



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

EDUCATION AND CULTURE COMMITTEE

Tuesday 5 January 2016

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EDUCATION AND CULTURE COMMITTEE

1st Meeting 2016, Session 4

CONVENER

*Stewart Maxwell (West Scotland) (SNP)

DEPUTY CONVENER

*Mark Griffin (Central Scotland) (Lab)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Colin Beattie (Midlothian North and Musselburgh) (SNP)

*Chic Brodie (South Scotland) (SNP)

*Gordon MacDonald (Edinburgh Pentlands) (SNP)

*Liam McArthur (Orkney Islands) (LD)

*John Pentland (Motherwell and Wishaw) (Lab)

*Mary Scanlon (Highlands and Islands) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Janet Archer (Creative Scotland)

John Archer (Independent Producers Scotland)

Professor Robert Beveridge (University of Sassari)

Professor Neil Blain (University of Stirling)

Donald Campbell (MG Alba)

Paul Holleran (National Union of Journalists Scotland)

Bill Matthews (Audience Council Scotland)

Paul McManus (Broadcasting, Entertainment, Cinematograph and Theatre Union)

Professor Philip Schlesinger (University of Glasgow)

CLERK TO THE COMMITTEE

Terry Shevlin

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Education and Culture Committee

Tuesday 5 January 2016

[The Convener opened the meeting at 10:02]

BBC Charter Renewal

The Convener (Stewart Maxwell): Good morning, everybody. I welcome all of you to the first meeting of the Education and Culture Committee in 2016 and I wish everybody a very happy new year.

At this first meeting of the new year, we will look at the BBC charter renewal. Before we do that, I remind everybody to make sure that all electronic devices are switched off as they interfere with the sound system.

Our first item is to take evidence on the BBC charter renewal. I welcome Professor Robert Beveridge, Professor Neil Blain and Professor Philip Schlesinger. Unfortunately, Dr John McCormick has sent his apologies as he is unable to be with us this morning.

I will move straight to questions, if you do not mind. Colin Beattie will begin the questioning.

Colin Beattie (Midlothian North and Musselburgh) (SNP): The broad thrust of the submissions to the committee is that there is a clear feeling that the present structure of governance is not adequate for what is now required. Indeed, having some sort of federal structure is mentioned a number of times. What would be the pros and cons of a federal structure? What would be the advantages and disadvantages for Scotland?

The Convener: Professor Blain, do you want to kick off?

Professor Neil Blain (University of Stirling): Yes. On governance, it is worth making the macro-level point that broadcasting has been discussed in Scotland over—it is probably not an exaggeration to say—the past 25 years in a manner that has not greatly altered, because the responsibility for broadcasting still lies in Westminster, with the Department for Culture, Media and Sport.

This Parliament welcomed the Scottish Broadcasting Commission report in 2008 and the follow-up report from the Scottish digital network panel in 2011. We have to imagine the future of the BBC now, because we do not know, for example, what the funding mechanism will be too

far into the future. You asked about governance. I suppose that the first question is whether it would be helpful if the BBC were directly answerable to this committee, or another appropriate committee at Holyrood, which would enable us to discuss these matters in Scotland in a different way from how they have been discussed before.

You asked about a federal structure. I regard myself as a BBC loyalist. All of us here probably regard the BBC as an enormous asset, both United Kingdom-wide and in Scotland. In my submission, I expressed scepticism regarding how the BBC might move to a federal structure. I am not trying to digress from your question, but I would like to put the argument out there that it might be more helpful not to wrap up the whole question of the future development of Scottish broadcasting in an envelope marked “BBC charter review” or “future of the BBC”.

I would not like to take it for granted that the future development of Scottish broadcasting rests on the ability of the BBC to achieve cultural change, for example, in the direction that you indicated.

It is interesting that the substantial and expensive move to Salford does not seem to have resulted in different observations. It has not prevented the continuation of observations from the north of England, Scotland and elsewhere to the effect that the BBC still seems rather London-centric.

I do not want to answer your question with a question, but I think that there is a question regarding how the BBC would achieve a federal structure, whether it actually wants to and what that would mean. If the BBC is more likely to appear in a federalised form in Scotland, associated questions include what the implications for the north of England would be. It seems improbable that the BBC could adopt a limited federal model in one part of the United Kingdom, so I am left speculating about the form that a federal structure would take.

The important point is that Scotland really ought to have at least one television channel with editing and commissioning authority in Scotland. Ireland has six channels, including the Irish language channel, whereas we have one, which is BBC Alba. In Catalonia, there are half a dozen channels. In fact, Ireland has had six channels since last Saturday, when UTV started broadcasting something called UTV Ireland.

Those channels have a difficult existence; in Ireland, RTE, TV3 and so on have to struggle for revenue. However, we are in a very different position in Scotland. I am answering your question in a complicated way, Mr Beattie, but I am not absolutely certain that the solution for Scottish

broadcasting is a federal BBC. It might be, and if the BBC were capable, in cultural and revenue terms, of running a channel with autonomous editing and commissioning in Scotland, I would be delighted. However, I feel as though we might wait a long time for that to happen.

Professor Robert Beveridge (University of Sassari): My view is that we should have a federal structure. It may be more appropriate, however, to speak of devolution max for the BBC rather than federalism. The committee will know about the evolving relationship between the Scottish Parliament and Westminster Parliament and its strengths and weaknesses. I am convinced that, if there were to be a federal BBC, the same kinds of problems would be encountered. From my perspective, BBC Scotland needs to be not the BBC in Scotland but BBC Scotland, or more of a Scottish BBC.

Colin Beattie asked about the downside. One of the downsides in such a settlement may be that London might be even less inclined to put programmes that are made in Scotland on the UK network. At present, as we know, there is massive investment in “River City”, but it is not shown on the BBC British network. That is not value for money. Although I am not personally a great fan of “River City”, it seems to me that it should be on the BBC network, and Scotland should be portrayed to the rest of the UK in a much better way. I believe that a federal structure would help to bring that about.

Professor Philip Schlesinger (University of Glasgow): I think that “federalism” has become a bit of a slogan. The key point is to have decentralisation of the BBC, under whatever name.

Scotland needs to have much more control over expenditure, commissioning and strategy. If there is to be a debate about the decentralisation of the BBC, it would certainly be helpful to have a push coming from Scotland, but the conversation would also necessarily involve people in Northern Ireland, Wales and the north of England. One set of requests is not going to hack it; it is a much wider debate.

I do not think that federalism in a formal sense will come about before the federalisation of the UK. The UK has been notoriously bad at sorting out its constitutional arrangements, so I would not get too hung up on that. It is much more a question of decentralisation. The downside is that there might be an overall loss of strategic purpose inside the BBC. The BBC’s culture has to change to allow it to consider its global strategy and the variety of strategies that it needs within the UK, given the UK’s diversity, not least its multinational diversity.

At the moment, it seems that the BBC is not only fighting political pressures, adapting to technological change and dealing with economic pressures—not least around the licence fee—but is trying to reposition itself for a global marketplace. There are inherent tensions in any sort of attempt to get the BBC to focus on what is needed for Scotland as well as on what is needed in its present fight to stay in the game in the UK as a whole.

Colin Beattie: Members of the panel have expressed views on different facets of a federal structure. Inextricably tied up with that is the question of accountability, which is at the core of everything. There is a question about the adequacy of the BBC’s accountability to the Scottish Parliament within the present structure. Could greater accountability to Scotland be achieved without introducing what I will call—for want of a better expression—a federal structure or a devolved structure, or would it be necessary to have that level of devolution to Scotland before proper accountability could be brought in?

Professor Blain: In principle, there is no reason why the BBC, devolved or undevolved, could not report to the Scottish Parliament now if a mechanism for that could be found. Under those circumstances, there would have to be legislative change.

The question is whether the key thing is change to the devolution settlement affecting this Parliament or change to the BBC. The same constitutional issue would arise about the BBC’s accountability regardless of whether it was devolved.

It is not just the case that the BBC is not required to report to this Parliament; in fact, the legislation that established this Parliament does not give the Parliament oversight of the BBC. In that sense, I do not think that it would matter whether the BBC was devolved.

Two actions would need to take place: this Parliament would need to acquire extra powers and the BBC would require to be devolved. However, I agree with Professor Schlesinger—I hear terms such as “devolution of the BBC” and “federalisation of the BBC”, but given that we do not really have a precedent within the BBC, it is very difficult to know what such structures would look like.

10:15

Professor Beveridge: Accountability is a very complex issue. I support the BBC’s being accountable to the licence fee payer, the Scottish Parliament and the Westminster Parliament, but that has to be without compromising the BBC’s independence. Forgive me for saying this, but

politicians need to be kept at arm's length from the BBC for a whole variety of reasons.

I would particularly like BBC Scotland to have its own budget. There is currently a debate about the Ofcom definition and the BBC definition of Scottish productions. I have not seen BBC Scotland's proper overall budget—I do not think that anybody has—but I would like to see it in order to get a handle on how it is deployed. It might include how much BBC Scotland contributes to the BBC network's overall spending, for example. Currently, we can see a bit more about STV's budgets than we can about the BBC's budgets, and that is unacceptable.

Professor Schlesinger: The question about accountability is: accountability for what purpose? There is absolutely no reason why the BBC should not submit its report on Scotland to the Scottish Parliament and account for what it does, which I think it does informally now anyway. There have been arguments in the public domain about other forms of accountability in respect of the BBC's board structure. That is a complex matter, but if such accountability were fully proposed, it might be properly debated.

We need to distinguish between financial accountability, which would in any case be overseen by bodies such as the National Audit Office, and accountability for the range of programming that the BBC offers. Quite a lot gets wrapped up in the discussion about accountability. If there is going to be a serious argument about that, it should not simply be about the formal structures; it should also be about distinguishing the different elements of accountability that the Parliament would wish to have.

Colin Beattie: Again, the members of the panel have talked about slightly different facets of what accountability is and the description of it. Obviously, there is a different debate about that. The Scottish Parliament should have some form of scrutiny over the BBC. What information would be required for that? Obviously, there will be slightly different views on that, but what do you view as the Scottish Parliament's essential needs in scrutinising the BBC in Scotland?

Professor Blain: I do not want to repeat the point that Professor Beveridge made that the budget is the key issue. A lot of the other information is available. As has been said already, it really depends on what forms of accountability we are looking at. Other than budgetary information, I think that a lot of the information that the Parliament would need exists.

The key question is this: with what authority is the Parliament scrutinising that information? Since the Parliament was set up, many people have looked at what has seemed to be an anomaly in

that there are cultural responsibilities and a minister with responsibility for Scottish culture but, strictly speaking, that does not include broadcasting as a result of how the Parliament was set up. I am in danger of repeating myself, but the key issue is with what degree of authority and under what form of legislation the Parliament scrutinises those forms of information. I do not think that the information is the problem, assuming that one can extract detailed information about the budget.

There is a complication. A lot of people point out that the BBC collects perhaps £350 million or thereabouts—we do not know—from the licence fee in Scotland plus Scotland's share of commercial activity, and we say that we do not think that the BBC spends that on, for example, BBC Scotland or its funding of BBC Alba.

The counterargument is that Scottish listeners and viewers enjoy the same full range of BBC services as people do in London and Leeds. A complex bit of arithmetic needs to be worked out—which is difficult, because people take different positions—on what the shortfall is or what a reasonable estimate of the shortfall is between what is spent in Scotland and the licence fee take in Scotland. It is a difficult calculation.

Professor Beveridge: I would go back to the late Lord Beveridge's report in 1951 and the Westminster Government's response at that time, which said:

"The Government attach great importance to the maximum devolution to all areas on programme policy and otherwise, and they agree with the Broadcasting Committee that the existing arrangements are inadequate."

That was back in 1951.

My experience of the BBC, as both a citizen and a consumer of its output, is that it knows, just as you do, that it has a problem with Scotland. It has known that for a long time from its own research, and it has not done enough about it. Like Neil Blain, I am a loyalist—I am a great supporter of the BBC. However, we have heard from BBC directors general and chairmen going back decades that there is a problem and that it is doing something about it. It is still saying that in response to your questions for Lord Hall in advance of your meeting next week.

What I want you to concentrate on is the future. We should not just listen to the rhetoric and the BBC saying that it is going to do something about it. The BBC must find ways of ensuring that it is doing something about the problem. If this was Marks and Spencer or John Lewis, you can believe that it would have solved the problem of cultural representation and production for Scotland long ago. My proposal in my submission is that the director general and the director, Scotland, should

have their pay linked to performance. If they do not address the purpose gaps in Scotland, their pay needs to be docked, because they are the people with whom the buck stops.

However, I do not want you as politicians telling the BBC what should or what should not be on the screen. The complex nature of the relationships between regulation, governance and politicians must be handled with great care.

Professor Schlesinger: I strongly support that. It is important that there is no straying into areas that are strictly regulatory. However, there is one area where the Parliament might properly take an interest. It could look at the public purposes of the BBC as they get redefined over the course of the charter review and see to what extent the BBC in Scotland is addressing those public purposes satisfactorily.

At the same time, I agree completely with Robert Beveridge that it is important to stay out of programming. There is an inevitable tendency in political life to get annoyed about things that are thought to be misrepresentations. Everyone understands that that is the case, but it is important not to get into that or to believe that there should be prescriptiveness about content.

Beyond those questions, looking at the underlying principles and arguing about them seems to be a good way into addressing the BBC's performance.

Gordon MacDonald (Edinburgh Pentlands) (SNP): I want to expand on accountability. We have spoken about the Scottish Parliament's relationship with BBC Scotland and the BBC. I am thinking about the Ofcom advisory committee for Scotland and the audience council for Scotland. In its evidence, the Ofcom advisory committee said that it is concerned that

"there is a lack of local accountability within Scotland for Scottish originated output. The current situation means that formally the Audience Council for Scotland needs to provide feedback to the BBC Trust who then provide feedback to the BBC Management in London who then feedback to the BBC Scotland Management team."

BBC Scotland has no direct accountability to the audience council for Scotland. How do we address the wider issue of organisations other than the Scottish Parliament that have an interest in what is happening at BBC Scotland?

