00	—	—	—	—	—
Ukrainian	37·30	—	—	—	7·00	—
Urdu	24·30	7·00	8·45	5·15	7·00	4·05
Usbak	6·00	—	—	—	—	—
Vietnamese	35·00	31·30	—	5·15	112·00	—
Wolof (African)	—	—	5·15	—	—	—
Yiddish	3·30	—	—	—	—	—
Yoruba (African)	—	—	5·15	—	—	—
Zulu	3·30	—	5·15	—	—	—

* V.O.A. service programmes which consist of short disconnected topical items broadcast on short wave for use by local rebroadcasters. A further 19 hours per week vary in language.

† Czech/Slovak count as two languages except for China which only broadcasts in Czech.

APPENDIX 4
TRANSCRIPTION SERVICE

Note by the B.B.C.

The annual rate of programme and associated expenditure of the Transcription Service at 31st March 1968 amounted to £394,000. This cost was offset by receipts of £168,000 leaving net expenditure of £226,000. Of the receipts, £31,000 were accounted for by individual transactions with broadcasting organisations. The balance of £137,000 was in the form of annual subscriptions from 25 broadcasting organisations. Of these annual subscriptions, four were in excess of £10,000, six were in excess of £1,000, and fifteen were less than £1,000.

APPENDIX 5
MONITORING SERVICE REPORTS

Note by the B.B.C.

1. At 31st December 1968 the distribution of documents to subscribers was as follows:—

	<i>Daily Issue</i>	<i>Weekly Supplement</i>
Monitoring Report	29	n/a
Part I—U.S.S.R.	51	54
Part II—Eastern Europe	62	68
Part III—Far East	83	91
Part IV—Middle East and Africa	84	89

2. Current income from subscriptions amounts to £13,750 p.a., made up as follows:—

	£
A. Foreign Governments and United Nations	2,500
B. Press and Publications	3,700
C. Broadcasting Organisations	700
D. Universities and Research Institutions	4,000
E. Others	2,850
	<hr style="width: 100%; border: 0.5px solid black;"/>
	13,750
	<hr style="width: 100%; border: 0.5px solid black;"/>

APPENDIX 6

B.B.C. EXTERNAL SERVICES

*Letter to the Clerk to the Sub-Committee by Mr. Michael King,
Director of Information, Confederation of British Industry.*

Further to my letter of February 5th, I would like to make a few comments on the External Services of the B.B.C. as they affect industry. I have made quite a number of enquiries and have come to the conclusion that it would be quite impossible really to quantify the value to British industry of the External Services.

However, my colleagues and other people in industry to whom I have talked are all of the opinion that the External Services' treatment of British industry and its achievements forms an essential part of the whole national effort aimed at projecting abroad as good a picture as possible of things in this country.

The External Services do not as far as I am aware go in for the 'hard sell' or active promotion of particular products in a selling sense, although products are mentioned by name. What they aim to do, and I am sure to a considerable extent succeed in doing, is to correct the rather depressing picture of industrial activity in this country so often projected in the national newspapers. Foreign correspondents in London writing home to their newspapers on the continent or elsewhere, so often tend to reflect what our national newspapers say and therefore there grows up an entirely inaccurate impression of the very real vitality and enterprise which exists.

I think it is true to say that the External Services of the B.B.C. are an essential part of the programme in which the Central Office of Information and the Foreign and Commonwealth Office's Information Services play a part. In general terms, I would deplore any attempt to diminish any effort made by the B.B.C. abroad to enhance the prestige of this country. I do not believe that its efforts can be separated from those of other organisations such as the ones that I have mentioned already. From this it follows, of course, that any extension of industrial and technological programmes of the External Services would be most welcome. In addition, I think that the B.B.C. could make more widely known what it does on behalf of industry in its External Services. I am sure that you are aware, as is any business man who travels abroad, of the very high regard which foreigners have for the B.B.C.

APPENDIX 7

ESTIMATED RATE OF GROWTH IN NUMBER OF COLOUR LICENCES

Note by the B.B.C.

The number of colour licences incorporated in the B.B.C.'s Estimate on which the request for a £6 licence was made was provided by the Post Office based on British Radio Equipment Manufacturers' Association expectations. The number at 31st March each year and the income from the supplementary fee of £5 per licence were thought likely to be:—

							<i>Numbers</i>	<i>£</i>
1968	...	...	...	...	...	...	10,000	50,000
1969	...	...	...	...	...	...	75,000	375,000
1970	...	...	...	...	...	...	200,000	1,000,000
1971	...	...	...	...	...	...	450,000	2,250,000
1972	...	...	...	...	...	...	700,000	3,500,000
								<u>7,175,000</u>

APPENDIX 8
LOCAL RADIO
ANNUAL RATE OF CONTRIBUTIONS

Note by the B.B.C.

