

ENTERPRISE AND CULTURE COMMITTEE

Tuesday 29 November 2005

Session 2

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ENTERPRISE AND CULTURE COMMITTEE

25th Meeting 2005, Session 2

CONVENER

*Alex Neil (Central Scotland) (SNP)

DEPUTY CONVENER

*Christine May (Central Fife) (Lab)

COMMITTEE MEMBERS

*Shiona Baird (North East Scotland) (Green)

*Richard Baker (North East Scotland) (Lab)

*Susan Deacon (Edinburgh East and Musselburgh) (Lab)

*Murdo Fraser (Mid Scotland and Fife) (Con)

*Karen Gillon (Clydesdale) (Lab)

*Michael Matheson (Central Scotland) (SNP)

Mr Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

COMMITTEE SUBSTITUTES

Mark Ballard (Lothians) (Green)

Donald Gorrie (Central Scotland) (LD)

Fiona Hyslop (Lothians) (SNP)

Margaret Jamieson (Kilmarnock and Loudoun) (Lab)

Mr Brian Monteith (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO ATTENDED:

Nicol Stephen (Deputy First Minister and Minister for Enterprise and Lifelong Learning)

THE FOLLOWING GAVE EVIDENCE:

Donalda MacKinnon (BBC Scotland)

Ken MacQuarrie (BBC Scotland)

Vicki Nash (Office of Communications Scotland)

Jeremy Peat (BBC Scotland)

George Reid (Scottish Executive Department of Enterprise, Transport and Lifelong Learning)

Alan Stewart (Office of Communications Scotland)

Tim Suter (Office of Communications Scotland)

CLERK TO THE COMMITTEE

Stephen Imrie

SENIOR ASSISTANT CLERK

Douglas Thornton

ASSISTANT CLERK

Seán Wixted

LOCATION

Committee Room 4

Scottish Parliament

Enterprise and Culture Committee

Tuesday 29 November 2005

[THE CONVENER *opened the meeting at 14:00*]

Item in Private

The Convener (Alex Neil): Welcome to the 25th meeting in 2005 of the Enterprise and Culture Committee. Jamie Stone has told us that he will be slightly late.

Under item 1, I invite the committee to agree to take item 6 in private. Do we agree to do so?

Members *indicated agreement.*

Subordinate Legislation

Fundable Bodies (Scotland) Order (draft)

14:01

The Convener: I am told that we must allow up to 90 minutes for item 2, but I am sure that we will not require that long.

I welcome the Deputy First Minister and Minister for Enterprise and Lifelong Learning, who is here to discuss the draft Fundable Bodies (Scotland) Order 2005.

The Deputy First Minister and Minister for Enterprise and Lifelong Learning (Nicol Stephen): I hope that this might take something closer to 90 seconds.

The reason why this affirmative order comes before you is to ensure that funding can go to the two new merged colleges that have been created. There has been consensus about the creation of the colleges; I do not think that this issue is controversial in any way. One of the colleges—the Adam Smith College in Fife—is an entirely new college that has been created through the merger of Fife College of Further and Higher Education and Glenrothes College. The other college, Forth Valley College of Further and Higher Education, has been created in a different way, through the changing of Falkirk College of Further and Higher Education's name and what is in effect the merging of Falkirk College and Clackmannan College of Further Education, which has transferred its assets into the former Falkirk College.

The two colleges have been created in slightly different ways but with the same result. We have to ensure that they can be funded by the new Scottish Further and Higher Education Funding Council, which is the reason for introducing this order, which will add them to the list of fundable bodies that the funding council is able to support.

I move,

That the Enterprise and Culture Committee recommends that the draft Fundable Bodies (Scotland) Order 2005 be approved.

The Convener: Does anyone have any questions?

Christine May (Central Fife) (Lab): I have no questions. I do not know whether I would need to declare an interest as I am a former member of staff of Kirkcaldy Technical College, which became Fife College.

I am pleased to see this order on the agenda and I am also pleased to see that no one else has their hand up to speak. I notice no potential

objectors among my colleagues. Given that I am going to a prize-giving ceremony in the Adam Smith College in the next week or so, I give notice now that I intend to vote in favour of this order.

The Convener: We will not ask whether you are going to the college to give or to receive a prize.

I want to raise an issue about the rules governing the chairmanship of colleges, although that is not directly related to the statutory instrument. As a result of the merger that took place between Clackmannan College and Falkirk College, there was an issue to do with the continuation in post of the chairman. The current rules did not allow that to happen, because a new company had been set up. From talking to people who were not happy when they discovered this rule, it seems to me that it is a bit bureaucratic and unnecessary. Perhaps the minister would like to look into that matter as part of his deregulation function.

Nicol Stephen: Perhaps George Reid can assist with that. What you have just said concerns me. You said that a new company had been set up, but I have just explained to you that Clackmannan College merged into Falkirk College.

The Convener: Sorry, I meant to say that, if a new company had been created, it would have been okay, but, in this case, that had not happened.

I am told by the clerk that, strictly speaking, the official cannot speak at this point in the proceedings. However, I will overrule the rules on this occasion.

George Reid (Scottish Executive Department of Enterprise, Transport and Lifelong Learning): With the vehicle that was used for the merger, the corporate body of Falkirk College remained the same even though its name changed. Therefore, because the chairman of the board of management had come to the end of the maximum 12 years for which he was allowed to remain on the board, he was required to demit office. I believe that the college is due to make an announcement shortly on a new chair.

The Convener: I draw the issue to the minister's attention. It seems to be a totally unnecessary bureaucratic rule that flew in the face of the wishes of the local people about the chairmanship of the body. The minister may want to consider the issue in future.

Nicol Stephen: I will do that. Your point is carefully noted.

The Convener: On that basis, I take it that we recommend approval of the statutory instrument.

Members indicated agreement.

Motion agreed to.

That the Enterprise and Culture Committee recommends that the draft Fundable Bodies (Scotland) Order 2005 be approved.

The Convener: I thank the minister for his five minutes—we did not need the other 85.

BBC (Internal Reviews)

14:06

The Convener: Item 3 on the agenda is the internal reviews of the BBC.

I welcome the BBC representatives to the committee. They are Jeremy Peat, the new—relatively speaking, that is—governor of BBC Scotland; Ken MacQuarrie, the controller of BBC Scotland, who has been to the committee before; and Donalda MacKinnon, head of programmes at BBC Scotland.

Would Jeremy Peat like to kick off?

Jeremy Peat (BBC Scotland): If I may, very briefly.

I have now been governor of BBC Scotland for almost 11 months. I am honoured to have the job. This is a fascinating time for the BBC generally and specifically within Scotland. At the United Kingdom level, the charter is up for renewal; a white paper is due; the licence fee settlement is coming up; and digital switch-over, which will start in the Borders, is not far away. At the Scotland level, there is a host of issues. The four internal reviews are being implemented and there is the establishment of Pacific Quay. Other developments include an out-of-Glasgow policy, the prospect of a Gaelic digital channel and what I see as the huge opportunities for BBC Scotland and for the independent sector that will come from changes in commissioning processes. Opportunities will arise for Scotland and the other nations.

Talks on the reviews have continued since Ken MacQuarrie attended the committee earlier in the year. Those talks have been constructive. There are some unresolved issues, but essentially we believe that considerable progress has been made. The governors and BBC Scotland remain committed to achieving greater efficiency as well as improving technical and programme quality. The funds that are being released from the efficiency reviews are being recycled and reinvested in the programme process; the recycling process has started. In that context, as well as saving money, personal digital production is a crucial element in the achievement of enhanced quality.

I will say a brief word on governance. It now looks as if the white paper will not come out until February next year. I look for the white paper to place great emphasis on accountability to licence fee payers. That is hugely important. I am optimistic that we can look for an enhanced role for the broadcasting council for Scotland in that context and for appropriate representation among

the trustees, who will replace the BBC's board of governors from 2007.