Professor Beveridge: I am sorry, but I do not agree with what has just been said. I believe that there is accountability from BBC Scotland management to the audience council for Scotland. Under the chairmanship of the national trustee of the BBC trust for Scotland, the audience council for Scotland meets almost on a monthly basis. The senior management of BBC Scotland are there and there is dialogue, so in my view—

Gordon MacDonald: So what Ofcom said is wrong.

Professor Beveridge: It depends on how you define accountability. A dialogue takes place, so in that sense there is accountability. The problem is, as I referred to in my earlier response, that dialogue takes place but not enough changes do. The issue is therefore how we ensure that not only BBC Scotland management but the BBC in London in particular not only listens but acts on what it hears—that is the key point for me.

Professor Schlesinger: That issue is up for grabs just now because the future of the BBC's governance under the trust, within which the audience council sits, is clearly a very moot point. I would have thought that, alongside any discussion about accountability to the Scottish Parliament, rethinking systems of accountability within the BBC and to its advisory organisations might well be something that should be pursued.

The Convener: I presume that you agree with the statement that Gordon MacDonald just read out.

Professor Schlesinger: Do I agree with it?

The Convener: Yes.

Professor Schlesinger: Not necessarily.

The Convener: Despite the fact that you sit on the body that wrote it.

Professor Schlesinger: Yes, but you are getting me into an area that I might not wish to discuss.

The Convener: Yes, but you sit on the body that wrote the statement that Gordon MacDonald has just read out.

Professor Schlesinger: I do.

The Convener: If you do not agree with that statement, what would you suggest?

Professor Schlesinger: The audience council leads from observation. Having occasionally met the council and seen it in action, my view is that it finds it quite difficult to be a robust internal critic. It does seem to have been one in the past year, but I think that that is more occasional than systemic. I do not wish to be particularly critical about that. Everyone knows that, when the trust was set up, there were lots of questions about it and there have been issues around its performance ever since.

That is my personal view and it is nothing to do with anything else that I do—it is my view as an academic observer—but questions are being raised about the trust's future. However, this is a very good moment to be thinking about not just Scotland but other parts of the UK in terms of how

the BBC's relationships with the nations and the ways in which they are represented and handled might be rethought. I would not go any further than that because I would not want to be prescriptive about it, but it is a question that is inevitably going to be looked at, because those arrangements are going to be rethought anyway.

Professor Blain: I do not think that there is any shortage of intelligent, well-informed, robust critiques of the BBC's performance. We can talk about the mechanisms all day, but the key question is how senior executives respond. There is lots of information, for example, about the London-centric nature of the corporation as perceived from outside, but that does not stop the launch of another series about transport in London, sewage in London or anything else in London. A series called "The Secret History of Our Streets" is all about streets in London, but it has been observed that there are also streets in Sheffield and so on. Such points have been made endlessly over a long time. I do not think that the perfectibility of critical and reporting mechanisms is the key issue here; it is about the response, the attitudes and the culture of senior executives.

To return to something that I said earlier, what the Scottish Broadcasting Commission 2008 report had in mind was that, rather than hanging all these responsibilities on the BBC, which is under attack from very vociferous newspapers and a quite vociferous minority of people in Westminster, another way would be to get the BBC to part fund a Scottish channel. There are models for that and BBC Alba is one of them. It would not be run by the BBC as we understand it now. I might be taking a slightly more radical position than my colleagues, but one way of looking at the situation is to say that we could work with the BBC on mechanisms that would somehow end up with the BBC running the Scottish channel with complete commissioning and editing autonomy in Scotland.

10:30

However, the signs from the BBC are that it would not really be very good at doing that. If we are worried about what the BBC spends in Scotland compared with what it takes through the licence fee, another way might be to look for funding rather than at a large shift in culture and the ability to run a Scottish channel.

I am simply suggesting that those two models are out there.

Professor Beveridge: I would like to add a few points about BBC governance and Scotland. More than a decade ago, I was part of a campaign when Ofcom was set up out of the existing legacy regulators—the Independent Television

Commission, the Radio Authority and so on—to try to ensure that Ofcom's main board included representation from Scotland, Wales and Northern Ireland as well as England. That battle was lost.

Ofcom decided that it would have people who were described as partners, not governors, commissioners or trustees. The representation for Scotland in the current structure of Ofcom is the Scottish member on the content board. In other words, neither Scotland nor the listener and viewer in Scotland has a seat on the main board of Ofcom as the main broadcasting telecoms regulator in the UK.

Since the early 1950s in BBC governance, we have had a member for Scotland who was the governor and then became the trustee. We are now engaged in a process that will lead to a new settlement and a new BBC charter. The dominant position seems to be that the BBC trust will be abolished and replaced by a unitary board.

During the previous BBC charter review process in 2005-06, I took part in the Burns hearings in London. At that stage, Michael Grade was the leader in setting up the BBC trust, and he was at the meeting and talking about his wish to have governors or trustees who had the right skill set to run the BBC as a large organisation, which I fully support. I agree that that is what he wanted. I asked what we were going to do about Scotland, and where Scotland's representation would be in that new system. Unfortunately, that question continued and I think that, in some ways, it might have been a close-run thing. I am very concerned about the future voice of Scotland and future representation for Scotland in any new BBC governance structure.

Rona Fairhead has been talking about having a unitary board with non-executive directors. Well, the existing non-executive directors on the BBC board failed when it came to executive pay-offs and when it came to looking over the digital initiative. The BBC trust, which has done some very good things as well as some not so good, took the blame for the problem with the non-executive directors.

If we have a unitary board with non-executive directors, are we going to have a non-executive director for Scotland? Maybe. Is that the right term to use for a public organisation? It could be part of a long-term plan to start privatising the BBC 15 years down the road and turn it into a company instead of a public corporation.

I counsel the Scottish Parliament and this committee in particular to think through those issues in whatever you put into the charter review process.

Mary Scanlon (Highlands and Islands) (Con): I want to pick up on something in Professor

Beveridge's 14-page submission that I found quite offensive. You said that "River City" was not to your taste but

"My late mother enjoyed it and I am confident that there are many mums and others south of the border who would also wish to view it."

Professor Beveridge: I apologise.

Mary Scanlon: I find that quite sexist and ageist. I am giving you the opportunity to apologise because I think that it is a very good programme and I do not think that we need that sort of comment when we are talking about getting more production for BBC Scotland.

Professor Beveridge: You are entirely right. I am afraid that I was carried away.

Mary Scanlon: You should never have written it.

Professor Beveridge: That is correct. I was referring to my mother.

Mary Scanlon: You also referred to mums south of the border. Do you think that men do not watch "River City"?

Professor Beveridge: Men watch "River City". I agree entirely that that comment should have been changed.

Mary Scanlon: I found it offensive and I hope that you will not do it again.

The Convener: You have made your point, so let us move on.

Professor Beveridge: Thank you for bringing it to my attention. I offer you an unreserved apology.

Mary Scanlon: That will do for me.

Are any of you familiar with the memorandum of understanding, which the Parliament's Public Audit Committee changed? It requires the annual accounts and report to be laid before the Scottish Parliament for scrutiny by that committee, on which Colin Beattie and I sit. Are you familiar with that committee's work?

Professor Schlesinger: I am aware of the memorandum of understanding, although I am not familiar with what the Public Audit Committee does. In some respects, the memorandum of understanding mirrors the relationship between Ofcom and the Parliament, if I am not mistaken. Something very similar was drawn up quite a few years ago on reporting to the Parliament by Ofcom.

Mary Scanlon: I am referring to BBC Scotland's annual accounts and report. The Public Audit Committee is very effective in its scrutiny of such documents. I am disappointed that you are not familiar with its work, because that is a huge element of BBC Scotland's accountability.

Professor Beveridge: I draw the committee's attention to the response that it has just received from the BBC, which says:

"Consideration is currently being given as to how statistical information pertaining to each of the nations, including Scotland, may best be incorporated and presented within the BBC Annual Report and Accounts".

Not only I, but other people, have some difficulty—notwithstanding the expertise of the committee to which you refer—in unravelling the complexity of the BBC's accounts. I hope for improvement in the future, particularly in order to enable us to disentangle spending in Scotland by the BBC and BBC Scotland's accounts from the UK version.

Mary Scanlon: That is a job for the Public Audit Committee.

Professor Beveridge: Yes, it is.

Mary Scanlon: It is a very competent committee.

Professor Beveridge: I do not doubt it.

Mary Scanlon: The table on the distribution of spend in regions of the United Kingdom by channel shows that spend in Scotland, Wales and Northern Ireland has increased in the past four years by between 1.5 and 2 per cent. I have a direct question. What proportion of the licence fee that is collected in Scotland should be spent in Scotland?

Professor Blain: More. Such a question can be answered only in dialogue with the BBC over specific three or four-year plans. I am sympathetic to the view that the BBC could spend more of the licence fee in Scotland. To put the question into perspective, a channel might cost about £80 million to run per year, which is not necessarily a lot of money. The director general of the BBC recently found—I am glad that he did—£85 million of new money for the World Service, which came from other budgets. It is important that he found that money. We can talk around the figures, but the difficult part of the argument is to quantify the legitimate cost of the amenities that Scottish listeners and viewers have in common with the rest of the UK.

I am sympathetic to BBC managers when people say, "You only spend so much in Scotland, but you collect £350 million," because that argument often does not take into account the fact that people in Scotland watch "Strictly Come Dancing", "The Great British Bake Off" and "Great British Menu"—as I do. To quantify what is legitimate in hard figures is difficult.

One could go so far as to say that there is still quite a big gap between what is collected and what appears to be spent—to the extent that we can agree on what is spent. The submission from

Tern TV, which is an independent company, notes the lift and shift question about what exactly counts as expenditure.

Mary Scanlon: Matchlight mentioned that, too.

Professor Blain: I am dodging your question in the arithmetical sense, but I think that there is room for substantially more expenditure.

You mentioned the 1.5 per cent more and so on. In my 25 years or so of being connected in one way or another with the BBC, which includes doing audience research for it in the past, I have seen the figures go up and down and I am a bit sceptical—

Mary Scanlon: I was speaking just about the past four years.

Professor Blain: The figure has gone up to 9 per cent and then down to 3 per cent, for example. If we look at the BBC as a whole, the pattern of regional expenditure over a number of years is more interesting than what will happen over the next year or what happened last year. That does not apply just to Scotland. We all used to be conscious of where BBC Birmingham was and of “Pebble Mill at One”, and then Pebble Mill stopped being important.

There is lots of evidence of the BBC prioritising regional spend and then withdrawing it and putting it somewhere else. I have made the point before—I have probably made it here—that that is not very strategic. We tend to get quick fixes, in which the BBC reacts to the comment that it spent only 3 per cent that year in Scotland by saying, “Okay, we’ll go up to 9 per cent next year.” That does not constitute a strategic broadcasting strategy in Scotland.

Professor Beveridge: The BBC increased its expenditure and what did it do? It ran “Weakest Link”, “Waterloo Road” and “Question Time” from Glasgow. That is good, because it increased jobs and investment in the creative industries in Scotland. However, it did not meet the needs of the licence fee payer in Scotland by improving cultural representation. “Weakest Link” was also near the end of its life—I think that I said so at a meeting around that time. One can quite understand why the BBC, in its out-of-London strategy, did not place “Weakest Link” in Wales—Anne Robinson would not have gone down well in Wales. The show then closed, as did “Waterloo Road”. We need a strategy for investment in the creative industries in Scotland that is led by the BBC but does not involve only the BBC, to improve cultural representation in the interests of the licence fee payer and the citizen in Scotland.

Mary Scanlon: I think that I am with Professor Blain. The committee has discussed targets and quotas often enough in the past. The

measurement is crude and can vary by the year. In response to Colin Beattie, you mentioned federalism in some detail; I will not ask you to repeat that. The system of lift and shift was explained very well by Matchlight. How effective are quotas at ensuring content production? Is there just an artificial market that can chop and change at any time, as we saw with “Weakest Link”?

What options do you suggest for more sustainable production in Scotland? There is the issue of how to monitor and enforce that in the future. We have talked about federalism and quotas. Is federalism the answer? Is it devo max or whatever? Instead of looking at what we should not have, could you tell us what we should have?

Professor Blain: We know quite a lot about the history of quotas, not just from television but from the film industry. We can go back to the 1930s, when there were people in the British film industry who thought that there could be a mini Hollywood in Pinewood, Ealing and elsewhere. Quotas tend to come and go.

At the risk of sounding like a sort of channel bore—no word play intended—I think that we find, if we look at the media situation in Ireland, that things are rather stable across the board. I take us back to when the opt-out model started in Scotland. From STV’s appearance in 1957, we accepted that we would have an opt-out model in Scotland. Radio was different, by the way. We are talking about TV, but we should probably talk more about radio than we do.

As far as TV goes, we have accepted since 1957 that Scottish viewers watch what everyone else in the United Kingdom watches. With the exception of BBC Alba, we still to an extent do what we did in the 1950s and 1960s—we come out of the schedule only at certain times and watch things that only Scottish viewers watch. That puts a clear lid on what STV and BBC Scotland can do, and it is not a situation of their making—I am not critical of them, because they work in that restricted environment.

10:45

I suppose that I am saying that we have an opt-out model that was valid in the days of Larry Marshall and the “One O’clock Gang”, whom I mention with all due respect. At that time, we also had a vigorous indigenous press that was well resourced, and television was not particularly important, whereas we know that TV is now important democratically and economically. In 1957, we could not have foreseen how economically important TV could become.

I am reliably told—I even reported this on a BBC programme and it was mentioned in an article in

The Guardian towards the end of August—that there had been a plan for the BBC to launch a Scottish channel before there was a further round of cuts. I do not know the detail of that but, if the BBC envisaged a Scottish channel that was based in Scotland with, as I have mentioned before, editing and commissioning autonomy here, then hallelujah. It would be good if the BBC ran something like that. I think that that is the answer. I have heard senior managers at BBC Scotland and STV say that more channels are not the answer, yet STV has launched a couple—STV Glasgow and STV Edinburgh—so it must believe in channels to some extent. I find it difficult to envisage the kind of production base that we want to see being built up here unless we have at least one channel that commissions a lot more work in Scotland than is commissioned here now.

Mary Scanlon: My question was really about an income and expenditure model. You are saying that, rather than an income and expenditure model that is based on quotas, federalism or whatever, the answer is a BBC channel for Scotland only. That is your answer, but I am looking for a funding model.