						Contributed by Local Authorities	Contributed by Other Sources	Total Contributions
						£	£	£
Brighton	...	...	...	...	...	26,000	116	26,116
Durham	...	...	...	...	...	10,000	1,550	11,550
Leeds	...	...	...	...	...	25,000	—	25,000
Leicester	...	...	...	...	...	52,000	—	52,000
Nottingham	...	...	...	...	...	32,000	102	32,102
Sheffield	...	...	...	...	...	57,500	350	57,850
						202,500	2,118	204,618
Merseyside	...	...	...	...	...	...	...	62,946
Stoke-on-Trent	...	...	...	...	...	...	...	52,000
								319,564

In the case of Merseyside and Stoke-on-Trent the local authorities have guaranteed the above annual payments and local societies and organisations in these areas are making contributions direct to the local councils rather than to the B.B.C.

APPENDIX 9
MANCHESTER HEADQUARTERS

Note by the B.B.C.

The need to rehouse our Regional activities in Manchester has been under consideration for many years.

The original plan would in particular have provided a television studio of 7,000 sq. ft. with its associated facilities. The total floor area, including expansion space, was 183,000 sq. ft. The total cost of the building and technical installations would have been about £6.5 million.

The plan had been drawn up on this scale because it appeared right at the time to make provision for all the B.B.C.'s activities in Manchester to be concentrated in one headquarters and to allow for all the programme development in and from Manchester which might thereby be encouraged. It was revised, in the autumn of 1968, because by then it had become evident that we could only afford to provide facilities for services which we knew with certainty would be required.

The revised plan will provide a building approaching two-thirds the size of the previous building. It will contain a television production studio of 3,500 sq. ft. with associated facilities, the O.B. base and other facilities.

The television production studio will be arranged so that it may subsequently be expanded up to a maximum of 7,000 sq. ft., should this prove to be justified in the light of the current review of all the B.B.C.'s activities outside London; and the site will also be developed so as to allow for the addition of either a second television studio of 1,500 sq. ft., or a radio music studio suite, or both, if similarly justified.

The cost of the revised plan is expected to be of the order of £5 million. The exact figure cannot be calculated with precision until the revised schedules and contracts have been drawn up and agreed. The floor area is 110,000 sq. ft.

The aim of the new plan is to provide an up-to-date and efficient building bringing together as many as possible of all the activities currently carried on in Manchester, and to give scope for any expansion which may prove desirable in the future.

APPENDIX 10

LICENCE MANAGEMENT COSTS

Memorandum by the Post Office

After the meeting of the Sub-Committee on 19th May, the Post Office was asked to submit a memorandum showing the following information:

1. *Broadcast Receiving Licences—Post Office Management Costs*

- A. Total cost.
- B. Cost per £1 of licence revenue collected.
- C. Cost per licence sale.

	1963-64			1964-65			1965-66		
	A	B	C	A	B	C	A	B	C
<i>Collection of Revenue</i>	£000	(d)	(d)	£000	(d)	(d)	£000	(d)	(d)
Record and Reminder Work	916	4.39	13.81	962	4.11	14.3	970	3.44	14.4
Issue of Licences ...	732	3.51	11.04	791	3.38	11.75	810	2.87	12.02
Licence Investigation ...	413	1.98	6.22	445	1.90	6.62	436	1.54	6.47
Postage ...	266	1.27	4.0	268	1.15	3.98	334	1.18	4.96
Printing & Miscellaneous ...	77	0.37	1.16	80	0.34	1.19	90	0.32	1.33
HQ Costs ...	97	0.47	1.47	110	0.47	1.63	105	0.37	1.56
	2,501	11.99	37.70	2,656	11.35	39.47	2,745	9.72	40.74
<i>Interference Investigation</i>									
Sound ...	123	0.59	1.85	129	0.55	1.91	99	0.35	1.47
Television ...	488	2.34	7.36	528	2.25	7.85	533	1.89	7.92
HQ & Miscellaneous Costs...	31	0.15	0.47	30	0.13	0.45	33	0.11	0.48
	642	3.08	9.68	687	2.93	10.21	665	2.35	9.87
<i>Gross Total</i> ...	3,143	15.07	47.38	3,343	14.28	49.68	3,410	12.07	50.61

	1966-67			1967-68		
	A	B	C	A	B	C
<i>Collection of Revenue</i>	£000	(d)	(d)	£000	(d)	(d)
Record and Reminder Work	994	3.18	14.12	1,621	4.92	21.97
Issue of Licences ...	881	2.82	12.52	996	3.02	13.49
Licence Investigation ...	472	1.51	6.71	508	1.54	6.89
Postage ...	348	1.12	4.94	360	1.09	4.88
Printing & Miscellaneous ...	107	0.34	1.52	141	0.43	1.91
HQ Costs ...	116	0.37	1.65	217	0.66	2.94
	2,918	9.34	41.46	3,843	11.66	52.08
<i>Interference Investigation</i>						
Sound ...	107	0.34	1.51	92	0.28	1.24
Television ...	581	1.86	8.26	563	1.71	7.63
HQ & Miscellaneous Costs...	33	0.11	0.47	27	0.08	0.36
	721	2.31	10.24	682	2.07	9.23
<i>Gross Total</i> ...	3,639	11.65	51.70	4,525	13.73	61.31

Explanations of major variations

1965-66 *Postage* (+£66,000)—mainly due to increase in tariff rates as from 17th May 1965.