Closer to home, the development of Pacific Quay, which will be a key link to all BBC facilities in Scotland, is on time and on budget. It will have up-to-date technology; it will be top of the range and a major facility for all the BBC in Scotland. I note that a new facility has opened in Selkirk—it was opened by David Steel a few weeks ago. The search is on for a new location in Dumfries and there is a commitment to a major reinvestment in Inverness.

What is happening on the regional news side is important for what will be available across Scotland, from Scotland. That may merit discussion.

Finally, on the commissioning side, I want to reiterate the opportunities that exist. There is a commitment to a 50 per cent increase in commissioning from the nations in the years ahead. I look to Scotland to achieve more than its proportionate share of that increase—there is certainly the opportunity to do that. There is also a commitment to commissioning 50 per cent of all television drama out of London—that is another major opportunity.

There is to be a comedy commissioner shared between Manchester and Glasgow and an entertainment commissioner based in Glasgow. There is therefore an opportunity to develop a centre of excellence in comedy and entertainment, building on and matching what has been achieved on the children's side.

There is also a much more transparent commissioning process generally. The issue is not just whether commissioners are changed and relocated. There are far more opportunities for all to participate. In our view, the window of creative competition provides opportunities for the independent sector. With the assistance of BBC Scotland, that sector, large and small, can flourish.

I have described some of the challenges and opportunities that are ahead. The key challenge for BBC Scotland is to deliver quality and public value, but to do so in a cost-effective manner.

Christine May: Good afternoon, lady and gentlemen. I would like to set my remarks and questions in the context of the experience of the viewer and listener and the improvement in the quality both of current output and as a result of the digital switch-over. To some extent, I am less concerned about the internal mechanics of how you do things than about the impact that that will have on the quality of broadcasting.

Mr Peat, you said in your opening remarks that, bar some minor elements, the internal reorganisation was about done. Could you identify

those minor elements and say why they are less important to the output that you seek?

Jeremy Peat: It is probably appropriate that I ask Ken MacQuarrie to talk about that issue. I am much more concerned with the strategic overview than with the detail of the reorganisation and the specific point that it has reached. I would prefer Ken MacQuarrie to answer the question.

Ken MacQuarrie (BBC Scotland): The issues that we are discussing at national and divisional level with the joint unions include the phasing of reinvestment and the prioritisation of the proposed job reductions over years 1, 2 and 3. We have constructive discussions that will continue over the next two months. It is worth noting that we have started the reinvestment programme with text-based journalists. The service will be up for six regions of Scotland from the end of February and the beginning of March. Recruitment is under way. One journalist has been appointed and five others will be appointed between now and January. Those are the sorts of detailed issues that we have been discussing with the joint unions.

Christine May: I have one further question. In your introductory remarks, Mr Peat, you spoke about new facilities opening in various parts of the country. Can you say a little about how you intend to make facilities available in places where there would not be a full studio or permanent members of staff? What are you looking to put in place in Fife, which I represent, for the next 20 years, so that if I need to do something for the BBC, I do not have to come all the way through to Edinburgh or go to Dundee?

Jeremy Peat: Ken MacQuarrie can answer the question in detail. The generic point that I wish to make is that, in the years ahead, the BBC wishes to progress telling the story of components of Scotland to the whole of Scotland. For that reason, it wishes to have many more people in the field providing stories and undertaking interviews across Scotland. The development of PDP will permit more people to be out there providing stories on radio, television or multimedia without necessarily being committed just to the studio base. We will have a studio base in different locations, but we will also have a growing capability to have more people out and about collecting and delivering stories through different media channels.

Ken MacQuarrie: I will ask Donalda MacKinnon to give a couple of examples of stories that have been gathered on PDP since we last gave evidence to the committee.

14:15

Donalda MacKinnon (BBC Scotland): We are not saying that one size fits all forms of storytelling

and I do not think that it ever will, but this year we have already conveyed 150 stories through our news outlets that would not have been conveyed without PDP—certainly not as efficiently. They include stories of what happened in Beslan, Spain, Niger and Iceland. PDP has allowed us to extend some of our sports interviews, particularly one-to-one interviews with people such as Andy Murray, David Coulthard and Kenny Logan. We have shown 30 films from Shetland. It also gives us access to exclusive profiles. The smaller cameras offer the kind of intimate access that would otherwise be difficult to achieve. That demonstrates that, with the caveat that I have given, we can bring people's reality to them in a much more accessible way than we would have been able to without PDP technology. We expect that the technology will improve.

To answer the question about whether there will be BBC facilities for people such as Christine May, we are actively engaged in discussions with various organisations, not least of which are educational institutes, so that we can, in partnership, offer better studio facilities without creating big studio facilities in every part of the country.

Murdo Fraser (Mid Scotland and Fife) (Con): I would like to ask about the formation of the new BBC trust from 2007. You will be the last BBC governor for Scotland, but the committee would be keen to know that there will be somebody on the new trust who will have responsibility for ensuring that Scottish interests are represented. I appreciate that we do not yet know the detail, but can you tell us whether the Department for Culture, Media and Sport consulted you on what the new structure might look like? What feel do you have from the DCMS about what the white paper that is to be issued shortly is likely to say about Scotland's representation in the new structure?

Jeremy Peat: I cannot give you any firm view or knowledge about what the white paper will contain, but I can assure you that the governors of the BBC and the chairman, Michael Grade, have made their views clear to the Secretary of State for Culture, Media and Sport in Westminster and to the DCMS more generally about the need for appropriate national representation; for someone who continues to wear an international hat; and for someone to look after the English regions. Those points have been made very firmly. Michael Grade said that it would be unthinkable if there were not national representation among the trustees. Those views have been made forcibly and regularly to the DCMS. I have had personal, informal conversations with ministers to make that point.

My personal expectation is that there will be a trustee for Scotland with specific Scottish

responsibilities, although there is no guarantee that that will be the case. We do not know how many trustees there will be—we have no firm and final knowledge and the delay in issuing the white paper from early December to late February means that the period of uncertainty will continue. However, the BBC as a whole—with the firm and undivided support of the governors and the executive—is making that point very firmly.

Murdo Fraser: You have made that point very clear. How essential is it that we have a trustee who is responsible for looking after Scottish interests?

Jeremy Peat: Having such a trustee is essential—we live in a devolved society. BBC Scotland is more than just a part of the BBC: it is the BBC in Scotland. It is essential for good accountability to licence fee payers in Scotland. I think that it is also important for the BBC to have accountability, to an extent, to the licence fee payers' representatives in Scotland. I am surprised and disappointed that the House of Lords Select Committee on BBC Charter Review did not see the clarity of that case. Remarkably, the case for a Scottish trustee is not accepted by everyone and it was not included in the green paper. It is not a done deal. Personally, I think that it is utterly essential for the good management of the BBC in Scotland.

The Convener: Does the committee agree to write to the secretary of state to emphasise that point?

Members *indicated agreement.*

The Convener: I see members nodding all round the table.

Michael Matheson (Central Scotland) (SNP): I will pick up on a recurring theme of the process—achieving efficiency savings, largely through reducing the number of staff, while improving the quality of BBC Scotland's programming output. You will be aware that the trade unions and Voice of the Listener & Viewer said in previous evidence that they found that argument fairly difficult to square, because they could not see how you could reduce staff while maintaining the quality of your programming. What is your response?

Jeremy Peat: I have looked at the matter closely as the national governor for Scotland and, at the UK level, as chair of the audit committee and as a member of the finance and general purposes committee. Towards the tail-end of Mark Thompson's development of his proposals, I came into post, following Sir Robert Smith. It was determined that the governors should have an independent and detailed assessment of Mark Thompson's plans, to ensure that implementation of his proposals was feasible without damaging quality or public value and that the proposals went

far enough—that they were sufficiently robust to deliver the improvements in efficiency and value for money that licence fee payers and the Government seek, especially in the lead-up to a licence fee debate that was never going to be straightforward.