Professor Blain: Such a channel is theoretically imaginable in a way that, to me, federalism is not. I do not know what BBC federalism would look like, whereas I know what channels look like. I know how RTÉ and TV3 work in Ireland, and I know how Catalan channels work. There is also a dedicated channel in every Dutch province, and all the German Länder have such channels under German constitutional law. It is wonderful that we have BBC Alba, which could be a model for an English-language channel. I am afraid that I am old fashioned and believe in channels.

Gordon MacDonald: I have a couple of questions on income and expenditure. You said that RTÉ is struggling financially because Ireland has six channels and four radio stations. I had a quick look at RTÉ's accounts, and its operating costs are €312 million, which equates to £234 million. According to the answers that the BBC gave us, the licence fee alone raises £323 million in Scotland. If we bear in mind the service provision in Ireland, do you think that Scotland gets value for money from that £323 million?

Professor Blain: Forgive me—I do not want to overplay RTÉ's struggles. All that I was saying is that I do not want to paint a rosy picture of the Irish broadcasting environment. TV3, which is RTÉ's main commercial competitor, has had to take out a lot of loans and so on, and there have been moments when RTÉ has struggled.

Nevertheless, I greatly envy not just the Irish broadcasting environment but the Irish media environment, because Ireland also has a

newspaper—*The Irish Times*—that has been the envy of several Scottish newspaper editors. The Republic of Ireland has a smaller population than Scotland so, if we are looking at what is imaginable, Ireland provides a good model. Of course, its history is entirely different and there are all sorts of differences that have brought RTÉ into existence.

I do not want to exaggerate RTÉ's struggles. As I said, there are six channels, but a couple of them do not do much. One of them was set up just last Saturday. However, if we take BBC Alba as the equivalent of the Irish-language channel, that still leaves five other channels in Ireland, whereas we have none that are strictly comparable, given that STV and BBC Scotland work on an opt-out basis. I have no difficulty in proposing the Irish model as one that we should look at, at least in an interested way.

Professor Schlesinger: I would be loth to throw out quotas before any other solution has been found, because quotas are at least a commitment to a distributed conception of spend around the UK. There might be shortfalls in how that works and questions might be asked about whether all the accounting is accurate, but it is an important principle that not everything should be centred in London and south-east England.

On any sort of conception of an autonomous Scottish broadcaster, that broadcaster would not be self-sustaining; it would be part of a wider trading system. That means that it would have to do business with the rest of the network and the world. Whatever was spent would be an investment, if you like, in trying to do better by producing competitive programming and finding markets.

That is only partly a solution. I do not think that it necessarily solves the problem of how the funding for broadcasting gets distributed around the UK system. It might be part of the answer, but it is not necessarily an answer in itself, because a lot will depend on performance.

Professor Beveridge: The Parliament accepted unanimously the report of the Scottish Broadcasting Commission under Blair Jenkins. At a stroke, the Scottish Government and the Scottish Parliament could set up a Scottish digital network, invest the money, improve the creative economy and improve the cultural representation of Scotland, in addition to how the BBC improves its performance in the future. One of my questions for the Scottish National Party Government is why it has not proceeded with setting up a Scottish digital network.

Gordon MacDonald: Would that mean that we would be paying twice—once for the BBC and once for the new Scottish channel?

Professor Blain: No. The digital network panel that followed on from the Broadcasting Commission suggested in its 2011 report that the channel should be set up with proceeds from the sale of spectrum—that is a dead issue now, as that has gone. It was suggested that the BBC should take that over from 2017.

I am suggesting that a mixed funding model could be used. The network panel did not recommend raising funds through advertising or sponsorship, partly because that would hit existing bodies such as STV—of course, I point out that RTÉ has a mix of licence fee revenue and advertising revenue. From looking at the SBC's recommendations, I would think that no avenue of funding should be left out of the discussion, if that were seen to be the only way in which we could achieve a national channel.

Gordon MacDonald: As we do not yet have a method of providing a Scottish service, whether it is through a federal BBC or a dedicated channel, I note that it was highlighted in evidence to a Westminster committee in September that BBC spend per head is £122 in Wales, £103 in Northern Ireland, £88 in Scotland and £757 in London. How can we leverage more money out of the BBC, bearing in mind that another round of cuts is coming?

Professor Blain: I suspect that the BBC might wish to verify those figures when you talk to it.

Gordon MacDonald: It did not criticise the figures when they were cited by an MP in Westminster in September.

Professor Blain: There are short-term and mid-range solutions to the issues that Scottish broadcasting faces and there are longer-term, more radical solutions, but one cannot see into the future. If there are too many obstacles to setting up a channel—although, like Robert Beveridge, I cannot see what they are, since they do not seem to exist in other nations or sub-nations—the very least that we would want is parity of BBC spend, so I agree with you in that regard. However, that depends on what the money is spent on. If it were spent on bringing network programmes that were reaching the end of their life to Glasgow for a little while, that would be of no great benefit.

We do not seem to have a media production strategy. There might be a constitutional aspect, given the parliamentary oversight here—although I take the point about the very good work of the Public Audit Committee—but it is difficult to get a media production strategy going in Scotland. Such a strategy would make it easier to set up independent production companies and get work for them. I cannot cite the figures but, if we look at Dublin as well as London, we see not just work for

production companies but a lot of collateral benefit in the creative sector.

The trouble with quotas and adjustments in spend is that, although they might work for a year or two and give people some work, they do not represent a strategic build of an infrastructure. Money needs to be spent on media infrastructure in the same way as it is spent on the new Forth crossing or on improving the M8—it ought to be part of our economic infrastructure.

Professor Beveridge: I think that there are two choices. One is to go for, in effect, a Barnett formula for the BBC whereby we say how much will be spent per head in Scotland; the other is to give the licence fee that is raised in Scotland to BBC Scotland, to give it much more autonomy and allow it to spend the money as it sees fit, while opting into or out of programmes from London. I would wish to pursue the latter model.

Chic Brodie (South Scotland) (SNP): I welcome some of Professor Beveridge's comments about performance. The BBC has clearly lost its way, as happens with monoliths. The revenue generation side is abysmal. In fact, the BBC focuses almost entirely on reducing costs. Given the disproportionate situation—we have talked about revenue and expenditure in Scotland—it is inevitable, and it has happened, that there will be a disproportionate impact on the costs in Scotland, which are primarily made up of the people who work for BBC Scotland.

Would it not be easier to have a federal structure—there might be a unitary board—and set up BBC Scotland as a separate company and a subsidiary of the BBC overall? It would be responsible for its performance and its revenue generation, which might involve working with other BBC subsidiaries, and performance could then be measured in a way that is not possible today. Professor Beveridge made the point that pay should be related to performance but it is not. Would it not be simpler for BBC Scotland to be a separate legal entity with responsibility for its revenue and expenditure?

Professor Beveridge: That might fit in well with the wish of the current director general, Lord Hall, for a leaner, fitter organisation in which decisions are made more quickly, and it might help the BBC and BBC Scotland to improve their performance in a rapidly changing technological and cultural environment. I agree with you. That is the way that we need to go.

Professor Blain: From the BBC's point of view—and its response would be interesting—that might be seen as the thin end of a dangerous wedge. I am sympathetic to the idea, but there is a critical mass question about the BBC. If you start chopping off bits of it, that might not stop with

Scotland. It might be a model that some of the BBC's detractors south of the border would want to use. There is a genuine difficulty for the BBC. For example, I have always opposed the subscription model for the BBC because it would be extremely dangerous. Chic Brodie said that the BBC is a monolith. It is large. Many people think that it could be cut back, and it has been cut back to an extent. However, that would probably be seen by the BBC as a danger.

Another question that would arise if BBC Scotland was a separate operating company is whether it would still be the BBC and, if not, why there should not be a separate Scottish broadcasting company of the sort that the Broadcasting Commission envisaged.

Chic Brodie: You seem to be in general agreement with the unitary board idea. Today, policy and operation are all mixed up and the BBC is London-centric. If we had the type of operation that I mentioned, would it not be easier to measure performance operationally? It would not mean that there could not be an overarching policy across the subsidiary parts of the federal structure.

Professor Blain: I can see an attraction in that if there is no other solution for greater broadcasting autonomy. I just anticipate that the BBC would be nervous about it in case that created a model through which other bits of the BBC got broken off as well.

Chic Brodie: We are nervous about the BBC now.

Professor Blain: Yes.

11:00

Professor Beveridge: One of the problems with what Chic Brodie suggests is the often-voiced complaint that BBC Scotland is parochial. I recently watched the Peter Watkins documentary "Culloden", which is a landmark in television. It was not made by BBC Scotland; it was made by BBC London. If BBC Scotland had devolution max, one would wish it to have much more confidence in its programme making and commissioning and would try to find policies that enable that. Nobody wants to just go down the parochial road; we want vision and ambition.

Liam McArthur (Orkney Islands) (LD): I should start by declaring an interest, as I have a brother who works for the BBC.

Professor Blain has referred a couple of times to the situation in Ireland and he was fairly honest about the pros and cons there. As I understand it, there is an advertising component there, which I presume would be seen as a potential threat if there were to be any kind of lift and shift of that model to the Scottish circumstance. I understand

that another criticism of the structure in Ireland is that an awful lot of money is spent on imports and that the ecology of indigenous production is perhaps not as extensive as one might imagine given the range of channels. Is that fair?

Professor Blain: That has been a constant criticism not just of RTÉ but of TV3, which is the main commercial broadcaster. The response has been to commit to greater quantities of Irish production—I am afraid that we are back to quotas here—and a greater proportion of Irish production on an annual basis. Actually, that does not worry me enormously, because there is considerable channel spread in Ireland. For example, RTÉ2 is aimed at a rather different market from RTÉ1, and there is at least one channel that is aimed largely at the youth market. That approach means importing more and it means that, across all the channels, total production will be smaller. However, we envisage a situation in Scotland in which we start from extremely modest beginnings in channel terms.

As I am sure you will hear from people in the industry, there are all sorts of good ideas for television series and programmes that do not get made. I simply do not buy the idea that we do not have the televisual talent here—that is absurd, because we have it in literature, music, theatre, the visual arts and everything else. To respond to something that Robert Beveridge said, actually, some of the best arts programming on the BBC network has BBC Scotland as one of the co-producers. In fact, one attraction of having the ability to commission more work here is that it would retain more talent and bring talent back. I take Mr McArthur's point that there is no point in setting up new channels if new work is not being commissioned, but we have the talent to do that. The problem at the moment is that we do not have the patronage, as it were.

Liam McArthur: On that specific point, you referred earlier to the rise and fall of Pebble Mill. That illustrates the trends that any broadcaster has to cope with and try to remain ahead of as best as it can. Almost irrespective of the model, do we have areas of strength in Scotland that we need to play to far more seriously than we are doing?

Professor Blain: We have always been very good in Scotland at factual and arts programmes but also at drama. It may be more for those who represent the independent production industry to make this point, but one of the difficulties in retaining the BBC as the sole provider of future development in Scottish broadcasting is that we will have one commissioner. One of the difficulties for the indie sector in Scotland, particularly if Channel 4 is not commissioning much, is that it always deals with the BBC. That has worked all

right for one or two people, but it is worth putting down a marker, because I know that the committee will talk to other people. The issue is that if it is always only the BBC that people are dealing with, that is where the patronage is. The advantage of even some minimal channel spread is that there will be more people—different people—commissioning, with the result that people will be able to pitch to a wider range of broadcasters.

If we ever got to the point at which we had five English language channels in Scotland and we were worried about the quantity that we were commissioning, that would be a luxury for us. We are nowhere near that at the moment.

Professor Beveridge: Why is the British television industry so much more successful than the British film industry, which has experienced peaks and troughs over a number of decades? For me, the answer is that that is the case because the British state mandates the licence fee, which gets invested in the British television industry and, over time, that allows success.

When I look at the relationship between Scotland and London, what I see is Scotland being the British film industry and London being Hollywood. That is the kind of paradigm that I have in mind. What we need to do is invest fully in Scotland the licence fee that is raised in Scotland. That investment should be put into making programmes for not just Scotland but the international and UK markets. If we do that, we will get the success that the British television industry has had over the years through the licence fee.

Liam McArthur: That brings me on to a point that it is only fair to raise in the absence of a representative from the Royal Society of Edinburgh, as it is one that it raised. It talked about the asymmetry that there is across the UK, which all the panellists have acknowledged, and went on to say:

“Any new approach must be designed to strengthen the arrangements in different parts of the BBC, but it must not be at the expense of reducing its scale or scope and its social relevance across the UK. It is important that the BBC’s position as a global broadcaster should be underpinned by the new organisational arrangements and not weakened.”

How do we square that circle? We are discussing the compelling demand for arrangements that speak more accurately to the demand that exists in Scotland, but at the same time there is a recognition from BBC loyalists such as yourselves that what we have here is of value and that, to some extent, one must proceed with a degree of caution so that we do not end up throwing the baby out with the bath water.

Professor Schlesinger: I think that that is right. In having a discussion about the BBC, it is

important that we should also think about the general questions that face public service broadcasting outwith the BBC. For example, there are threats to the future of Channel 4, which would have major implications for independent production. There is continually a question mark over whether ITV will be bought over. What characterises a great deal of the British TV industry is the fact that it is, in effect, subordinate to US company interests; it operates here but is owned from outside. There are some interesting trends going on that have a direct bearing on whether the scope and scale of the BBC is even more likely to be an asset to the UK as a whole, regardless of how questions relating to Scotland get sorted out.

An issue that we have not talked about in the context of the discussions on channels and programme making is the changing nature of consumption. Everyone will know that there is a gravitation towards a lot of short-form viewing, which in some respects is related to television and in others is not. The fact that there are new entrants into the market, particularly for long-form drama, is quite a challenge to the production of drama around the UK as a whole. There have also been demographic changes—particularly, but not by any means exclusively, among young people—in how people consume audiovisual content, especially in relation to the use of mobiles. One of the revolutionary changes for older people has been the use of tablets to do screen watching.

There are many things going on that will affect the future performance of the industry as a whole. Any debate about the matter and any debate about channels need to take account of that confusing complexity, which is still being worked out.