1966-67 *Issues* (+£71,000)—mainly due to increase in work and to pay increases.

1967-68 *Record and Reminder Work* (+£628,000)—mainly due to the cost of new measures for dealing with licence evasion (+£485,000), and increase in work and pay increases (+£143,000).

Issues (+£115,000)—mainly due to additional work and pay increases.

Headquarter Costs (+£101,000)—due to the cost of data conversion for the computer experiment (+£31,000), licence evasion publicity campaign (+£46,000), pay increases (+£3,000), and a re-allocation of central and regional headquarters costs (+£21,000).

Final figures for 1968-69 are not yet available; estimated costs are:

Service	1968-69 Estimated		
	£'000	Cost per £1 of licence revenue collected (d)	Cost per licence sale (d)
Collection of Revenue	4,390	12·25	58·43
Interference Investigation	775	2·16	10·32
Total	5,165	14·41	68·75

The estimated total for 1968-69 (£5,165,000), shows an increase of £640,000 over the 1967-68 total (£4,525,000) due in the main to:

(1) *Collection of Revenue* +£547,000—Pay increases (+£250,000), increase in postage tariff rates (+£70,000), additional work mainly due to new measures to combat licence evasion (+£180,000) and a re-allocation of costs (+£47,000).

(2) *Interference Investigation* +£93,000—Increase in work (+£60,000), and pay increases (+£33,000).

2. Post Office counter transaction costs

(i) Poundage on Postal Orders

Value	Poundage
1s. 0d.	3d.
1s. 6d. to £1 1s. 0d.	4d.
£2 0s. 0d. to £5 0s. 0d. (the maximum denomination available)	6d.

(ii) Poundage on Money Orders

Value of order not over	Poundage
£10	2s. 0d.
£20	2s. 2d.
£30	2s. 4d.
£40	2s. 6d.
£50 (the maximum denomination available)	2s. 8d.

(iii) Cost per transaction of:—

(a) Postal Orders	4·34d.
(b) Money Orders	55·00d.

(iv) Cost per transaction of issuing a Dgg Licence=21·009d.

Broadcasting Department,
General Post Office,
S.E.1.

June, 1969

APPENDIX 11

THE FORM OF THE ESTIMATE

Note by the Post Office

This Note explains the make-up of Subhead C of the old Broadcasting Estimate, Subhead G of the new Ministry of Posts and Telecommunications Estimate, and the deductions made from the gross broadcast receiving licence revenue in order to arrive at the net licence revenue payable to the B.B.C. under Clause 17 of the Licence and Agreement (Cmnd. 2236).

1. *Subhead C of the Broadcasting Estimates (1968-69)* was made up as follows:*

	£
(1) Payment to Postmaster General for collection of revenue, including administration of the licensing system	4,498,000
This figure includes £313,000 for expenses at headquarters (regional headquarters offices and administrative and technical branches in national headquarters offices).	
(2) Payment to Postmaster General for interference investigation ...	775,000
(3) Payment to Postmaster General for administration of broadcasting policy other than licensing collection and administration. (Costs incurred in administrative and technical branches of national headquarters offices; net of certain wireless telegraphy licence fees, viz., fees for broadcast relay licences and fees (£2,000) payable annually to the Postmaster General by the B.B.C. and I.T.A.)	103,000
(4) Payment to the Postmaster General for United Kingdom contribution to the International Telecommunication Union (total £135,000): Share regarded as attributable to broadcasting	20,000
Total	5,396,000

2. *Subhead G of the Ministry of Posts and Telecommunications' Estimate for 1969-70 is made up as follows:*

	£
(1) Payment to the Post Office for collection of revenue, including administration of the licensing system	4,469,000
This figure includes £267,000 for expenses at headquarters (regional headquarters offices and administrative and technical branches in national headquarters offices). But for the period from 1st October 1969 (when, subject to the passage of the Post Office Bill now before Parliament, the Post Office Corporation and the Ministry of Posts and Telecommunications are expected to be separated) it does not include expenses expected to be incurred for this purpose by the M.P.T. (£61,000).	
(2) Payment to the Post Office for interference investigation	815,000
(3) Payment to the Post Office as in 1(3) for administration of broadcasting policy other than licensing collection and administration (but only for the period 1st April to 30th September 1969)†	64,000
(4) Payment to the Post Office for Other Wireless Telegraphy Services (These services, which were not previously shown in the Broadcasting Estimates include (i) technical services provided for the Minister by the Corporation, (ii) issue and renewal of licences (other than broadcast receiving licences), and (iii) cost of examination for the Minister's certificate for radio operators.)	45,000
Total	5,393,000

* The figures shown relate to the estimated outturn for 1968-69 printed in the 1969-70 Estimates and not to the original Estimate.