The governors engaged external consultants to look at the proposals carefully and we charged our governance unit with working with the consultants, who reported to us. During the process, we were satisfied that the end-product of the value-for-money proposals for the BBC as a whole met the two conditions to which I referred.

The proposals changed—an iterative process of our examining and discussing them with the executive took place at the UK level. The broadcasting council for Scotland has likewise challenged Ken MacQuarrie and his team to show how the circle can be squared of maintaining and enhancing quality and output while achieving significant improvements in value for money and staff reductions. We have been satisfied thus far and I expect to continue to be satisfied that that can be achieved, given the technology changes that are being implemented and given all that Pacific Quay will bring.

The sector changes rapidly. Since entering it, I have been amazed at how rapid the change has been. From experience in different sectors, I know how change works through and how we must always look for efficiency and efficiency improvements. The opportunities are available in our sector, but both the governors and the broadcasting council for Scotland are determined to keep a handle on what is happening and to remain satisfied that quality is not being risked.

Michael Matheson: That response was helpful, but I am still a wee bit confused about how exactly you square the circle. For example, how will the proposed changes that you will introduce through the new efficiency savings improve weekend news bulletins? Once the efficiencies have been put in place, what exactly will happen in a weekend news bulletin that is different from now?

Jeremy Peat: I will ask Ken MacQuarrie to supplement my answer, but I will start by saying that you should see no reduction in the quality of the programmes or the production, even though changes to how programmes are produced will have occurred.

You should also see that having more people out and about means that more stories throughout Scotland can be reported to Scotland. When I speak at public meetings or meet licence fee payers, they are very keen for more stories about Dundee, Tayside or the Borders, for example, to be told throughout Scotland. That is not so much about boring down to the detail of local news for

them but about having a richer set of stories about Scotland in the news programmes. You should see no reduction in the quality of production and you should see a spread in the stories that can be generated, because of the changes that will have taken place. That, to me, is enhancement of quality and of the product.

Ken MacQuarrie: At the moment, we operate a tape-based system, whereby we have to gather our news on tape. The technology that we are putting into our new headquarters means that we will lead Europe with a system that will be accessible from Shetland, Orkney and any of our centres throughout the country.

Jeremy Peat: Will Pacific Quay be the first to get it?

Ken MacQuarrie: Very much so. That will allow the content that we gather to be available to every part of Scotland from all the centres. As I said on the previous occasion on which we met, we aim to increase the quality of our output. Let us take the example of the weekend news bulletins. We will have more opportunities to refresh the stories because our newsgathering power will be much greater. Although we are reducing the number of posts overall—the figures that were mentioned show that there will be a gross reduction in jobs—we intend to have more journalists at the end of the period than we have now. That is the answer to your question. We will continue to invest heavily in training—the journalists will be the subject of intensive training investment over that period.

Michael Matheson: I picked the weekend news bulletins because the National Union of Journalists highlighted that example. It made the point that, at present, weekend news bulletins have a fully staffed studio gallery, but that that will not continue to be the case if the proposed efficiency changes go ahead; what is called a cut box will be used instead. The NUJ states that even BBC management accepts that such a system is not as flexible as the existing system in allowing journalists to respond to news that develops while they are on air. If that is the case, in my view the proposals will affect the quality of what we see. Journalists will not be able to respond directly to news stories that emerge during transmission. Is what the NUJ has told us an accurate reflection of what will happen?

Ken MacQuarrie: I do not believe that that is an accurate reflection of what we will have in Pacific Quay at the end of the period of investment. We will start installing the new technology in July 2006. The cut box that you mentioned, which we will have between now and July 2006, is an intermediate technology. We could get stuck in an argument about the merits or demerits of the cut box, but suffice it to say that the overall investment will allow us to have just as much flexibility as a

gallery provides because, ultimately, a gallery is driven by software. In Pacific Quay, we will be able to select our sources by using a touch-screen system or whatever is the most appropriate technology.

As I said, we must take on board the concerns of staff and ensure that they are comfortable with the transition, with regard both to the technology and to the production method. We are doing that—a number of leaders have been chosen from the huge range of staff in our industry and our business to lead that cultural and technological change. They are the most experienced journalists who are available to us and they will challenge any proposal that is likely to diminish quality. We have an absolute commitment not only to maintain but to enhance the quality of our service.

Michael Matheson: I think that your original figure for the number of intended job losses was 189 over three years. Does that remain the same?

Ken MacQuarrie: The figures remain the same. I think that the final total that we gave was 195, which included the job losses in the professional services that we mentioned.

Karen Gillon (Clydesdale) (Lab): What kind of vision do you have for Scottish content on the BBC's website?

14:30

Ken MacQuarrie: We aim to increase our factual and entertainment output and to develop a centre of excellence in specialist factual content in particular. Entertainment, drama and comedy are huge strengths for the BBC and we want to deliver more and better for BBC Scotland and throughout the UK networks. Our children's output is a good example of what we have achieved. BBC Scotland is responsible for more than a fifth of the content of children's productions in the UK as a whole.

I think that the two commissioners out of London will create a different dynamic in relationships both with in-house production staff and with the independent sector. Those commissioners will give us an opportunity in the genres that I have mentioned not only to be significant contributors in a Scottish context—we are already the majority broadcaster in Scotland—but to be lead contributors within the 17 per cent of UK output that has been designated for the three nations. As Jeremy Peat mentioned, 50 per cent of drama, for example, will be made outside London and we are eligible to bid for as much of that as we want.

Karen Gillon: My question was specifically about the BBC's website content.

Ken MacQuarrie: I am sorry. As far as the web is concerned, we will develop interactive services. Currently, we offer a degree of interactivity, but it

is inconceivable that we will not offer radio programmes with accompanying interactive websites and the ability, for example, to download the content of such programmes and to give much deeper links to different areas of interest. One thing that we will be able to do is point the audience towards other programmes that are available from the BBC that will enhance their enjoyment and experience of television or radio programmes.

Obviously, the web will play a hugely significant part in education through BBC jam, which we are working on in partnership with people throughout the BBC and which will be rolled out from January. The BBC and the independent companies are working on a full curriculum for the schools. That is a big plus that is coming up. Both English and Gaelic will be used in BBC jam and the digital curriculum.

Karen Gillon: BBC Scotland interactive currently produces a considerable amount of the BBC website's content. Do you intend that more or less of that content will be produced in Scotland?

Donalda MacKinnon: As Ken MacQuarrie explained, it is important that our web content is available for all the genres. It is also important for us to examine what is going on in other platforms and to ensure that our web content reflects what goes on in them. When video on demand is available, we should offer video on demand; radio on demand is already available and popular. As technologies develop and we are able to access programmes via mobile phones, for example, we expect that our web content will complement such services. Does that answer your question?

Karen Gillon: The charge that is being made is that because of the proposed cuts in staff—particularly for BBC interactive—and the cuts and staff reductions that are currently taking place, the same website content cannot possibly be produced that is currently produced, and there will have to be a consequent reduction. If that is the intention, I would like to know.

Donalda MacKinnon: I think that Ken MacQuarrie and Jeremy Peat mentioned reinvestment, which is at the heart of our overall proposition to build value for the public and to ensure that we offer value for the licence fee. Our web content is included in that. It remains to be seen whether we will reprioritise and move away from what we currently offer, but our aspiration is that our web content will reflect the expansion. That was explained as far as network production is concerned.

Karen Gillon: I am confused. You have mentioned reinvestment, reprioritisation and reflecting expansion, but will more or less be produced in Scotland for the BBC's website?