The Convener: You mentioned quotas. There seemed to be support for them, at least in the short term.

Professor Schlesinger: In my case?

The Convener: In general.

Professor Schlesinger: I would not like to speak for the other two witnesses but, short of any other solution, a commitment to a quota is one way of recognising that not everything should be centred within the M25.

The Convener: Yes, but do you agree that quotas are useful under the present arrangements?

Professor Schlesinger: Yes, they are useful.

Professor Blain: One would not refuse a quota fix where it is on offer and where it improves revenue, but it would still be a quick fix.

The Convener: However, at the moment, the quota is not for Scotland on its own but is a much wider one. Would you support a change to the quota as part of the charter renewal so that a Scotland-specific quota is introduced?

Professor Schlesinger: There are upsides and downsides to that because the question is: how do we calculate the quota?

The Convener: How do we calculate the quota just now?

Professor Schlesinger: In many respects, it is a balance-of-forces calculation. It is how interests get worked out. Let us say that we made an argument that the quota for Scotland should be proportionate to population or something like that. If Scotland's demographic weakened relative to the rest of the UK, that would mean a declining quota, so it would not be a good basis for a quota and we would have to find arguments for a quota that was not totally tied to population.

Professor Beveridge: When Pacific Quay was opened, Michael Lyons and Mark Thompson referred to 9 per cent being a floor not a ceiling. That sounded good. Then we got "Weakest Link", "Waterloo Road" and "Question Time", which is run out of Glasgow but is UK-wide. We need to drill down into the granularity of quotas, but I am in favour of them if, as Neil Blain says, there is nothing better. However, Scotland deserves better.

Professor Blain: There is more than one way of looking at parity. For example, BBC Alba is keen to get the BBC making more programming for the station to put it on a par with the Welsh channel. The argument is multifaceted.

The Convener: We will come on to some of those facets now with Gordon MacDonald.

Gordon MacDonald: Mary Scanlon has already touched on part of the lift and shift situation. What are the witnesses' views on the impact that current BBC practices have had on Scotland-based production companies? I ask because of my examination of television network hours across all the BBC channels. The BBC's output is 31,000 hours, of which Scotland's local output is 882 hours—I accept that that excludes network. The BBC had 1,800 hours of music and arts, of which Scotland's population share would have been 156 hours but BBC Scotland actually produced 29 hours. In entertainment, the BBC produced 1,100 hours, of which Scotland's share would have been 96 hours but we had two. For comedy, the BBC had 1,700 hours, of which Scotland's share would have been 144 and we actually had nine.

How are the BBC's practices working, bearing in mind what Professor Beveridge said about "Waterloo Road", "Weakest Link", "Question

Time", the lottery shows and "Homes Under the Hammer", which are all UK productions but which are based in Scotland?

Professor Beveridge: Indeed; not only that but we are sitting in the capital of Scotland, which has by far the biggest international arts festival in the world in relation to which the performance of BBC Scotland and the BBC in general has been lamentable, although it has improved in recent years. I do not have the data in front of me but, speaking as a consumer, my feeling is that the BBC seems to pay more attention to Glastonbury than it does to the Edinburgh festival, and I would like much more attention to be paid to Edinburgh and the Edinburgh festival. We need to get the BBC to change its mindset and be aware of that.

11:15

Professor Blain: One would not expect to have a kind of pro rata system that involved going through every type of television programming—sports, arts or whatever—to ensure that some proportion of that was done in Scotland. I suspect that the people who make independent productions for BBC Scotland and the network will have more to say about this, but I think that we would like more choice in Scotland in what sort of programming goes to the network. One has the impression that it is possible for Scotland to be stereotyped from outside with regard to the sort of programming that people want in Scotland or that might be considered for Scotland; the sort of programmes that might be networkable; and the areas in which Scotland is seen as having strengths. Those decisions are not made in Scotland.

Taking on board Philip Schlesinger's point that we need to look at the obsolescence over time of the idea of channels, nonetheless I think that the strength of the channel idea is that, if we can have such decisions being made inside the channel, we can develop strengths and get a channel that is very good at doing arts, sports or something else. It has been very difficult for that to happen in Scotland, both for the commercial broadcaster that is fitting into the network in a particular pattern and for the BBC.

In a sense, the argument always goes back to where the autonomy is in commissioning and editing decisions, as distinct from working with existing quotas. I agree with Gordon MacDonald that some of those figures do not make happy viewing.

Gordon MacDonald: We asked the BBC what counts as "Scottish" content. It said:

"What qualifies as 'Scottish' is set by OFCOM, not by the BBC".

Is that in statute or by voluntary agreement? Does the BBC have to abide by what Ofcom says, or is a voluntary agreement in place? Does anybody know?

Professor Schlesinger: That is not in statute.

Professor Beveridge: Ofcom regulates the BBC for harm and offence, and will probably do so in the future for impartiality, accuracy and balance.

Professor Schlesinger: As far as I know, Ofcom scrutinises the claims that are made about programmes that are produced under quota, but it does not go further than that. To say that Ofcom determines what is “Scottish” content would not be quite accurate—at least in my understanding. I think that its activities are related purely to quota questions.

Gordon MacDonald: The BBC’s response on what qualifies as “Scottish” refers to Ofcom’s regional production definition, in which two of three criteria must be met. The first one refers to a production base “outside the M25”; there is no reference to Scotland at all in the information on the criteria that the BBC has supplied to us.

I wonder whether the three criteria that are laid down, which cover production base, production budget and production talents, should be built into the BBC charter for Scotland and should refer to Scotland specifically. For instance, the specification that

“the production company must have a substantive business and production based in the UK outside the M25”,

should instead read, “the production company must have a substantive business and production based in Scotland.” Would that address the problem of lift and shift?

Professor Beveridge: It would address the problem in part. I have suggested that there should be a service licence for BBC Scotland per se.

However, if you step back a bit and consider what happened in Wales, you will see that Wales got “Doctor Who” and “Torchwood”. Those are not Welsh representation, although the locations are primarily in Wales, particularly in the case of Torchwood, so that amounted to good economic policy. Such things are where economic and cultural policy intersect with each other.

I keep on saying that the BBC has known for a long time that the audience in Scotland is unhappy with its product and with portrayal. That is where the BBC’s focus should be; that is the problem that needs to be addressed, whether by changing the public purposes—my preferred route—or by putting pressure on the BBC’s management.

Gordon MacDonald: Your answer has touched on much of what I was going to ask. How do we

ensure that there is more local decision making in programme commissioning? Would there have to be a specific Scottish channel or should it be done as part of a federal BBC? Which way should we go?

Professor Schlesinger: The BBC could decide to relocate commissioning. Federalisation is not required: all that is required is a desire to decentralise and to make it happen here.

Professor Beveridge: My idea of relocating BBC Two or BBC Four to Scotland was criticised in the leader in *Scotland on Sunday* as just shifting the office, which would not change anything. However, shifting the office and the commissioning power would shift the budget and create a situation in which, for example, the independent production sector in Scotland would not have to pay a fortune to stay in a London hotel and go down there by sleeper train. It would also benefit the industry in the north of England because people there would just have to nip up to Edinburgh or Glasgow, rather than having to go down to London. Such a move would contribute to a mindset shift in the culture of the BBC, which would be welcome. Shift the budgets and the commissioning power and there will be sudden change. However, there would be a lot of resistance to that from Westminster and the BBC in London.

Professor Blain: When you speak to the BBC you may hear that the declared intention is to try to move more autonomy towards BBC Scotland in that way, but one would want to look at the detail.

The Convener: We must move on, so please be brief.

Chic Brodie: Ten months ago, the Economy, Energy and Tourism Committee produced a report—“The economic impact of the film, TV and video games industries”—which included a call to increase support for independent television production in Scotland and recommended that the relevant Scottish Parliament committee assess whether the BBC had met its production intent. Covering the point that Professor Beveridge has just made, Ewan Angus, who was head of commissioning for BBC Scotland television, said that

“We now need to ensure that the companies that are based in Scotland are winning entirely new business and are drawing from the local population and talent base.”—[*Official Report, Economy, Energy and Tourism Committee*, 21 January 2015; c 9].

The BBC does not care about Scotland at all, does it?

Professor Beveridge: In my view, you are overstating the case. The BBC does care about Scotland, but it needs to have the tools to improve its performance at Pacific Quay.

Liam McArthur: I want to refer back to Professor Beveridge's point about the Edinburgh festivals and Glastonbury. I suspect that there is a degree of caricaturing going on. A comparison with the coverage of T in the Park, for example, instead of Glastonbury might be more accurate. That is not to say that there is not more that could be done on the Edinburgh festivals—you are right about that—but if you are considering what the BBC has done that caters to the same market, T in the Park would be a more relevant comparator.

Professor Beveridge: That is a fair comment.

Liam McArthur: Everyone accepts that quotas are a fairly blunt instrument and that trying to fashion criteria that will stand the test of time will always be fairly fraught, but how do we manage a situation in which there are co-productions involving different interests from north and south of the border and across the regions of the UK taking part? Is there a way of assigning the different components more appropriately, rather than saying that if a certain percentage of a production's budget is spent here, 100 per cent will be designated as Scottish national spend?

Professor Schlesinger: Working out how that relates to criteria is, I think, a question for producers. I would have thought it possible to allocate different elements to different parts.

Liam McArthur: Matchlight's example illustrates the point about lift and shift in suggesting that actual spend in Scotland of 5 per cent of a production's budget could lead to 100 per cent of that spend being counted as part of the Scottish quota. That is, by any standard, lunacy, but does trying to subdivide things in that way make putting together productions too complex and elusive?

Professor Schlesinger: I would have thought that the more criteria there are, the more difficult you will find it to resolve those questions.

Professor Blain: The approach will never be exact and will never satisfy everyone. It is a bit like the question, "What constitutes a British film?"

Co-productions happen all around Europe. Anyone who has watched any of the programmes that we import from Scandinavia—the "Scandi noir" programmes, for example—will see that they are co-productions involving multiple partners. We could look, say, at the Netherlands and the proportion of Flemish co-production there. There will be arithmetic, in that respect. The figures are probably inexact and will be probably be debated, but you could do that.

Professor Beveridge: There are excellent examples of co-productions at the moment—it is called the BBC working with MG Alba. BBC Alba produces very good programmes that also work

internationally, so we should invest more in MG Alba. In a recent decision that I regarded as, to be frank, cheap and shoddy, the Chancellor of the Exchequer took £1 million away from BBC Alba, so I suggest that the Scottish Parliament and Government restore that £1 million to it, please. You would get a lot of value for that investment.

The Convener: I thought that Matchlight's submission was particularly clear about how the quotas could work. As has been said, it is perfectly feasible for 100 per cent of the budget for a programme to be deemed to be Scottish even if only 5 per cent of it is spent in Scotland. Is that position sustainable for BBC Scotland and with regard to how we use the quota?

Professor Beveridge: The example that I would give goes back to the 1930s, when we had the Eady levy, quotas for British films and so on. That led in the 1940s to what is sometimes described as the golden age of British cinema. The multiplex cinemas in Edinburgh at the moment are completely dominated by Hollywood product. Moreover, there is not a great deal of competition; the same film is on a number of different screens. This might be seen as authoritarian but, personally speaking, I would like one screen in each multiplex cinema to be ring fenced for British, Scottish or international productions. The idea of a quota is good, because it ensures that creative industries personnel get the right kind of training. We should keep quotas for the moment, but perhaps make them greater.

Professor Blain: If quotas are accompanied by longer-term strategic development to enable a relatively stable media production centre, that is fine, but if they are used as a substitute for strategy and building an infrastructure, they are really not very useful; in fact, they are a way of avoiding the matter. We keep having in Scottish broadcasting short-term tactical solutions to replace an absent strategy.

The Convener: That is the fundamental point that we are trying to get at. The Matchlight example and other evidence that has been submitted to the committee suggest that quotas are about meeting the rules instead of delivering a long-term strategy and investment in Scottish production.

Professor Blain: For that reason, it seems to be quite dangerous to place the question of the future development of Scottish broadcasting in a wrapper marked, "The Future of the BBC". That is the wrong way round. I think that the future of the BBC in Scotland should be in a wrapper marked, "The Future of Scottish Broadcasting". We all agree that the BBC is enormously important—it is a huge cultural asset and we want it to survive. However, there is a slight danger that in Scotland we think that its future is synonymous with the

future of Scottish broadcasting, when it might not be.

11:30

Let us carry out a thought experiment. If the BBC were to set up an autonomous channel in Scotland, it would be happening at a time when the BBC's funding base, UK-wide, is under attack. It might not be a good start.

The Convener: It might improve things enormously in Scotland, though.

Professor Blain: It might.

Mark Griffin (Central Scotland) (Lab): I have a couple of brief questions about how the BBC meets the needs and demands of the Scottish audience—in particular, how well it researches those needs and demands. Do you have any knowledge of the research base for measuring the needs, demands and specific interests of the different regions of Scotland?

Professor Blain: My knowledge of conducting audience research for the BBC is now so historical that I have to say that I do not know how the BBC does that research now. In conducting such research for the 1996 charter review, we went to a lot of Scottish regions—we sampled people in about 100 different places. However, you will have to ask the BBC in what detail it does such research now. I simply do not know the answer.

Professor Beveridge: Research is generally a snapshot. I know that the BBC has undertaken research on the proposal for a "Scottish Six". Usually the research has come back with figures that show not enough support for the proposal. My response to that would be, "Of course, because that was based on just one pilot programme. It takes time." The history of the BBC shows that the best programmes that it produces are sometimes not an immediate success—for example, "Only Fools and Horses", "Monty Python" and a range of others. Programmes take time to develop; it takes time for the audience to like them and for the creative personnel to hit their stride. Research helps, but we need a BBC and a BBC Scotland that have the confidence not just to make the programmes that people want, but to make programmes that people do not know they need but which become great successes once the programmes hit their stride.

Mark Griffin: Professor Blain spoke about an additional channel. Would an additional English-language TV channel fall into the category that we have just spoken about—something that people do not know they want until they get it—or is there an evidence base that suggests that there is demand for an additional Scotland-only English-language TV channel?