† From 1st October 1969 to 31st March 1970 the Ministry's costs for similar services, £52,000.

Expenditure to be incurred by the Ministry of Posts and Telecommunications after 1st October 1969 will be £123,000 borne on other subheads (mainly subhead A (£102,000), but also B (£11,000) and D (1) (£10,000)).

Appropriations in Aid: Expenditure of £45,000 referred to above under 2(4) is offset by a similar amount as an appropriation in aid (part of total provision of £200,000 under subhead Z.1) from the fees for the wireless telegraphy licences. After 1st October 1969 broadcast relay licence fees and the B.B.C. and I.T.A. licence fees also brought to account as an appropriation in aid under subhead Z.1.

3. Deductions made from estimated gross licence revenue in 1968–69 (£86,534,000), in order to arrive at the grant of £81,360,000 provided under subhead A.1 of the Broadcasting Estimates were:

	£	£
(i) P.O. costs for collection of revenue	4,305,000*	
(ii) P.O. costs for interference investigation	775,000	
	<hr/>	
Total P.O. licence management estimated costs ...		5,080,000
(iii) H.M.S.O. Allied Service costs		85,000
(iv) Adjustment for 1967–68 arising out of the difference between grant for 1967–68 and payment due for 1967–68		8,000
(v) Roundings		1,000
		<hr/>
Total deductions		5,174,000

4. Deductions made from estimated gross licence revenue in 1969–70 (£101,550,000) in order to arrive at the grant of £96,125,000 under Subhead E.1 of the Ministry of Posts and Telecommunications Estimates were:

	£	£
(i) P.O. costs for collection of revenue	4,469,000	
(ii) P.O. costs for interference investigation	815,000	
	<hr/>	
Total P.O. licence management costs		5,284,000
(iii) Ministry of P. & T. licence management costs ...		61,000
(iv) H.M.S.O. Allied Service costs		80,000
		<hr/>
Total deductions		5,425,000

5. Cash issues to the B.B.C. are made within the limits of the provision under the grant for Home Services (Subhead A.1 of the old Broadcasting Estimate and Subhead E.1 of the Ministry of Posts and Telecommunications Estimate).

Actual cash issues to the B.B.C. are made on an *estimated* net licence revenue basis for the estimate year plus adjustments for the previous year. The B.B.C.'s published accounts, however, reflect the *actual* gross licence figure for the year in question less estimated licence management expenses for the current year and adjustments for the previous year.

Receipts from the issue of broadcast receiving licences are included in the Post Office Report and Accounts within statement B.4—Agency Services Balances. Post Office licence management expenses are not identified as such in the P.O. Accounts but are included within statement A.1 under Agency Services.

6. *Virement.* Monies provided under Subheads A.1 and C of the old Broadcasting Estimate and Subheads E.1 and G of the Ministry of Posts and Telecommunications Estimate are classified as grants, and in the past the exercise of virement has been authorised for the adjustment of savings and excesses between the two subheads.

* This is different from the figure shown in 1 because of an adjustment for the previous year.

APPENDIX 12

EFFECT OF SELECTIVE EMPLOYMENT TAX ON B.B.C.'s ESTIMATES

Explanatory Note by the B.B.C. for Question 1618

In July 1962, and again in October 1964, the B.B.C. asked for the introduction of a £6 combined licence fee from 1st April 1965. In April 1966 the B.B.C. informed the Post Office that the £6 licence might be delayed until 1st April 1968 for the reasons outlined in the Memorandum on B.B.C. Finances. Up to this time nothing had been included in B.B.C. estimates for Selective Employment Tax, as the tax was still unknown.

In May, immediately following the introduction of S.E.T., which it was estimated would cost B.B.C. Home Services some £1.1 million, the B.B.C. informed the Government that it would now be necessary to introduce the £6 licence from 1st January 1968.

The £6 licence was finally announced in the House of Commons on 23rd July 1968 and became effective on 1st January 1969.

S.E.T. was not therefore included in the original estimates upon which the £6 licence was based, but the cost of £1.1 million, which had to be met by reducing other provisions, was included in estimates prepared after the introduction of the tax in May 1966. From July 1969 the cost of S.E.T. to the Home Services will be some £2.2 million—double the original figure included in our later estimates.

30th June, 1969.

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