People use the website a lot and they like what is available—they like the Scottish content. However, we are clearly being told that you intend to reduce the input from Scotland. The staffing figures and current breakdown seem to indicate that that will be the case. If that is not true, I will welcome that, but until now you have not said that you will not reduce BBC Scotland's website content.

Ken MacQuarrie: We will certainly not be reducing the content of the BBC Scotland website. Because of the way in which the sector and the industry are going, I anticipate that we will have to increase rather than reduce content. We have a new media and interactive department, which produces that content exclusively. Production of that content will not, however, remain the exclusive province of the new media department; for example, we will want the producers from the main production areas to deliver and develop web pages and web content to accompany their programming. We will have to strengthen our specialist skills, but it is not as difficult to produce web content as it was five years ago. It is still a skill, but it is much easier to acquire the general skills to produce web content. There is no intention on our part to reduce the content—on the contrary; we intend to bid for as much of the BBC's overall web business as we can win.

Jeremy Peat: I am very pleased to hear that commitment from Ken MacQuarrie. I also think that Scotland generally has abilities in this field. The BBC can interact with people in universities and the private sector. There is a lot of skill in Scotland and a lot of talent in web business. There are substantial opportunities for the BBC Scotland website and the broader BBC website to spread beyond the BBC in Scotland. I am very glad to have heard Ken MacQuarrie's assurance that there is no intention to reduce content. We will certainly be looking to explore with Julie Adair and her team at BBC Scotland how that will progress.

Shiona Baird (North East Scotland) (Green): The BBC has traditionally had a strong commitment to training. In the committee's previous report, concern was expressed that the efficiencies that you are seeking might mean that you might need assistance to maintain that level of training. Have you done any further investigation? Have you worked with other major companies to assist you with training? Have you involved Skillset in developing training packages?

Jeremy Peat: I will allow Ken MacQuarrie to give more detail, but I was—as a former vice-chairman of the Scottish Higher Education Funding Council, until the new council was set up—interested to listen to the committee's second agenda item. At SHEFC, I examined training processes for the sector, spanning further and higher education and the BBC. There is a great

deal of co-operation between the BBC and Skillset and others; I was aware of that in my previous incarnation. I am looking for continuation of that co-operation on training for this important sector, with the BBC in Scotland playing a pivotal role.

Ken MacQuarrie: This year we will spend £1.1 million on training. I envisage that we will, because of factors that we discussed earlier, have to increase our training budget because we are introducing new technology with new desktop production systems.

In terms of relationships with other bodies, we are represented on the Scottish industry skills panel, the Scottish audiovisual industry developers' group and the Scottish Qualifications Authority radio and TV validation panel, and our producers contribute to a variety of media-related courses throughout Scotland for which staff go out and do ad hoc lectures.

Our internal training will continue, but we are also a major contributor to the Research Centre for television and interactivity, and we contribute to a series-producer programme for development of high-end production skills. We believe that there are gaps in our skills set at the moment at executive-producer and series-producer levels. Although we are pretty strong in terms of our intake across the sector as a whole, we are contributing to programmes that address that gap.

Shiona Baird: Obviously, it is a huge commitment on the part of the BBC to provide that training. How can you engage with independent broadcasting companies on that? Do they contribute to training or do they just use the trained technicians and other staff in whom you have invested?

Ken MacQuarrie: Independent companies contribute to training, but not on the scale of the BBC. When we sit down together around the table at meetings of the various industry panels, we try to ensure that, as far as intake is concerned, we do not duplicate the courses or the level of courses that we offer. We try to offer diversity, particularly in terms of addressing the method of intake and gradation of skills. There is constant dialogue among the industry's human resources departments in order to ensure that we get the maximum from the available training spend for the young people who are coming into the industry.

Shiona Baird: Okay.

I am concerned about the 50 per cent content that will be produced out of London. As is the case for other successful companies, media companies can become involved in takeover bids or mergers. I gather that a merger has been suggested between IWC Media Limited and RDF Media Limited. How would the merger of a substantially Scottish company—IWC—and the London-based RDF affect IWC's content?

Jeremy Peat: First I will, if I may, clarify the commitments that have been made. Fifty per cent of TV drama commissions will be made out of London and there will be a 50 per cent increase in the number of commissions that will go to the nations. Those are two separate commitments.

In addition, there is the so-called window of creative competition whereby, in addition to the 25 per cent of commissioning that is left for the independent sector across the UK, that sector has the opportunity to bid for another 25 per cent of commissions. We have the commitment to the nations, the commitment to out-of-London production and, separately, the opportunity for the independent sector across the UK to engage with the BBC and compete with internal bidders for commissions. A variety of elements are involved. The independent sector in Scotland has the opportunity to bid for BBC Scotland activities, for Scottish commissions and for commissions through the window of creative competition. There are real opportunities out there for the sector, which include genuine opportunities to work with BBC Scotland. That has been found to be of value in the past.

I accept the point about the different companies and the issues that are involved—we have to be aware of that when we consider how best the sector can develop and take advantage of the opportunities that will open up in the years ahead. Ken MacQuarrie may wish to add something about particular companies or issues.

Ken MacQuarrie: Later in the afternoon, the committee may hear more about that. Obviously, the Office of Communications has criteria on what constitutes out-of-London production. There is a bar on spend, which production companies must meet, in terms of both on-air and production spend.

On consolidation in the industry, without going into specific examples, there is some indication that there will be aggregation—companies are coming together. I believe that that is a healthy development; it creates companies of scale that can compete at UK level. I also believe that the BBC must be watchful to ensure diversity of supply. We have to ensure that the companies that have specialist skills in particular genres or areas are nurtured, in terms not only of their skills bases but of their geographical locations.

14:45

Donalda McKinnon: As Ken MacQuarrie said, two out of three of the following criteria must be fulfilled by independent production companies for them to qualify for out-of-London production: 70 per cent of the spend has to be outwith London, 50 per cent of the staff must be based outside

London, and/or their production base must be outwith London.

Jeremy Peat: When Michael Grade was in Glasgow last week for the meeting of the board of governors and an accountability session in a public forum, he stressed from his lengthy experience in the sector how much talent there is in Scotland. He went on about that at great length and we applauded him onwards. He said that he expects that talent to take advantage of the available opportunities: we have opportunities and the talent exists. I am sure that there will be support from BBC Scotland and from Parliament, but it is up to small and large companies in Scotland to grasp the opportunity.

Susan Deacon (Edinburgh East and Musselburgh) (Lab): I note an interest in that my partner is employed by the BBC.

I will pick up where Jeremy Peat left off. I seek to explore further how Scotland can maximise its potential in relation to commitments that have been made at UK level. I would like you to put more meat on the bones of what we have heard. A commitment is mentioned in the BBC submission

“to increase network commissions from the Nations by 50%”.

“Nations” is a curious word. Can you tell us more about what that commitment means for Scotland specifically and whether you are working to any target in that regard?

Another commitment is to make 50 per cent of all television drama outside London. By definition, that could be pretty much anywhere in the UK that is not London. I know that we will talk more about the matter later, but does BBC Scotland have a particular target on that?

Secondly—in addition to what you said in response to Murdo Fraser about the new trust—what other forums or levers are or should be available to you to ensure that BBC Scotland's voice is properly heard by the BBC at UK level so that you can develop objectives such as the ones that I mentioned?

Jeremy Peat: I will answer your three questions in turn. There is no sub-division between the nations of the 50 per cent increase in commissioning from the nations. It is a matter of who comes up with the best ideas and presents them in the best manner so that they attract the commissioners' interest. It is up to BBC Scotland and the independents to make their cases, but there is a window of opportunity.

Likewise, there is a commitment to move 50 per cent of TV drama production out of London, but no one is saying to where—specific quotas would not represent efficient or good use of licence fee payers' money. That commitment gives the

incentive to BBC Scotland and the independents in Scotland to go out and get it. If that is to happen, we need a transparent, open, appropriate and fully competitive commissioning process.