Professor Blain: There is evidence of considerable dissatisfaction with what we have now, so the question is this: what is the best solution? One of the thoughts behind the SBC recommendation in 2008 was that such a channel might be helpful to the BBC. I tried to say in my submission that it might get the BBC off the hook if the BBC funded, or even largely funded, a channel that it did not run. We are not talking about huge sums of money, here. There is an argument that whatever the BBC does in Scotland, it is going to keep on being criticised. One model through which the BBC could avoid that is for it to be a visible funder of a channel. In my view, that would take some of the heat off the BBC. It might not be a bad solution for the BBC and it would not involve a restructuring of the BBC's organisation, which would threaten its critical mass. It is not an entirely unattractive proposition.

I know that for both the SBC and the digital network panel that followed it up enormous numbers of people were asked about the issue. I was not on the broadcasting commission—I was on the follow-up panel. I am not sure whether I know the answer to Mark Griffin's question; I only know that there is dissatisfaction at present and that people say that they want Scotland to be served better in terms of broadcasting provision.

Professor Schlesinger: There is dissatisfaction, but I do not think that there is strong evidence that there is a desire for another channel. The research that was done by the broadcasting commission goes back to 2008; since then, consumption patterns have changed quite a bit. At least some consideration might need to be given to the effects of there being another channel on, for example, BBC Alba, and to what is sustainable in Scotland. There also needs to be consideration of what the effects might be on STV, which is the commercial incumbent.

If the argument for another channel is to be strong, we would certainly need strong evidence that there is a desire for another channel and we would need to know in some detail what kinds of things would work. Inevitably, we cannot cover all the bases and demand will not be clearly articulated, but we really do not know much about that. The area has been underdiscussed. Much of the debate has, reasonably, been about sustaining Scotland's creative economy and, for example, building up commissioning power. The desires of the audience have not really been part of the debate.

Professor Beveridge: I fully agree with Philip Schlesinger that there might not be demand for a channel, but there is demand for content that reflects our lives. Man and—accepting what Mary Scanlon said to me earlier—woman cannot live by "Still Game" alone. However, why is "Still Game"

so successful? It is because it puts on the screen the life of ordinary people in Glasgow. Ordinary people in Aberdeen, Inverness, Dundee and Edinburgh also want to see programmes that speak to them and that are for them and about them. A new channel would be one way of producing that.

Professor Blain: I have two quick responses. One is that millions of people still watch television channels in real time. The other is that the Irish language channel, for example, is not threatened by the existence of a number of other channels in Ireland. I take Philip Schlesinger's point, and I agree with him about the changing viewing patterns, but if we were to ask people in Catalonia or Ireland to give back their channels because they are consuming more of their media content online, we would get a very robust response. In fact, in the Republic of Ireland, another channel started broadcasting last Saturday.

The last thing that we need to worry about in Scotland is channel proliferation. We have two opt-out broadcasters and BBC Alba. I would not be worried about a glut of channels—quite the opposite.

The Convener: Finally, I want to check something with Philip Schlesinger, who said that before we could launch a new channel we would have to be clear that there was demand for it. How do we measure demand for a new channel? As others have said, people demand more programming and new content, but they do not necessarily frame that as a demand for a new channel.

Professor Schlesinger: No, they do not.

The Convener: Secondly, could you tell us what demand there was for the launch of BBC Three and BBC Four before they were launched? I do not remember a huge public demand for those channels.

Professor Schlesinger: No. I do not remember any public demand for them.

Professor Blain: There tends not to be such demand. BBC Alba is a specialised example of where there was an obvious demand, but you are right that, mainly, there is not such demand.

The Convener: I thank all the witnesses for coming and for giving us their time.

I suspend the meeting briefly.

11:38

Meeting suspended.

11:47

On resuming—

The Convener: We will move on to our next panel. We will conduct this session slightly differently, in a round-table format.

I welcome Janet Archer from Creative Scotland; John Archer from Independent Producers Scotland; Donald Campbell from MG Alba; Paul Holleran from the National Union of Journalists Scotland; Bill Matthews from audience council Scotland; and Paul McManus from the Broadcasting, Entertainment, Cinematograph and Theatre Union.

We will try to cover some of the ground that we went over with the previous panel. As this is not a panel as such, I am happy for people to intervene and join the conversation, rather than strictly having questions from members and answers from the panel. I hope that we will be able to get a free-flowing discussion going in the next hour and a quarter or so.

As I did previously, I ask Colin Beattie to kick us off with the governance and accountability issue.

Colin Beattie: We had a discussion with the previous panel on the appropriateness of federalism and what, indeed, federalism means. There was certainly a consensus that devolution, in the widest sense, is needed for the BBC in Scotland. I would be interested to know what people feel about the pros and cons of a federal structure, and how they feel that structure might look.

The Convener: If people want to catch my eye, I will bring them in. If you could keep your answers reasonably short, that would be appreciated.

Bill Matthews (Audience Council Scotland): Happy new year to the committee.

The fascinating evidence from the three professors left a resounding impression that the word “federalism” means lots of different things to different people, so we need to be really careful how we use it.

In my position as chair of audience council Scotland, I do an awful lot of consultation with audiences. If we asked audience members whether they want federalism, I think that we would get quite a lot of blank looks. If we asked them whether they want more content representing their lives in Scotland, giving them news and current affairs that speak to them, so that the BBC in Scotland is much more the BBC

for the audience in Scotland, the answer would probably be a resounding yes.

The terminology is difficult, and there is a level of detail when we start talking about governance and structure. In my other role, I am a BBC trustee for Scotland, and the trust is engaged with the David Clementi review, which is looking into structure, governance and accountability. The national trustees have not yet met him, but we will meet him in the next few days and I do not want to prejudice any of that discussion. The devil will be in the detail but, if we take that back to audiences, I think that audiences will be keen to see more of their lives reflected in what they see and hear on BBC output.

John Archer (Independent Producers Scotland): In Scotland, broadcast production is chronically underdeveloped. We are subject to the imperial power of London—we are a colony, and we are in the position that Churchill described after the second world war when he said that the colonies could not be allowed to rule themselves but had to be controlled.

We deserve better. I do not think that the BBC in London gets the new Scotland. We need a radical change and shift in emphasis. We do not need quick fixes; we need something bold. We need the equivalent of the Scottish Parliament and Westminster, or better. We need some freedom.

The money that is raised in Scotland should be spent from Scotland. Scotland should decide what is made here. Money gives power and, in broadcasting, the ability to say yes is all important. Nobody at BBC Scotland can say yes to a network production, and that is just terrible. We deserve better, and we should imagine better for Scotland.

Paul Holleran (National Union of Journalists Scotland): There is a real requirement for a federal structure, although I am not sure how that would pan out. However, there is no point in having that level of accountability unless there are resources there. As John Archer says, key to the whole thing is how much money BBC Scotland has to spend. Decision making in Scotland would be far more effective, for Scotland and for the wider BBC, if the resources were available. There would be no point in having a federal structure if we still had to go cap in hand to London to beg the BBC for changes and for more resources. The resources are the main issue, but a federal structure would at least allow us to make more decisions in Scotland, which would benefit the wider BBC as well.

The Convener: Bill Matthews asks what we mean by federalism. We heard from the first panel various views of what federalism means and what the impact would be on the rest of the UK of a

federal structure in Scotland. Are you talking about decentralisation or federalism?

Paul Holleran: I suppose that it is a bit of both—there is a clear crossover. I hope that we would not separate the impact that spending in Scotland would have here from the impact that it would have on the rest of a federal BBC structure. We would be keen for programmes that are made in Scotland to go on to the network. There needs to be a close-knit operation across the whole of the BBC—the nations and the regions.

Part of the trouble is that we have unacceptable London-centricity. The more decision making that takes place in the nations and regions and the more resources that the nations and regions have to make local, national and international programmes, the greater will be the need for a federal structure rather than just decentralisation. There is no doubt that the links with programme making, commissioning and independent television producers need to be maintained.

Colin Beattie: The previous panel said that accountability and the oversight of what the BBC does and spends in Scotland would play an integral part in the decision whether to have a federal structure or devolution. Do we have adequate accountability at the moment? Would a federal structure bring us better accountability? Is it necessary to have a federal structure to have that greater accountability? What would that greater accountability boil down to?

Paul McManus (Broadcasting, Entertainment, Cinematograph and Theatre Union): Having listened to the last part of the previous debate and the opening comments of this debate, I think that we need to be careful about generalising too much. In the first few minutes of this one, we have jumped from a call for much greater decision making about what is made in Scotland and what is spent in Scotland to demands being placed on what would go on the UK network. We share the concerns and views that there has to be much greater accountability in Scotland, to Scotland, for what the BBC does. There has to be much greater control over what BBC Scotland does within Scotland.

On UK network spend, we are talking about an agreement with other bodies about what Scottish production would be broadcast UK wide. It is dangerous to generalise very quickly by just smashing those two things together and saying that we want more of everything. The means to achieve those different things would be different.

On the federalism question, we have to be careful. We certainly want more decentralisation, but we are not offering a solution or saying what the federalism would look like. However, it is important never to forget that BBC Scotland and

other parts of the BBC benefit enormously from economies of scale across the whole of the UK. To go too far down one road by completely isolating one element of the BBC could have an enormous negative impact on that.

Liam McArthur: I will follow on from Paul McManus's points to an extent. The three panellists in the first session were at pains right at the outset to nail their colours to the mast as BBC loyalists. That was interesting but also helpful, given that some of the voices in the debate at UK level make no secret of the fact that they see no relevance for a BBC going forward. I would say that some voices in the debate in Scotland, who come at it from a different perspective, probably have a similar endgame in mind.

It would be helpful to know whether the witnesses hold a common view that the BBC as an entity—albeit reformed in whatever way that people see fit—is something that we need to hold on to and value.

John Archer: I certainly have no doubt that it is the most important cultural institution in the UK, and I think that it should be so in Scotland and it probably is. We just want it to be better. We want it to make programmes that connect better with the audience in Scotland. We also want it to play its part in building the production industry here.

The lift and shift approach, which has been discussed, was a quick fix, but that was nine years ago. As a quick fix, the BBC has become addicted to it. It is like a dangerous drug, and the BBC needs to get off it pretty quickly because it is not helping the industry here.

Donald Campbell (MG Alba): The BBC is clearly massively important for culture, democracy and even the economy. The BBC trust's recent proposal to add to the BBC's public purpose that it be an enabler of economic growth is important.

If we take the two massive brand assets of the BBC and Scotland and put them together, what a powerful combination we could and should have on an international stage. In thinking about the question of what a federated, devolved or decentralised BBC in Scotland should look like, we should put those two things together and test the result from the international perspective.

Colleagues of mine were at an international content market in April last year where there were 83 representatives from the Republic of Ireland and more than 100 each from Denmark, Sweden, Finland and Norway, but fewer than 10 from Scotland. Why? With decision making and financial accountability in Scotland and with not just a BBC worldwide working out of London but a BBC Scotland worldwide, we would have fantastic and tremendous potential.

Paul McManus: To come back to my point about generalisation, I am particularly dismayed by some of the comments about lift and shift operations. For the purposes of the debate, we need to be clear on what we are talking about. I am sure that producers in Scotland are hugely opposed to lift and shift operations, but I would be dismayed and our members would be deeply upset if anybody was suggesting that the likes of "Weakest Link" and "Waterloo Road", which provided months and months of high-quality work to many hundreds of freelancers who work in Scotland, should not be brought here. At the end of the day, our members—the thousands of people who work in the industry in Scotland—want to work in Scotland. Any prospect or idea that production should not be brought here because of a debate about where all the money goes would be hugely horrifying to them.

We want a strong producer base in Scotland, but we also want a lot of high-quality work in Scotland. We will take "Waterloo Road" and "Weakest Link", because that keeps the studios in Glasgow busy and our members working. In addition, from those productions, our members have been put on to a number of network productions and have worked on the likes of the Olympic games with BBC London to gain more experience.

If we are talking about building the producer base in Scotland, that is fine; but if we are talking about work for people in Scotland, that is a different matter. We need to be careful in that regard.

12:00

The Convener: A number of people want to come in, but I want to respond to Paul McManus's contribution, because I am slightly puzzled by it. If we build the producer base and the indigenous industry, surely we build jobs for your members and members of other organisations.

Paul McManus: Yes, absolutely. We want to have a holistic approach, as Paul Holleran indicated, and to take our products outwith Scotland as well. We have had a debate for years about a Scottish film studio, but the industry has universally agreed that the Scottish industry could not sustain a film studio in Scotland. However, Scotland could sustain a commercial studio operation that sells its products abroad and helps to build the industry in Scotland. Equally, in the television industry, we want a stronger producer base in Scotland that will eventually, in the longer term, increase employment levels. However, for the short to medium term, we should not oppose bringing products to Scotland. Any organisation in Scotland or any Scottish company will look to bring work to its workforce in Scotland, which is

what we want. The programme “Weakest Link” was not a Scottish concept or idea, but it provided a lot of work to a lot of people in Scotland.

In a longer-term strategy, we can build up the producer base and increase the number of indigenous producers and the work that comes from them, but we should not discount bringing work to Scotland.

John Archer: In effect, the two programmes that Paul McManus mentioned came to Scotland to die, sadly. They did not leave any residue. The producers went home to London and the people who worked on them here were left looking for other work. If those projects had been developed here, the intellectual property would have stayed here and would have been invested in further productions and work for Paul McManus’s members. The examples that he gave are just about the worst that there were.

Paul McManus: No, I disagree—sorry, convener, but I want to answer that point. Again, this is about the commissioning process as well. In my experience, the levels of work that there have been in BBC Scotland directly correlate with who was the head of a particular genre in Scotland. For example, for the periods when there have been high levels of drama in Scotland, there has been a particularly successful and strong head of drama in Scotland, regardless of where the commissioning was done. It is the same for entertainment, factual and children’s programming: where there is a good head of department in Scotland, Scotland gets the work; where there is not a good head of department, Scotland does not get the work. So there is more to it than just blaming the commissioning process.

The Convener: Sorry to interrupt, but is that not part of the problem? In effect, we are continually fighting to ask for work from somebody else. However, if the budget and the decision-making process on commissioning were in Scotland, then the work would be there. Is that not the fundamental answer?