There has been a risk of there being a cosy relationship in the past in that too much commissioning has been in London, with the bidders and commissioners in the same building rubbing shoulders in the canteen. By moving commissioners out of London to Manchester, Scotland and elsewhere, and by opening up the commissioning process—the governors have pressed hard for separation, genuine transparency and openness in that process—greater opportunity has been provided for everyone to get in there, display their wares and prove that they have the wherewithal to be commissioned. We now have a much more competitive and open system, which gives opportunity to BBC Scotland.

Susan Deacon: I know that I have still to allow you to answer my other questions, but I just want to clarify something. I appreciate what you said about why the figures have not been sub-divided at nations level. As BBC Scotland management, have you at board level—or do you plan to—set any targets for the share that you seek to secure?

Jeremy Peat: The broadcasting council for Scotland, which I chair, has not set a target but has indicated to management that we expect it to use all its good offices to achieve more than its proportionate share, that we wish to be kept in full touch on how it is progressing towards that end and that we will monitor that. The council is on the case. We have regular monitoring reports at our monthly meetings, at which good information comes through. We will regularly seek information on how work is progressing. Kenny MacQuarrie, Donalda MacKinnon and others know that the work is of great interest to the council, which I must praise, because it does a tremendous job—unpaid and unproclaimed a lot of the time—of representing licence fee payers' interests and helping me to ensure the accountability of BBC Scotland.

I return to the third question about the other levers that can be brought to bear. It is important that we are now operating in a climate in which the BBC has a genuine out-of-London commitment, which I have seen change and develop over the past 11 months. The national governors are really quite influential. The regional governor for England represents England outwith London and there are four of us on a board of 12. We punch our weight in discussions about what is going on and we work together on interests in a devolved society, just as I represent the Scottish interest where I see fit. However, I am not a delegate from Scotland; I am first a member of the board of governors, which is responsible for oversight of the BBC. I am

secondly the governor for Scotland, looking out for the Scottish interest and trying to maximise it in the overall context of the interests of licence fee payers and good governance of the BBC as a whole.

Susan Deacon: Thank you for that. I have a couple of other questions, the first of which is also on how Scotland's voice is heard but is slightly different. I was interested to see you quoted in the press as saying—I assume that this is an accurate quotation—that

"We have some way to go in the BBC to properly reflect the devolved nature of Scotland in national programming."

Will you elaborate on that statement? We are all familiar with the issue, particularly post devolution, and have all bristled often about how Scottish matters are referred to in network news or are just forgotten about. You have obviously thought about that. How can that understanding be developed effectively at UK level? What more must you, or the rest of us, do to ensure that it is?

Jeremy Peat: The quotation was accurate; I believe it is from *The Herald*. I made that statement at a public meeting in Glasgow last week. Nothing aggravates me more than BBC UK news stories about policy that do not make it clear that the policy will apply only in England or in England and Wales, and which do not take the opportunity to enrich the story by talking about how equivalent policies operate in Scotland and by exploring what lessons might be learned, rather than just stating narrowly that Scotland is different.

I have made that point many times and Mark Thompson and Mark Byford—the director general, and deputy director general and editor in chief—accept it fully. At the meeting that I mentioned they accepted openly that we must improve in that respect. What can be done? First, we can nag away whenever we see examples. During the UK general election, we made absolutely sure that the editorial guidance that was issued across the BBC was utterly and totally clear about the need to distinguish between devolved and reserved issues. That was set out starkly.

Secondly, we come back to training. I still think that not all BBC journalists fully understand the niceties of devolution. In some people's minds, we are still at a fairly early stage in the process. Mark Byford has agreed that, from next year, there will be a core course at the BBC school of journalism on devolution. All journalists will be required to consider devolution and to keep an eye on what is happening with regard to it. BBC Scotland and Helen Boaden, the head of news in the BBC, are monitoring the situation. I have asked the broadcasting council for Scotland to alert me to examples of inadequate reporting and we will continue to make those known.

We can do more. We have an opportunity to develop stories by adding components from Scotland to news stories and by getting them onto BBC News 24 and the United Kingdom national network. BBC Scotland can engage in such things with Helen Boaden and others. That is well known to the folk in Scotland. There is a lot that we can do, but I will not be satisfied until we get not only accurate but enriched reporting.

Susan Deacon: I have a final question on a separate matter; I do not want to miss the opportunity to pursue a matter that is a bit of a hobbyhorse of mine.

We have talked—no doubt we will continue to talk—about news coverage and we have touched on drama. However, one of the jewels in the BBC's crown is its children's television. BBC Scotland has made some immense contributions in that regard. That is a crucial aspect of our wider interest in promotion of Scottish culture. Some of us genuinely weep over the demise of "Balamory". I am genuinely interested in what you are going to do with programmes such as "Shoebox Zoo", which are tremendous export products in terms of promoting Scotland on the world stage. I understand that issues might arise in relation to support for further series or films on the back of that programme. How will you ensure that you build on those successes in order to promote Scottish culture at home and abroad to the next generation?

Jeremy Peat: I will ask Ken MacQuarrie to say more about that, but I will say that there are some people on Mull who are probably quite relieved about the demise of "Balamory". We had to accept that we had made sufficient episodes of the programme to meet the requirements of the age group that is attracted to "Balamory" for some time to come. The case for making additional programmes was relatively weak, which is sad but true.

I think that "Shoebox Zoo" is fabulous. I regret that parts of it were filmed in the Balmoral hotel rather than in Roslin chapel, which would have added a bit extra to the programme, but that is a personal hobbyhorse of mine.

The challenge for Ken MacQuarrie, Donalda MacKinnon and the others is to do exactly as Susan Deacon has suggested; they must consider how to maintain the momentum that has made them a centre of excellence. Following up "Balamory" and building on "Shoebox Zoo" are big challenges, but such are the challenges that face the creative people in BBC Scotland as they work with the commissioners.

Ken MacQuarrie: With regard to building on our success, we should regard the targets that have been set as floors rather than ceilings. However,

that approach will be possible only if we get the development process right. The key to delivering successful follow-ups lies in investment in development and in a rigorous development process.

Donalda MacKinnon: We are considering that closely and are working through a number of experiments, such as cross-genre development, which involves meetings of minds of people from various disciplines. Our children's department contributes to that creatively.

On children's programmes, it is essential that we maintain the reputation that we have consolidated with programmes and series such as "Balamory" and "Shoebox Zoo". There are successors to those programmes coming up the tracks.

It is also important that we have sufficient critical mass to consolidate the skills base. I am confident that we will be able to do that and that there is a commitment at network level to ensure that that will be the case.

Susan Deacon: I should say for the record that I do not want anyone to think that "Balamory" is a literal picture of Scottish culture; rather, it shows the creative abilities that we have here in Scotland.

15:00

The Convener: For once you and Alex Salmond are on the same side. I can see you running the campaign to save the programme.

Richard Baker (North East Scotland) (Lab): At what stage is your review on the strategy? What might you do to resolve any problems that it throws up? You seem to be asking a lot of some staff. The National Union of Journalists tells us that graphic design support—for news programmes, for example—is to be withdrawn, with journalists being taught to create basic graphics from a set of templates. It conjures up images of Microsoft clip art on the "Politics Show". That is an example, but if something like that leads to a visible reduction in quality and you get complaints from viewers, what strategies will you have in place to restore the quality that viewers will demand?

Jeremy Peat: We are regularly monitored by the board of governors at the United Kingdom level—I am watching that carefully—and by the broadcasting council for Scotland. They are as keen as I am on ensuring that the commitment to quality is retained. We are watching through both those forums and we are determined that, if there are signs of issues arising, those issues will be dealt with speedily. That is the process that is in place. I can assure you that it is rigorous and that we are all committed to achieving the same ends.

Kenny MacQuarrie may wish to refer to the specifics.

Ken MacQuarrie: The quality of our visual image and our production values is of the highest importance to us. We need to pilot some of the changes that you have mentioned. We will not experiment on air; we will pilot all the technology and the software that we are going to introduce. We will find out the areas in which we can train staff and where there are difficulties in the acquisition of skills. In general terms, that piloting programme has a lead sponsor, but there is also an individual who will analyse the benefits of our projects and pilots. There will be a fully developed, piloted model before we introduce any change.

Richard Baker: If you piloted the decision to withdraw graphic support from the "Politics Show" and the pilot did not work, could you reverse that decision?

Ken MacQuarrie: Yes. We would have to find a solution that worked, whether or not that meant reversing the decision. However, our challenge is to find a solution that works as far as the viewer, the listener and the surfer on the web are concerned. I am confident that, with the teams that we have working on the issue, we will deliver that solution.

Jeremy Peat: From next year onwards, we have to develop our approach to accountability in Scotland and at the UK level. In Scotland, I would like to explore how we can use the internet to make more regular contact with interested parties. I have asked Julie Adair at BBC Scotland to find out what is possible. For example, there were 110 applications to join the broadcasting council for Scotland, so we know that more than 100 people are sufficiently interested in and informed about the BBC—they came to our public meeting and I met a lot of them. Is there some way in which we could use them as a virtual group to help us to get views from a representative cross-section? We need more organised feedback so that we are consistently and coherently getting the views of licence fee payers.

Richard Baker: That is helpful. I have a final, specific question, arising from our report. We welcomed the out-of-Glasgow strategy, but concern was expressed about how you would secure cross-Scotland representation on the project committee. Have you managed to achieve that, as I remember you saying that you would? I have particular concerns about north of Scotland representation on the committee.

Donalda MacKinnon: As with the out-of-London strategy, the out-of-Glasgow strategy will be evolutionary. We are committed to reflecting the diversity of cultures and the realities of communities in Scotland as well as we can. To

that end, we have begun to look at our editorial proposition. For example, we have decided that an additional radio series will be commissioned from Aberdeen. A new television series will also come from Aberdeen in the coming year and there is network commitment to the production team there. We are moving in that direction, but it will take time. It is our aspiration to look at recruitment outwith Glasgow and that strategy is now in place.

Richard Baker: I understand that there is a project group comprising BBC people from across Scotland.

Donalda MacKinnon: The group is represented in different ways by people from across the country and it involves senior management who have responsibilities outwith Glasgow.

The Convener: A lot of the strategy is driven by the reprioritisation and redeployment of investment. What is the overall investment in BBC Scotland this year? What will it be annually by the end of the three-year period?

Ken MacQuarrie: BBC Scotland's overall investment is in the order of £170 million. We envisage being able to add £10 million of extra investment from local efforts alone at the end of the three years. That does not take into account what we might reasonably win in relation to the 17 per cent that we discussed earlier. I am reluctant to put a figure on that because, although I am confident about what will happen, it is impossible to quantify exactly.

The Convener: Is the £10 million not redeployment of existing investment rather than additional investment?

Ken MacQuarrie: It is from the reduction in our cost base, which we are putting into programming.

The Convener: How do you define investment? Is £170 million not your turnover?

Ken MacQuarrie: Yes.

The Convener: So we are talking about reallocation of investment.

Ken MacQuarrie: There will be investment over the three years.

The Convener: In your definition of investment, what is your actual level of investment, as opposed to turnover?

Ken MacQuarrie: Do you mean without self-help?

The Convener: You are taking £10 million out of the total BBC investment programme and reallocating it from the centre to the regions. What is the global figure for the year-on-year investment in BBC Scotland? What is that as a percentage of

the UK figure? How do you define investment in the BBC?

Jeremy Peat: That is complicated. For example, would you include the investment that is going into the property at Pacific Quay? Scotland is getting a new custom-built head office, which is fantastic, but Wales and Northern Ireland are making do with their existing facilities. Major extra investment is going into Scotland purely on the property and the information technology sides to fit out the new building from next year. Precise definitions may be somewhat difficult, but the property and IT sides alone demonstrate the commitment to extra investment.

The Convener: What do you say in your annual accounts to the Inland Revenue about your capital investment?

Ken MacQuarrie: An indicative figure for the technology is an investment of approximately £60 million over the three years to July 2007.

The Convener: That is an average of £20 million a year. How does that compare with the past two or three years?

Ken MacQuarrie: The investment in technology in an average year is £1 million.

The Convener: So you are going from £1 million to £20 million a year.

Ken MacQuarrie: That is for Pacific Quay over that three-year period.

The Convener: Let us be clear on this point. You are saying that your current average investment in IT is £1 million.

Ken MacQuarrie: The capital investment is of that order.

The Convener: And that amount is increasing to £20 million.

Ken MacQuarrie: I defined it as a one-off investment of £60 million. It is not calculated over a three-year period. I think that you are dividing the £60 million, which is a one-off capital investment that will be completed by July 2007, by the three years of the value-for-money review.

The Convener: So, after July 2007, you will go back to £1 million.

Ken MacQuarrie: Then we will simply replace worn-out equipment and maintain other equipment. However, we will have a fantastically positive development for Scotland, with high-definition capable studios and editing suites, a digital library and, as I said earlier, a desk-top technology system that will be a leader in Europe by the end of the period.

The Convener: So it is a one-off investment of £60 million for a three-year period.

Ken MacQuarrie: Yes.

Jeremy Peat: That investment is just for the technology.

Ken MacQuarrie: I was merely giving an example. I have not provided any figures for investment in training or for the new investment that we will accrue from the 17 per cent of UK output that we will bid for.

The Convener: I know that other people will lose their jobs over the three-year period, but specifically how many journalists will be made redundant?

Ken MacQuarrie: In news, approximately 37 to 40 individual posts will be closed. However, I stress that we believe that we will achieve all our efficiencies in news through natural wastage and voluntary redundancy rather than through compulsory redundancies.

The Convener: But you also say that the number of journalists will increase after the three-year period.

Ken MacQuarrie: Yes. The overall number of people working in journalism will increase because of our proposals for local services.

The Convener: What will be the size of that increase and over what period will it happen?

Ken MacQuarrie: It is difficult to put a figure on that until we have completed the pilot that we hope to introduce in the south of Scotland and until we see the results of the pilot in England. Until we understand what those pilots require, I am reluctant to give a figure.

The Convener: So are you saying that you hope not to make any compulsory redundancies because, in three years' time, anyone in journalism could be offered one of the new jobs anyway?

Ken MacQuarrie: No. One factor in avoiding making compulsory redundancies wherever we can will be the merging of post closures and those who are volunteering for redundancy. I have to say that that is my sense of where we will end up.

The Convener: So you expect that there will be no need to make compulsory redundancies among journalists.

Ken MacQuarrie: That is my expectation.

The Convener: And you will recruit after the three-year period.

Ken MacQuarrie: As I said earlier, we are already recruiting text-based journalists. That system will be up and running by the beginning of March.

The Convener: So far, we have heard about what is happening in news and drama. Are there

any particular implications for Gaelic broadcasting or music, neither of which has been mentioned so far?

15:15

Jeremy Peat: As members will be aware, a group chaired by Sir Neil MacCormick involving the Gaelic Media Service, the BBC and other interested parties is examining the possibility of establishing a Gaelic digital channel. The Scottish Executive and the DCMS are being kept informed of developments. Discussions are continuing. We are optimistic that there will be a positive outcome, but the issue comes down to questions of finance from the various sources and of how best to deliver a multimedia Gaelic digital channel. We hope to have news of the way forward before the end of this year, but of course that will, to some extent, be subject to the outcome of discussions on the BBC licence fee.