Paul McManus: I do not disagree that, if there was more control in Scotland over more money, there would be more work in Scotland—clearly, there would be. We can point to historical periods, which have been mentioned in various written submissions, such as the mid-1990s and the early 2000s, when there were increases in work in Scotland. However, it was not the commissioning process directly that led to that; it was a strong and creative head of drama. Some of that work involved network commissions, which we are in danger of losing if we isolate ourselves. I am not saying that we should not have more control and more money in Scotland, because I agree that we should. However, we must be careful about

disenfranchising ourselves with respect to the network.

The Convener: I do not think that anybody is saying that.

Paul Holleran: I want to respond to Liam McArthur’s question about commitment to the BBC. The BBC has enemies in a number of areas—for example, Rupert Murdoch’s organisation. The newspaper industry sees the BBC as a rival, which is an unhealthy situation. On both sides, there is a lack of a partnership approach. One of the dangers for the BBC, but particularly BBC Scotland, comes from having no change. It was gratifying to hear Bill Matthews say that discussions are about to start on a new management structure, because there is more need for that than for anything else.

The NUJ was pleasantly surprised by how ambitious the BBC Scotland management were in their submission as part of the original charter renewal bid. They said, “We want £150 million to spend in Scotland. We’ll expand our news and current affairs coverage, make more drama and put more music programmes on. Here is our plan.” After the budgetary discussions, however, it was kicked into the long grass. That is unacceptable and it is why we welcome the debate that we are having today.

We need to look at the management decisions, the budgetary decisions and how much of the budget is spent in Scotland—the things that the previous panel spoke about—and we need to consider the budgetary decisions that are taken as well as the management structures. If BBC Scotland had the budgets that it is looking for, I am sure that there would be less need for lift and shift. I can see why BECTU is concerned, because, if that work does not come here, there will be a dearth of work for its members and other trade union members. However, if BBC Scotland had a larger budget and more control over spending, we would be in a far more advanced situation.

A larger share of the money that is raised in Scotland should be kept in Scotland to make local programmes as well as programmes for the national network and even the international market. The quality of our independent sector is there to be seen by everyone, and a closer partnership between the BBC and that sector can raise the game for broadcasting in Scotland.

George Adam (Paisley) (SNP): I do not want to get bogged down in discussing “Weakest Link”, “Waterloo Road” and so on. Other programmes have been mentioned with regard to commissioning. For example, we heard about “Doctor Who” going to BBC Wales. The important thing is the quality of the product and what we get back. “Doctor Who” is a series that has been going

for 10 years. The difference is that it went to Wales because the BBC wanted Russell T Davies to do it and he said, "I'm only going to do it if I can do it in Wales." We have talked about what we put out there, what the Scottish audience wants and whether the commissioning makes the difference, and that is a perfect example.

Why can we not go back to the time when we had programmes such as—I am slightly biased, being from Paisley—John Byrne's "Tutti Frutti" in 1987? That is an example of drama that was successful creatively and which was networked. In the mid-1990s, we had Iain Banks's "The Crow Road". Why are we not getting to a place where we in Scotland can get product that we want without it just being the "Still Game" scenario, where we watch because it is the only thing that comes from anything that we relate to? Is it the commissioning?

Professor Beveridge mentioned the radical idea of getting either BBC Two or BBC Four in its entirety to come up to Scotland and commission everything from here. Is that a way forward? Should we consider that? When we talk to people, we find that they just want to see content that relates to their lives. Is it not more about the long-term goal and getting something sustainable instead of the scraps such as "Waterloo Road" and "Weakest Link"?

Gordon MacDonald: I have a question on Paul Holleran's comment a couple of minutes ago that BBC Scotland is ambitious about expanding programming, including news. The BBC states in its submission to the committee:

"The BBC believes the time has come for it to strike a better balance between the delivery of pan-UK news and news tailored to the distinctive needs and agenda of the devolved nations".

How does that fit with the fact that you are saying that all of that has been cut?

Paul Holleran: There are two aspects. First, at the beginning of 2014, people knew what was coming in 2015 with the Commonwealth games, the Ryder cup, the commemoration of the start of world war one and, of course, the independence referendum, but decisions were taken to introduce massive, swingeing cuts in BBC Scotland. To me, there was no logic in that decision whatsoever.

Moving on, we had the submission on charter renewal from BBC Scotland management. Ken MacQuarrie spoke to the workforce and the unions on that and explained the ambitious plans. Anne Bulford, who is part of BBC management and who I believe is giving evidence next week, apparently came out of one meeting and said that there is now nothing for the nations and regions. Who made that decision to back off completely from the fairly ambitious plans that I believe were being

seriously considered? We were then told that those were being kicked into the long grass. It is not just about Scotland; it is about Wales, Northern Ireland and the knock-on effect on the whole of the BBC. That is why I think that a federated structure will work. The decision-making process in respect of budgets and where they are spent is a serious danger to the future of the BBC.

Bill Matthews: I want to go back to the question that Liam McArthur asked a while ago about loyalties. As a BBC trustee and audience council chair, I would probably get on the front pages if I said that I was not a fan of the BBC and of public service broadcasting. I think that it is a fantastic organisation, but it does not get it right all the time. We could point to many places where I am sure it could do better.

I want to pull the conversation back to what audiences want, because that is important. The data shows that audiences in Scotland consume a lot of BBC output, whether online, on TV or on radio. The figure is not dissimilar to the average figure for the rest of the UK, and for TV, it is actually a little more. However, the audiences here tend to appreciate the output a little less than those in the rest of the UK, which is an important point for me and the audience council.

I boil that down into two main areas where there is work to be done. I do not know that we need to wait for a charter review to fix those areas, but we happen to be doing a review and now is a good time to talk about the issues. The provision of news and current affairs for the Scottish audience is important. It has become increasingly difficult for the editors of our network news programmes to put together a succinct bulletin that addresses the needs of every corner of the UK. I welcome Tony Hall's recognition of that, in writing to the Scottish Government and the other devolved Administrations seeking views on how the BBC can do that better. I am sure that he will talk more about that when he is at the committee next week.

The second part is about representation and portrayal of the audience that the BBC serves. That is about recognising the distinct culture of Scotland and the lives that people live in Scotland. It is also about representing the Gaelic culture. To me, that is down to the commissioning process. After 10 years in and around the BBC as a volunteer and a member of the trust, the way in which commissioning works is still a bit of a mystery to me. Surely we should not depend on where somebody is located or who somebody is to get the best of all of the UK out of the commissioning process. So there is something about building a process that works.

We are dealing with all of that in a decreasing financial envelope. The BBC has saved £1.6 billion over the period of the current charter. We

are in an environment in which bits of England probably think that they are not even as well represented as Scotland, and there are similar debates going on in Wales and Northern Ireland. For me, there is an issue about how we align the commissioning process, perhaps through a purpose in the new charter, to more effectively represent all the UK in the BBC's output.

Chic Brodie: Interestingly, Paul Holleran mentioned internationalisation. I get the feeling that we are talking about the UK bubble and how we are going to transfer production and so on. The Economy, Energy and Tourism Committee recently looked at exports in the creative industries. "Outlander" is not made for the BBC, but perhaps Janet Archer can comment on its export potential and other cases where we have the capability to export.

We have to talk about the structure and the retrenchment, but I get a terrible feeling that we are in a bubble. I know that we export, but it is not to a great extent. We have talked about retrenchment and how we cut costs, but there is not enough emphasis on using the production talent in Scotland by commissioning material that the wider market would take. We are not doing that. I am happy to be proved wrong, but my view is that we are living in a bubble. We are talking about the BBC overall in the UK and what we need to do with BBC Scotland.

How to do that is to federalise or regionalise and release the talent that is available in each of areas of the UK and start becoming a bit more assertive about what we can do. If Denmark can do it with "Borgen", I am sure that we can do it with our programmes. On Professor Beveridge's point earlier about the Hollywood idea, given the weather outside, I think that "Frozen" should have been produced in Scotland.

12:15

Paul McManus: To pick up on Bill Matthews's point about the commissioning process, I think that you will find that it was a mystery to most BBC managers as well. It is a process that BECTU has been hugely critical of. I do not recall being at a meeting where we had a clear answer from the BBC—I think that Paul Holleran will back me up on this—about what was happening at any given stage in the commissioning process. We just got a shrug of the shoulders and the comment, "Oh, it's all down to the commissioning process." Anything that could improve that process would be helpful.

Again, to go back to George Adam's comments about the likes of "Tutti Frutti" and other popular programmes, they were made at a time when there was a strong head of department in Scotland who championed those programmes and fought

for them. However, they should not have to fight for Scottish content or Scottish output, because the support should be there.

The more important point that I want to make, though, is in relation to talk about Scotland taking over BBC Two or BBC Four. Going back to Paul Holleran's comments, I think that we are in a situation where the BBC might not have BBC Two or BBC Four for much longer, given the proposed licence fee settlement and the charter renewal discussions. The BBC is facing losing a fifth of its budget over the next five or six years, and we are talking about real cuts and real closures of service, with many thousands of jobs going. We cannot lose sight of that in the debate that we are having about what we want from the BBC. I think that it was the convener who made the point that this is probably the ideal time to have a conversation about what Scotland should get out of the process. However, we cannot lose sight of the fact that the BBC will lose many hundreds of millions of pounds. The committee cannot lose sight of the fact that, with the provision of free licences to over-75s, the BBC has in effect been told to hand over a blank cheque.

The Convener: Thank you. Turning to Janet Archer, I think that a challenge was thrown down by Chic Brodie about the role of Creative Scotland. There is a question about Creative Scotland's role in terms of both small independent producers and the industry in general and what it expects to get out of the charter renewal process.

Janet Archer (Creative Scotland): Yes. Obviously, that is a very good question. Creative Scotland is an organisation with about 100 people in it, whereas the BBC has 1,000 people or maybe a bit more—that gives a sense of the relative scale. Nevertheless, I think that we have the scope for influence and injecting some thinking about potential and innovation for the future in a context in which the broadcasting landscape is changing. We heard earlier from the previous panel about the different ways in which audiences are consuming content. For example, I think that young people very rarely look at the television screen and are much more interested in other platforms. We have got to take that into account in how we think about policy for the future.

However, the international point that was made is a very good one. A phrase in the BBC studios proposition, as it stands, refers to "local-only content", which is content that has relevance to a particular place. I would argue that, in Scotland's instance, because there is so much interest in Scotland globally from so many people who have connections back into Scotland, Scotland might be able to use its local-only content as much more of a global proposition and can start to think about

local-global in a very tangible way. I think that we should be doing that sort of thinking.

Our focus in thinking about this is fairly straightforward in that it is about greater commissioning power for Scotland from Scotland. It is about the point that was made earlier about IP and finding a way of negotiating more opportunity for Scottish indies to be able to benefit from the IP that they generate, which often just gets lost because of how things work at the moment—that is not good enough.

I think that we all feel that there could be better representation of Scotland's culture on BBC platforms. Clearly, there are lots of views about what that might mean in practice. Nevertheless, as someone who moved to Scotland just two and a half years ago, even I feel that I do not see as much as I would like to see—in as prominent a way as they could be seen—of the extraordinary things that happen in this nation. That is certainly a conversation that we have had and will continue to have with the BBC through all the different relationships that we have. The BBC could make a huge difference if it chose to and if the hearts and minds argument that was discussed earlier was won.

There needs to be better systems of accountability. We have talked about what that might look like in practice. For me, it is not just about governance but about day-to-day management and how things are run. At the moment, there is an executive board and an executive team and, as far as I can see, Ken MacQuarrie sits on the executive team, not the executive board, so there is potential for a small shift there that might make quite a big difference when it comes to decisions on news or other things that are being discussed.

Small day-to-day shifts could mean getting more out of what we have got now as well as thinking about the bigger picture and what that might look like in future.

John Archer: On the point about drama, there was great drama in the 1980s and 1990s, such as "Tutti Frutti" and "Takin' Over the Asylum". It is about money. After those programmes were made, the money for drama in Scotland, which had sat in Scotland and was decided on in discussion with London, went to London. Since then, the drama that we have had from Scotland has been much poorer. It is true, Paul—what are the great dramas of the past 20 years?

Paul McManus: We should look at who was in charge of drama in Scotland at those times when we have not had great drama. There is a direct correlation. When there was great drama, there was a strong head of drama.

John Archer: Yes, but the money was here and then it went back to London.

I very much enjoyed watching "Capital" from the John Lanchester novel about the housing market in London that was on the BBC in September. How much more would I have enjoyed watching a dramatisation on the BBC of something like James Robertson's "And the Land Lay Still", which might have explained something about the whole independence debate and vote of 18 months ago? That kind of thing is not getting on to the BBC and it should be. The UK is the poorer for it.

Janet Archer: Rona Munro's fantastic "The James Plays" won the *Evening Standard's* best new play award, but we have not yet seen those broadcast.

Liam McArthur: To pick up on Janet Archer's point, you will not be surprised to hear that, coming from Orkney, I am slightly apprehensive when there is discussion of Scottish culture. Donald Campbell will speak to the success of BBC Alba in reflecting a different image of Scotland, but there is a risk of it all becoming quite binary; it is either a Gaelic or a central belt perception of Scotland. Is there space here for some sort of debate about the wider reflection of the diversity of culture from north to south and east to west in Scotland?

There have been good examples. "Shetland" taps into the Scandic noir genre even if it is not necessarily an accurate portrayal of what goes on in Shetland. "Trawlermen" again gives a rather industrial bird's-eye view of what happens in the fishing industry in the north east. There are good examples, but when one talks about a Scottish culture, from the perspective of those who live in the Highlands and Islands and, I suspect, in the south-west and the Borders, there is a concern that it is very much a view from Pacific Quay or the offices of the Edinburgh festival, for example, rather than necessarily something that reflects the messiness and diversity of culture across Scotland.

The Convener: I want to open up the discussion to what some of the previous panel witnesses said about income and expenditure, how it currently operates, and whether we even know how it currently operates, given the information that we have and do not have at the moment. Gordon MacDonald led us on that in the earlier session.

Gordon MacDonald: I think that it was Mary Scanlon who did that.

The Convener: I do apologise.

Mary Scanlon: Yes, it was me, but I thought that I would just sit here quietly.

The Convener: That was what threw me.

Mary Scanlon: I was breaking the habit of a lifetime.