Constructive discussions are continuing and a lot of progress has been made. We were talking just last night to representatives of the Gaelic Media Service and there has been another informal meeting today. Matters are progressing, but I do not particularly want to go into details at this stage—the discussions are taking place under the impartial stewardship of Sir Neil MacCormick, so it is best to let those involved develop their ideas. Ofcom knows what is going on as well and we hope to have an outcome before the end of the year.

The Convener: That is helpful. Apart from those other discussions, do proposals that are on the table at the moment have any implications for Gaelic broadcasting?

Jeremy Peat: No, they do not. Michael Grade has personally had a meeting with me and the chairman of the Gaelic Media Service and has given us a commitment, subject to being able to secure the money and the appropriate delivery mechanism. Donalda MacKinnon may want to add something about music.

Donalda MacKinnon: Music forms part of our overall editorial strategy. We have been committed over a long period to providing music programmes. Radio Scotland, with its current schedule changes, is assessing its music policy. Indeed, one of the series to which I alluded will be a new music series, which is to be made in Aberdeen. We are committed to music on all platforms—on television, on radio and on the web—and we are looking to develop a number of 360° projects in that respect.

Jeremy Peat: We are looking forward to the new home of the BBC Scottish Symphony Orchestra being ready early in the new year.

The Convener: My final quick question is whether, in light of what you said about the London eccentric—[*Laughter.*] Perhaps it is both London-centric and eccentric. In the light of the London-centric nature of some of the BBC broadcasting—admittedly, things have got slightly better, but it is still a major problem—is the best way round that to have a Scottish 6 o'clock news?

Jeremy Peat: You said that your question was a short one, convener. I came in after the thorough review in 2003 of the issues regarding Scottish news. That was the most complete review that has ever been undertaken by BBC Scotland, involving a wide range of consultation and a huge number of public meetings. The outcome, as you would expect, was that there were mixed views. Forty-eight per cent of those who were consulted preferred to maintain something like the status quo. I hope that I have got my figures right. I think that it was 38 per cent who wanted a Scottish six, with 17 per cent being uncertain. That was the outcome and on that basis it was decided that the best way forward was to maintain something like the status quo.

The "Ten O'Clock News" is widely watched and "Reporting Scotland" is hugely watched. What is critical is to deliver really good-quality news that picks up the points that I was discussing with Susan Deacon and gives the right kind of reporting on Scotland at UK level, as well as wider opportunities for reporting about Scotland to Scotland through opt-outs such as "Reporting Scotland". We do not want a regionalised news service in Scotland along the lines of the English model; we want reporting about Scotland but we also want the right, good-quality reporting internationally and in the UK, taking account of the fact that we live in a devolved society.

That is the way forward for the moment. If in a few years' time there are different views about what is needed, the situation can be looked at again. However, after the thorough review that was undertaken just two years ago, let us try to make the best of what we have now.

The Convener: We shall have to disagree on that for the time being.

I thank all three of our witnesses for their contribution to what has been an exceptionally helpful session. We may invite you back this time next year to see what progress is being made. I thank you all for your written material and oral evidence.

15:19

Meeting suspended.

15:26

On resuming—

Public Service Broadcasting (Office of Communications Review)

The Convener: I welcome from the Office of Communications Vicki Nash, the director of Ofcom in Scotland; Alan Stewart, the head of broadcasting and telecoms in Scotland; and Tim Suter, the partner responsible for content and standards.

The purpose of asking you to the committee was primarily to enable you to update us on the review of public service broadcasting, but since we have you here, we might ask you about other issues.

Vicki Nash (Office of Communications Scotland): We welcome the opportunity to discuss with the committee our review of public service broadcasting, and perhaps a few other areas besides.

I am director of Ofcom in Scotland. On my right is Alan Stewart, head of broadcasting and telecoms in Scotland. We are based in Glasgow, and, broadly, our role is to represent Scotland in Ofcom and Ofcom in Scotland. On my left is Tim Suter, partner in Ofcom's content and standards group. He is based in London. Tim and his team led the work on the review of public service broadcasting. He reminded me that he was responsible for setting some of the rules that you talked about earlier, including the two-out-of-three rule that Ms Baird touched on.

The paper that we submitted for this meeting and the one that we submitted for the meeting in April set out the conclusions that we drew from the review of public service broadcasting and the implications for Scotland. Broadly, we say that the traditional model of public service broadcasting is under threat in the transition to a fully digital world. More than 63 per cent of people in the United Kingdom have already signed up voluntarily to some form of digital television. A programme for switch-over was recently announced by the Westminster Government.

Our solution for moving public service broadcasting forward is a pot of funding in the form of a public service publisher, which would exploit all new forms of delivery of public service broadcasting. That proposition is now in the hands of Government for further consideration.

Pending switch-over for Scotland, our solution for the commercial companies recognises the economic pressures on broadcasters, but balances them with the increased affection for public service broadcasting in Scotland and

recognises that Scotland is a very different place, with its own Parliament, education, health and legal systems, and cultural circumstances. As a result, our review placed higher obligations for public service broadcasting on the Scottish Media Group licences than on the channel 3 licences in England.

Our paper to the committee and our earlier submission detail our relationship with the BBC, which differs from the relationship that we have with commercial broadcasters. We also consider the prospects for Gaelic broadcasting on local television.

Our paper details in headline terms the switch-over process necessary. Scotland and Cumbria are the first areas planned for switch-over in the area covered by Border Television. Our role has been principally in the technical arena of spectrum planning. However, we remain engaged with Digital UK, which used to be called SwitchCo Ltd, which is the body established by Government to take forward the process in an active and supportive manner.

15:30

We were asked to touch on the issues for public service broadcasting as they relate to the devolved responsibilities of the Scottish Parliament. You will see in our submission that we refer to the work that we have done, including with the Scottish Executive, on media literacy, which we have a statutory responsibility to promote. That is a key part of enabling people to take advantage of the new technologies, which increasingly provide a range of platforms to access broadcast material, not least information about public services.

The Scottish Parliament has responsibility for economic development. Our on-going review of the television production sector is examining its contribution to the programme supply market and the regulatory interventions that might continue to be required to ensure that there is a spread of production across the UK, including Scotland. Clearly, the Scottish Parliament also plays an active role in skills development. Skills will be required in the context of the revolution that we are seeing in the communications market.

Our paper provides information on our nations and regions audit, which is a critical piece of work that will comprehensively assess the state of the communications industries in Scotland and other parts of the UK, and will inform our regulatory process within Ofcom and perhaps also the actions of other parties, including the Scottish Executive. Ofcom is well aware of the need to be sensitive to the different circumstances of the countries and regions that are affected by our

decisions. It is my job as Ofcom's director for Scotland to lead that process. I look forward to hearing your views.

The Convener: That is helpful, as was the paper. I have a couple of specific questions before we get into the general policy issues, because a number of concerns have been expressed to me.

During the BBC evidence, we heard about the working party that is examining the Gaelic digital channel. Three concerns have been expressed to me about the future of Gaelic broadcasting. First, what will happen to the development fund of about £8.5 million that was originally set up by Michael Forsyth when he was Secretary of State for Scotland? Will it still be around? Will it be increased? Will it be used more flexibly? Secondly, there was a technical issue about receiving Gaelic television through a digibox, which I believe will be problematic after 2007. Thirdly, there is an issue about the number of hours for which Gaelic broadcasting will be shown, and also about pre-midnight broadcasting. Gaelic tends to be given a slot that does not generate the highest potential audience.

What about those concerns about the future of Gaelic broadcasting, which are of major concern to communities in the Highlands and Islands, but also to the Gaelic community in the rest of Scotland, including in the central belt?

Vicki Nash: If I may, I will address the first and third of your questions. I give advance warning to my colleague on my right that I will ask him to address reception.