What I want to do is put forward a very positive suggestion. This is a brilliant opportunity to have an input into the BBC charter, and I hope that we can have a very positive debate in the Parliament about what we put forward. In future, the Public Audit Committee will look at BBC Scotland's annual accounts, at how effectively that money is spent, at the money that is raised in Scotland and at production and quotas and so on in Scotland. Given that the Public Audit Committee amended the memorandum of understanding, we have already had a significant input.

I will lump the various parts of my question together. I appreciate that we have not yet had the annual accounts, but I would like to get some comments on where we are on audit, which is something completely new, given that the Parliament was set up in 1999. In the context of accountability et cetera, I would like to know what proportion of the licence fee you think should be spent in Scotland. That would be a precursor to establishing how we should carry out auditing and monitoring. Are quotas an effective measure or is it an artificial market? We have heard differing views on that from members of the previous panel. We have also heard that commissioning is quite a mystery, which makes the enforcing of quotas difficult. I would like the independent producers to be included in what is proposed. Personally, I do not find John Archer's talk of imperial power very helpful in this context, but never mind. What other options for the production sector in Scotland would be sustainable?

As we have an opportunity to have an input into the charter, I would like to know whether the witnesses think that it should enshrine a specific quota for network production. What positive outcome do you want it to achieve? Do you want it to ensure that we have more Scottish culture in the BBC's output, that we have more jobs in Scotland or that we have a better reflection of how people in Scotland live? How can we ensure that that is enshrined as we move forward?

I commend the BBC, particularly BBC Alba, for its coverage of the Mòd, which is phenomenal, and its coverage of traditional music and song and the pipe band championships. Earlier, somebody mentioned Glastonbury. There is also a lot of local talent at Belladrum, which is the Highlands equivalent of T in the Park and is regularly on BBC Alba. The recognition of and commitment to traditional music, pipe bands and so on is far greater at BBC Alba than it is at Creative Scotland, where it is barely even on the agenda.

I have asked my question all in one go.

The Convener: There was a lot of it.

Before I bring in Paul Holleran, I want to make it clear that there is nothing in the memorandum of understanding that says that the BBC will provide BBC Scotland's accounts to this Parliament.

Mary Scanlon: Yes, there is.

The Convener: No, there is not. If you look at the memorandum of understanding, you will see that that is not what it says.

Mary Scanlon: We would have to get hold of the memorandum of understanding and have a good look at it. As I understand it, it says that BBC Scotland's accounts will come to the Parliament's Public Audit Committee. After all, we would have no locus in relation to the BBC's accounts at UK level.

The Convener: No—the memorandum of understanding says that the BBC's annual report and accounts will be submitted.

Mary Scanlon: That is right.

The Convener: It does not say that BBC Scotland's accounts will be submitted; there is no such thing as BBC Scotland accounts. That is the fundamental question. I raise it because I think that there is an issue here. We should not be misled into thinking that a separate set of BBC Scotland accounts is produced.

Mary Scanlon: There is no reason why we cannot look for a breakdown of BBC Scotland's income and expenditure within those accounts. That is what the Public Audit Committee does week on week, so there is nothing to prohibit us from getting that information.

The Convener: I absolutely agree with that. I just wanted to make sure that it is understood that the memorandum of understanding does not say that specifically, but what you say is right.

Mary Scanlon: No, it does not say that, but the Public Audit Committee is capable of seeking that information.

Gordon MacDonald: Question 10 of the questions that we submitted to the BBC just before Christmas asked:

"Could BBC Scotland provide its annual accounts and/or a statement of its financial activities in 2014-15?"

The BBC basically said that that information does not exist but that

"Consideration is currently being given as to how statistical information pertaining to each of the nations, including Scotland, may best be incorporated and presented within the BBC Annual Report and Accounts in the future."

Mary Scanlon: That is fine—it is exactly what we are looking for.

Gordon MacDonald: But it does not exist. That is the point.

Mary Scanlon: It is going to be there in the future, and that is what it is all about.

The Convener: It may be; I think that that is part of the argument.

12:30

Paul Holleran: Where money is made available for BBC Scotland, that will be part of the accountability issue, so I am sure that it will come in the future.

With respect to the proportion of money that should be retained in Scotland, the submission from BBC Scotland management states that the original bid, as part of the charter renewal, was for £150 million, which is less than 50 per cent. I am not sure how it came to that figure, but I am sure that it will be up for negotiation for the future as a starting position.

I also think that the quotas would be part of a support structure that would lead into that, with discussions with the BBC across the broadcasting industry, including independent companies and STV, on how programmes are made. That needs to be part of an agreement. Whether it comes with a federal structure or decentralisation, an agreement should be reached on a fixed amount of money to be retained in Scotland.

I just got back from Spain last night, where I noticed that there is a new station in Andalusia that feeds in from Cádiz right the way through to Grenada and Seville right down to Málaga and which provides constant news and cultural magazine programmes 24 hours a day. It is a new station that has been set up as part of TV España. If the Spanish can do it, I do not see why we cannot do it.

Chic Brodie: Regarding the audit, I request that the Public Audit Committee asks—or, if it cannot, that we ask, under freedom of information—what management fee is charged by the BBC, and what portion of its management fee is attributed to Scotland. It would be interesting to see what proportion of Scotland's revenue finds its way into the BBC UK management fee structure.

The Convener: Given that quotas were mentioned a moment ago by Mary Scanlon, I want to ask whether people support the continuation of the quotas, even in the short to medium term. Do you think that quotas are an effective way of making sure that money and work come to Scotland? If you support quotas, do you think that the current quota arrangement—a wider quota, as an umbrella that covers not just Scotland but other parts of the UK—is the way in which they should be set up, or should they have a different form?

Donald Campbell: As Paul McManus said, in many ways the quota system has been useful in

bringing work to Scotland, but it has not delivered the long-term benefits and the follow-up that it should have.

Quotas have a certain use. Where quotas have failed, that is because there has been no strategic plan underlying the quota system that has focused on the growth of the indigenous production sector in Scotland. With the quota system should have come a partnership strategy. How does the BBC partner with indigenous production companies and producers in Scotland? The people who bring the work to Scotland are the producers. The drama producer is the person who hires the director, the cast and the crew, puts everything into motion and works with the scriptwriters to bring the project to life. A partnership strategy has to go hand in hand with any quota system.

In terms of what we are looking at, a better system would probably be a devolved financial accountability system, whereby the licence fee that is raised in Scotland is accounted for by the management of the BBC in Scotland. That would allow the management of the BBC in Scotland to divvy up the licence fee, in a sense, and say, "This is how we propose to spend it: this is the bit that will pay for the iPlayer; this is the bit for the infrastructure that we share with the UK; these are the joint projects that we will do with the rest of the UK; this is what we think the audience in Scotland needs; and this is our five-year business partnership plan with the sector in Scotland to grow domestic production for audiences in Scotland, in the UK and globally."

If the Public Audit Committee is looking for something with which to measure the BBC, it could base that on the pipeline, the co-production, the co-investment capital that the BBC is investing over a period in UK-wide and international projects and the return on that investment. We are in danger of being too focused on cuts all the time. What about the plan for growth? With the BBC and Scotland brands together, we have enormous assets. We need to work them.

Bill Matthews: On quotas, I was a member of the BBC broadcasting council when Mark Thompson made his famous network supply review speech and I have to say—I think my colleagues in the BBC trust would agree—that the network supply review, which is our internal language for the quota system that exists today, has had a positive impact. It has definitely created opportunity and developed talent and skills in Scotland. However, it is a hard, clunky metric. Looking back at it now, when it has been achieved numerically, we could all sit back and say that we could design something better—something that considers not only the impact on the economy, which is important, but how the money is spent

wisely to reflect Scottish lifestyles and culture. The system has to be enhanced.

I think that it was Robert Beveridge who made a comment about the lumpiness of the spend—the fact that it has gone up and down over a period. There is something to be said about sustainability. We would all want a sustainable production sector in Scotland. Achieving that is not the job of the BBC only—there are others involved in the sector—but the BBC is such a big part of it that it must play quite a leading role. I do not know how we manage that in. Although I would certainly not favour writing percentages into a royal charter, there needs to be something at the higher level in the charter that speaks to another commitment that is detailed elsewhere.

Paul McManus: To answer Liam McArthur's original question and to address some of Mary Scanlon's points, the current arrangement for how the BBC operates in terms of percentages with the independent sector and how it operates with the rest of the UK should be built on and moved forward, not dismantled and torn apart. I agree with Donald Campbell's comments that we should have a more organic arrangement between independent companies and the BBC so that the BBC can help those companies to develop and grow. Indeed, BECTU and Creative Skillset have worked with the BBC over the past few years on training projects to help to develop producers to a level that network commissioners are happy with, so, in a small way, we have already started down that path.

On quotas, I agree with Bill Matthews's comments that the NSR has been positive for Scotland. It has been a help to Scotland and brought more work here. It is disappointing that such a crude mechanism had to be forced out of the BBC in the first place. I hope that, in the not-too-distant future, any discussions that come out of the committee about the funding of the BBC will lead to a more sophisticated mechanism because, as everybody else has said, the quotas are a fairly crude mechanism. They have helped, but they are not the long-term solution.

Gordon MacDonald: I have a couple of quick questions. The first one relates to what Bill Matthews said about bringing programmes to Scotland, which we have referred to as lift and shift. That has produced jobs, which is obviously welcome, but if that same amount of money had been invested in Scotland-based companies, which would have resulted in the IP and profits being retained in Scotland, would it not have had a bigger and more sustainable impact on the television production sector here?

Bill Matthews: I do not know. Some of the other witnesses can probably answer that better than I can. I go back to my point. Mark Thompson and

the BBC trust put in place a mechanism to improve TV production in Scotland. It is clunky but it brings talent, skills and people into Scotland. We can debate for hours whether enough of that money has been spent with Scottish companies but I am not entirely sure what "Scottish" companies are, because some of the companies that started out that period as Scottish are probably now owned by larger, more international companies. There is a big debate in there. However, we must finesse the measure because it is important that we ensure that the BBC contributes to the creative economy in Scotland.

Gordon MacDonald: The BBC gave us information about the proportion of spend here and the hours produced for the network in Scotland through in-house, independent, and non-qualifying independent providers. I am trying to get my head around what a non-qualifying independent is. Can you clarify that?

Bill Matthews: I am not an expert on the matter; people such as John Archer may know the answer. I suspect that STV would be a non-qualifying independent producer.

John Archer: STV does not qualify because it is a broadcaster.

Gordon MacDonald: Would companies such as Mentorn Media, Lion Television, STV Productions, Objective Productions, IMG, 12 Yard Productions—

John Archer: STV Productions would not qualify, but the others probably would.

Gordon MacDonald: Do qualifying companies tend to have a branch office in Scotland but be based south of the border?

John Archer: No. A company can qualify in that way, but because STV is a broadcaster it does not qualify as an independent producer.

Bill Matthews: The criteria relate to having a broadcasting arm.

Gordon MacDonald: But they are predominately companies that are based south of the border.

Bill Matthews: STV is a big part of it.

Gordon MacDonald: Yes, but it does not qualify. Here is the issue that I am trying to get to. When we look at BBC Scotland's figures, which compare the production hours and spend, we see that spend is £117,000 an hour on in-house, £56,000 an hour on independents and £124,000 an hour on non-qualifying independents. Given the pressure on the BBC's budget and the fact that the cost of non-qualifying independents, which tend to be based south of the border, are substantially higher than in-house costs and more than double the cost of the independents, I would have thought

that it would make more sense to spend money in-house or on independents that are based in Scotland.

John Archer: That would certainly be better for Scotland. The Matchlight submission details that companies need only have 5 per cent of spend in Scotland to qualify. That system was obviously needed at the time, but it is now time to move on and see that 9 per cent, which feels like a good floor, spent more productively for Scotland.

Bill Matthews: I am not here to speak for the BBC executive—the committee will have a chance to talk to them next week—but I would suspect that those numbers would be greatly influenced by the genre that each of those categories produces.

Chic Brodie: Is it not a lot of nonsense that STV is not able to sell product to the BBC because it is a broadcaster?

Bill Matthews: STV sells to the BBC.

Chic Brodie: As an independent producer?

Bill Matthews: Yes; it just does not qualify in terms of the accounting.

Chic Brodie: At the end of the day, and as Donald Campbell said, we are talking cut, cut, cut, when we should be looking at how we generate revenue in other areas. That means embracing the whole production market. I just find the situation anomalous given what we are trying to achieve.

Liam McArthur: For clarity, I point out that the footnote on non-qualifying independents in the BBC submission says:

“Non Qualifying Independent is defined as a broadcaster, owned or employed by a broadcaster (eg STV Productions).”

That is fairly clear. We can follow the matter up with the BBC next week, obviously.

I return to Donald Campbell’s comment about the retention of revenue and the decisions that are then taken about how that is spent. There have been fairly hyperbolic examples of what the viewer or listener in Scotland might be denied were we to go down that track—“Doctor Who”, “Eastenders” or “Strictly Come Dancing” seemed to be the programmes most commonly referred to in that regard. It is inconceivable that any commissioner or editor would not include them as part of the mix. However, I presume that there would be elements of what is currently accessible to which access would be restricted or no longer available. It would be interesting to get a handle on what output we would be likely to be force fed, given that the consumption patterns look broadly similar north and south of the border—even the satisfaction rates vary only a little. Is there a view on what we are getting at the moment that would need to be

pushed aside in order to make room for new and different content?

12:45

Donald Campbell: That takes us to the question about what extra distribution channels Scotland does or does not need and whether another TV channel is required. Is there demand for one? Would it be an interactive service, as the BBC submission has proposed for Scotland?

There is certainly demand for better representation of Scotland’s cultural diversity on our screens. At the moment, the schedulers or commissioners for both the BBC and STV have to make an invidious choice about what to drop from the main schedule in order to put something in. They are faced with that competition the whole time.

For example, if you wanted to schedule in the St Magnus festival, which is exactly the kind of thing that we should be seeing on our screens in Scotland, would you drop “Dad’s Army”, which is on at the same time? If “Dad’s Army” has a 7 per cent share in the network and whatever programme takes its place has a smaller share, the commissioner or scheduler has a particular kind of balancing act to do, which is not easy. That goes to the root of the problem, which is that much of this is tactical. There is too much reliance on tactics and not enough emphasis on a strategic approach to developing genres, the talent base and production partnerships with producers in Scotland.

We need more content but that will demand a way of distributing that content, which is a decision that would be best proposed by BBC management in the fullness of time. However, if you were to spend an extra £50 million or £100 million of programming money in Scotland, you would not find a home for that programming, so it is not really a case of what we should drop but how we can find space to do the additional material.

Gordon MacDonald: I want to come back to a point that Liam McArthur made. Is it not the case that in 2010 there was an agreement between the UK and Irish Governments that RTÉ One and RTÉ Two would be shown in Northern Ireland and BBC One and BBC Two would be shown in the Republic of Ireland itself?

We are also in a situation where BBC Three is due to come off the air—in February, I think—so there will potentially be a channel available. Could we have the best of both worlds where we could have everything on BBC One and BBC Two as they currently stand, with very little Scottish content, and have BBC Three as a Scottish-based channel?

Paul Holleran: My understanding is that BBC Scotland said in its submission that it was looking to take over one of those stations. BBC Two was flagged up at one stage—or a section of BBC Two—or BBC Three. Certainly if one of those stations was looked at as an alternative station, as Donald Campbell says, that would then need further development in respect of expanding the news and having new programmes on music and better drama. That proposal was in BBC Scotland's submission as part of the £150 million bid. There was also going to be an additional radio station for music and one that would have dialogue.

Certainly the ambition is there, and I would be very surprised if the BBC Scotland management had not carried out intensive research into what the audience response would be to the introduction of a new radio station or TV station. It would almost certainly have carried out that type of research—I do not think that it is in the public arena but it is probably on someone's desk. I could be right or I could be wrong but I would be surprised if that research had not been carried out. To back up its submission, BBC Scotland probably has figures to show that the Scottish public would welcome such an expansion.

The Convener: Can somebody tell me what happened to that blueprint? I presume that it was a BBC Scotland management team proposal that went to BBC London. What happened to it?

Paul Holleran: It was kicked into the long grass—that was the phrase that we were told. Since then, the BBC Scotland management team—under various pressures from the workforce and due to other aspects such as the cross-party political support that the joint unions asked for—has gone back and asked for negotiations to open up. I understand that a much reduced improvement in some of the funding will be coming forward over the next short period. You will see a response from Tony Hall in the next few weeks, but the content of the proposals will be minimal in comparison with what was in the original submission.

The Convener: So the proposal has just been removed—it is off the table. Is that correct?

Paul Holleran: Initially it was removed, but I believe that further negotiations are now taking place to restore a small part of it.

The Convener: A small part. I am sure that we will ask Tony Hall about that next week.

I want to ask Janet Archer a direct question. Creative Scotland's submission states:

"The BBC Studios proposal risks driving the focus and emphasis of relationships further towards London, to the detriment of the Scottish sector".

What do you mean by that, and what are the risks to which you refer?

Janet Archer: We are still interrogating exactly what the proposition is in relation to BBC Studios and Post Production, so it is important to say that we do not fully understand it yet. However, we think that opening up competition will risk affecting Scottish indies to the extent that it could create a situation that is worse than the quotas that we have just now. I would be interested to hear what John Archer has to say about that. We think that it is important that we have a dialogue with the BBC around that.

The positive side is that the BBC clearly states in its proposition that that is recognised, and there is a willingness to have that conversation and to look at how local independent production can be protected in the wider context. I think that the door is open for us to have a conversation about that. We are flagging up in our submission that we need to pursue that issue, along with everybody else who has an interest in it.

The Convener: Your submission also refers to "a re-calibration of the out-of-London quota system".

What do you mean by that? What would that recalibration look like?

Janet Archer: We have not worked it out yet. We are saying that the current system of quotas has led to lift and shift. Of course, that has brought work to cast and crew and to other practitioners, which is really important, but it has not contributed to the organic development and growth of the independent production sector in Scotland in the way that we think that could be achieved.

We need to move into a different frame if we are going to drive the creative industries and respond to the talent that clearly exists in Scotland and needs to be given the opportunity to be made more meaningful. It is clear that in recalibrating the system—I acknowledge that that is classic jargon—something needs to be done to get us to a better position. The only way that we will do that is through proper dialogue with the BBC to work it out together.

I find it heartwarming that a lot of the things that were discussed by the previous panel and in this session are being recognised by the BBC. However, a set of actions that can deliver on turning things round to a more positive direction has not yet been put in place.

I have not been in Scotland for as long as many other people round the table, but I feel that this conversation has been going on for many years. The sticking point has always been the need for proper joined-up solutions that work, and that is what we must be really assertive in determining now.

The Convener: As we heard earlier, the issue was recognised in 1951.

Janet Archer: Exactly.

The Convener: Recognition of the problem has never been the issue; it is the implementation of a solution that seems to have been the issue.

I will bring Paul McManus in at this point. I do not know whether you have any comments on the BBC studios issue, Paul.

Paul McManus: Yes. I am not convinced that the BBC has yet seen a solution—or certainly one that we are looking for—given its proposal on BBC studios.

As we see it, there are two options if the BBC studios proposal goes ahead. Either BBC studios will actually kill off the independent sector, particularly in Scotland, because it would be a commercial animal competing for business, or—the more likely scenario, given that it has happened with other similar BBC ventures—BBC studios will kill itself off and we will end up losing the valuable balance that we have at present.

BBC Resources and BBC Technology were lauded in exactly the same way as BBC studios is now being lauded. Both of those were abysmal failures, and they very quickly led to the loss of many thousands of jobs, with rising costs to the BBC from having to buy in the services that it used to provide in-house.

Although there is a possibility that the BBC could use its economies of scale, to the huge detriment of the independent sector, the smart money would be more on the outcome that it would suffer a short and miserable life and then disappear. If it disappeared, however, we would then lose some of the key elements that the BBC is obliged to deliver as part of its charter, such as training for the industry and delivering quality public service content.

There is currently a good partnership in Scotland, which could be greatly improved. There are a lot of benefits, both ways, to the independent sector and to the BBC. If the BBC studios proposal goes ahead and falls apart, that will ultimately have a hugely damaging effect on the sector.

The Producers Alliance for Cinema and Television—the independent sector—has recognised in various submissions to Scotland and Westminster that, when the BBC spends money on productions, organisations such as Sky and ITV match that spending to compete with the BBC. When the BBC does not spend money, those other organisations do not spend money. That affects the independent sector just as much as it affects any other area.

The BBC studios proposal is fraught with danger. I am sorry to those who feel that we keep talking about “cuts, cuts, cuts”, but when the BBC is facing a loss of a fifth of its budget, I would like to know where the money will come from to allow us to expand the industry.

Chic Brodie: Earlier, Paul McManus made a point about the economies of scale. Why, in that circumstance, would it be impossible for the BBC to work in partnership with the independent producers? We were talking about the sectorisation of the BBC, instead of it being part of an overall market provider. In your opinion, why can the BBC not work in partnership?

Paul McManus: If it goes ahead with its proposal on BBC studios?

Chic Brodie: Yes.

Paul McManus: BBC studios cannot work in partnership then because it would essentially become a commercial company competing against the independent sector.

Chic Brodie: Yes, but many commercial companies subcontract or work in partnerships with other suppliers for their output.

Paul McManus: It kind of defeats the purpose of setting up the commercial—

Chic Brodie: I do not think it does.

Paul McManus: BBC studios will want the work, instead of it going to the independent sector. Sky and ITV are exactly the same: their production arms do not lie idle while work goes to the independent sector.

Chic Brodie: It depends on the will of the management.

The Convener: You will all have read the submission that we received from Matchlight about lift and shift and how the percentages, set out by Ofcom, could operate. It provided an example of how one particular company, operating out of Bristol, would be able to meet the necessary rules to be a Scottish production when effectively only 5 per cent was spent in Scotland. Can I have people's thoughts on whether that is a genuine example of what could, can or does happen?

John Archer: I think that it probably is a genuine example, and that is the position from which we need to move.

The 9 per cent spent properly by the BBC would be really valuable to the creative economy in Scotland. I would love to see the Public Audit Committee looking at BBC Scotland's contribution to the creative economy in the wider sense, because it is the biggest budget available for our creative economy.

Looking at the programmes being made on the whole, for entertainment or for daytime, I think the figures for lift and shift should be seen as a staging post towards a better place.

Liam McArthur: That is an entirely reasonable position. For fairness, I note that Matchlight, which used an illustrative example, has made clear that it was not talking about a specific case. The BBC also said:

"If our Legal team feel that that spirit of the Ofcom definition is not being met by any particular 'title', then that programme will be rejected for inclusion as a Scottish title. This has happened on a number of past occasions".

It would be helpful for us—notwithstanding the place we want to get to, which is probably akin to what John Archer suggested—if we had examples of lift and shifts that are clearly driving a coach and horses through the Ofcom definitions, and examples of where the BBC is not being honest to what it said in its evidence. Likewise, we need evidence from the BBC of where it has rejected propositions of Scottish titles on the basis that, even if those titles honoured the letter of that definition, they did not honour the spirit of it.

Mark Griffin: I have a couple of questions, along a similar line to those I posed to the previous panel, about how the BBC meets the needs of the Scottish audience. I would like first to ask Bill Matthews from the audience council how well he feels the BBC reflects the diversity of the UK, particularly Scotland.

13:00

Bill Matthews: I will first reflect on how we gather evidence, and then I will say what audiences think.

The BBC trust spends a lot of time speaking to audiences directly and speaking to quite a large online panel, which is divided so that there is a slightly larger sample in Scotland than the numbers would normally allow. We do a bunch of engagement work as trustees and as volunteer members of the audience council, going round and speaking to audiences throughout Scotland. We therefore form an opinion that is based on all our daily lives plus quite a significant body of evidence.

As with anything with the BBC, there is not a single view: there are 5 million different views of the BBC in Scotland, which is part of the challenge. There are people who will tell us that the BBC is perfect as it is. I suppose that there is a recurring theme, which you can read about in the audience council's annual review from last year, in that more and more people believe that the BBC could do a better job of reflecting the diversity of Scotland. However, I think that it could be argued that a similar view is probably reflected in other

parts of the UK; for example, people in the north of England maybe do not think that that area is reflected well enough.

It is a challenge when many different parts of the UK and many different interests are all vying for attention, given that the budget is decreasing all the time. Whatever regulatory body looks after the BBC in the future, close attention needs to be paid to those views as we go forward to ensure that the BBC is a broadcaster for the whole of the UK.

Mark Griffin: After the research work is carried out, how is the information presented to BBC managers? Is it presented as Scotland-wide opinion? How are regional variances in opinion and demand for content presented to BBC managers so that they can take their decisions?

Bill Matthews: I should have said, of course, that the BBC executive does its own audience research outside of the BBC trust process. Audience input comes in through a lot of different channels. For example, the complaints mechanism is one by which opinions can be picked up.

On how such evidence is presented, the trust engages with the BBC executive on a regular basis both formally and informally, so there is sharing of data about what audiences are saying. There was a comment in the earlier evidence session about the direction by which feedback from the audience council for Scotland makes it to the executive in Scotland—I think that a comment from the Ofcom report was referred to. It is true for our model of feedback that, on paper, the route by which it operates is that, through me, the audience council is an advisory body to the BBC trust and the BBC trust engages with the executive, which then engages with the wider executive team. That is how the model operates on paper.

In practice, we also meet the BBC Scotland executive team on a monthly basis approximately, and there is an informal and quite direct dialogue between the two parts of the governance structure. I think that that is reasonably effective. It is not a direct governance mechanism, but it helps us to exchange some views and perhaps understand some of the reasons why the executive in Scotland has had to do things in a certain way; it also helps the audience council members—a group of 11 passionate volunteers who are very keen on public service broadcasting—to express their views.

There are a number of mechanisms for transferring audience information, and I do not believe that any of us sits on information.

Gordon MacDonald: Can you tell us the size of the panel in the Broadcasters Audience Research Board that represents Scotland? There are 5,100

BARB homes across the whole of the UK that determine how well the BBC is doing, but how many of them are in Scotland? Secondly, what are the trust levels for the BBC and what direction have they been heading in since the late 1990s?

Bill Matthews: My short answer to your first question is that I do not know, but we can certainly get the information for you. If we do not have it, I am sure that the executive will, because those are executive numbers.

Trust levels for the BBC fluctuate and there have been moments when trust has declined quite significantly. When the BBC was hit by a number of scandals, trust levels declined. I think that the overall trend for all broadcasters and news outlets is that audiences are becoming slightly wiser to the way in which the media operates. There is therefore an on-going challenge in terms of how impartiality is presented and so on.

Gordon MacDonald: Would I be right in saying that in the late 1990s all four nations of the UK had trust levels of 60 to 65 per cent but that they have since come down, with those for England coming down from 65 to 61 per cent and those for Scotland coming down from 62 to 48 per cent?

Bill Matthews: I think that I am right in saying that Scotland is at the bottom end of the league table of trust at the moment.

Gordon MacDonald: Thank you.

The Convener: That is quite a difference, though. Referring to “the bottom end” does not quite suggest the kind of figures that Gordon MacDonald referred to.

Bill Matthews: I think that I am right in saying that trust has fallen across all the nations, but we can certainly get that data to you. At the top of the meeting, I said that in my view, as chair of the audience council, one of the issues for the BBC in Scotland is that the BBC appears to be appreciated less here than it is in other parts of the UK. The data that Gordon MacDonald is speaking about simply points us to that.

The Convener: Okay. Thank you.

I thank all of you for coming along here today and giving your time to the committee. Obviously, this is a very important time for both the BBC in Scotland and the BBC across the UK, and for the creative sector generally. Next week, we will have BBC executives and the BBC trust in front of the committee, as well as the cabinet secretary. I very much look forward to hearing from them. Thereafter, the committee will provide a report on its thinking. As I think Mary Scanlon mentioned earlier, we hope to have a debate on the report in the chamber before the Parliament dissolves.

The matter that we have been discussing is obviously extremely important. If you have any further thoughts or comments on it, please do not hesitate to send them to us. We will be very grateful to receive them.

Meeting closed at 13:07.

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