Funding for the Gaelic Media Service is given by the Scottish Executive—I understand that it is part of the block grant. The extent to which that sum is increased, maintained or decreased is a matter for the Executive, but at present it is £8.5 million. It remains to be seen whether any additional money will be provided for the development of the digital channel. Your session with the BBC highlighted the importance of providing a sustainable funding pot for the new Gaelic digital channel.

It is important to put the hours of Gaelic broadcasting in context. Our new settlement with the SMG licensees has resulted in a small diminution in the amount of public service broadcasting—I think that it is about a 40-minute drop—but Gaelic broadcasting accounts for none of it. In other words, the same amount of Gaelic broadcasting will remain on the SMG channels.

We recognise that the single most important factor for Gaelic viewers, as expressed by about 87 per cent of them in recent research that was carried out for the Gaelic Media Service by Léirsinn research centre, is having a dedicated channel. That has to be a priority. If it is to become a reality, it is legitimate for the SMG licensees to

move from being producers and broadcasters of Gaelic to contributing to the Gaelic digital channel in its early years. Therefore, we propose that they should contribute £300,000 to £500,000 per annum for three years to the new digital channel to help to get it off the ground.

Recently, agreement was reached with the SMG licensees that they would contribute £1.2 million towards that over the next three years. As a result of that agreement, a reduction in the amount of Gaelic that would be shown during peak time from 20 hours to six hours kicked in but, overall, there will still be the same amount of Gaelic broadcasting. We want the new channel to happen and it can be kick-started by small amounts of money. It is for the Government and the DCMS to decide whether they want to make available any additional sums.

For us at Ofcom, a Gaelic digital channel is an important way forward for Gaelic broadcasting, as is the availability of other platforms, on the internet, through mobile broadcasting and so forth. I am pleased that Ofcom has taken the lead in making that happen. I have chaired round-table meetings of all the parties, including the Scottish Executive, the DCMS, the GMS, the BBC and the SMG licensees, to find out how we could do that and what commitments the Executive, the DCMS, the commercial channels and the BBC would make. It is clear that the BBC and the GMS are leading the partnership and we look forward to a fruitful outcome from those discussions.

I will ask my colleague to answer the question about reception.

Alan Stewart (Office of Communications Scotland): I assume that you are referring to the digital terrestrial service that is called TeleG, which is transmitted on a multiplex—which is a transmission network—that is run by S4C Digital Networks. I admit that I am not aware of any changes that could threaten the availability of that service through set-top boxes, because the Broadcasting Act 1996 stipulates that that multiplex must show a certain quantity of Gaelic programmes every day, but I would not like to say categorically that there is no such threat. I might need to double-check that, but I would be surprised if such a threat existed.

We are aware that satellite is the preferred means of people receiving digital television in the Highlands and Islands and that the research that was carried out for the Gaelic Media Service showed that satellite uptake among its Gaelic panel of viewers had gone up quite a bit over recent years. If a Gaelic digital channel gets off the ground, the idea is that it would initially be available on satellite because of that medium's good coverage in the Highlands and Islands.

The Convener: Perhaps you could double-check on that and let us know if there is any outstanding problem.

Alan Stewart: Okay.

The Convener: Thank you.

I have another specific question, which is about the switch-over. How will Ofcom Scotland ensure that, after the switch-over, digital spectrum will be available to provide local digital terrestrial television channels throughout Scotland? I know that households in a number of parts of Scotland are affected by that issue. According to a colleague to whom I spoke just before I came to the meeting, Aberdeen is one of the areas in question.

Tim Suter (Office of Communications): When we published the report of our public service broadcasting review, we said that we wanted to do more work on the possibility of delivering local content in future. We were not—and are still not—prescriptive about how it would be best to do that in a fully digital age. It might be appropriate to make such content available through conventional television, broadband or a combination of both.

We are doing that work at the moment and we expect to publish our thoughts on the matter fairly shortly. Out of that will come a decision on whether there is a need to have a licensing regime in which it would be appropriate for some of the released spectrum to be made available for local digital television, but we are still some way away from being able to make that decision. First, we need to decide what opportunities exist for local digital content post-switch-over.

The Convener: What about the Scottish local authorities? Will they be able to win some of the released spectrum?

Vicki Nash: Alan Stewart will reply to that. I think that there is an issue about the ability of local authorities to hold licences, which might be what was being hinted at.

Alan Stewart: There is such an issue, which I think the Executive and the DCMS are examining. When the Communications Act 2003 went through, there was a discrepancy between what an authority in Scotland could do and what an authority in England could do. I know that the issue has been considered, but that is about all that I know.

The Convener: Again, could you check out the situation for us and follow up in writing? That would be helpful.

Alan Stewart: Okay.

Murdo Fraser: I will follow up the convener's question about Gaelic broadcasting. My constituents have expressed concern—and I know

that concerns exist in other parts of Scotland—that they cannot access digital television. Although I support the idea of having a dedicated Gaelic channel, I presume that that would mean that there would be no Gaelic programmes on the terrestrial channels. Are you saying that the only way in which people will be able to watch Gaelic television will be by investing in a satellite dish?

Vicki Nash: What we have said about the launch of a digital Gaelic channel is that there will be a gradual reduction in SMG's obligation to broadcast Gaelic programmes. Gaelic programming will not all immediately disappear; it will continue for a year. I can get back to you on the detail of the sequencing, but there would not be a sudden switch-off.

The all-party working group continues to consider access to the digital channel. We are aware that reception is a problem in some parts of Scotland, and we understand that constituents would not want Gaelic programming to disappear if there were to be a dedicated digital Gaelic channel. That is one of the corners that we have to look at.

Murdo Fraser: Thank you. If you could get back to us on that, that would be helpful.

The Convener: If you respond on all these points to the clerks, they will circulate your responses to all committee members.

Murdo Fraser: I have a further, slightly related, question. We know that some people cannot access digital television, despite the increasing roll-out of digital services. Is it right that they should have to pay the full television licence fee? There are also people living not too far away from where I live who cannot access any television signals except by having a satellite dish and paying a subscription to Sky. Should they have to pay a licence fee?

Tim Suter: The issue of who should pay the licence fee is properly one for the DCMS and the BBC, rather than us, to pick up. In our digital switch-over arrangements, which are the criteria that were laid out clearly by Government, we have committed to ensuring that the same number of people are able to receive the digital signal as are able to receive the analogue signal now—that is, 98.5 per cent of the population. That is the magic number that the public service muxes must achieve, and that is what will be achieved at digital switch-over. How the licence fee pays into that is not a matter for Ofcom to venture any comment on.

Murdo Fraser: Oh, well. It was a nice try. Thank you.

Michael Matheson: I want to stick with the issues of Gaelic and the digital channel, picking up

the concerns that Murdo Fraser has highlighted. Let us be clear: when will the £1.2 million from SMG to kick-start the digital Gaelic channel be made available? In which year will that start?

Vicki Nash: The reduction has already kicked in, so the contribution will start in the new year.

Michael Matheson: So, by 2008, SMG will no longer be broadcasting Gaelic at the same level as it is now; it will have gone down to six hours.

Vicki Nash: There will be a drop in the number of hours of Gaelic programming at peak times; however, SMG has a requirement to show Gaelic programmes under the current legislation. We recognise that some of our proposals for the showing of Gaelic programmes on the commercial channels require a legislative change, and we are in discussion with Westminster about that.

Michael Matheson: I will help you to answer my question. If I am a Gaelic speaker who wants to watch Gaelic programmes and I live in the STV/Grampian region, but I do not have digital television, what service will I receive until the switch-over takes place in 2010? Will the quality of the service that I receive tail off over time? By 2008, will I get only the rump of the service that SMG presently provides?

Vicki Nash: As we have said, SMG will continue to have an obligation to show Gaelic programmes for a year after the digital channel has been established. That is one of the corners that I would like to get back to you on. There are tapering reductions, but the position ties in with the legislative change that will be required, which will be a matter for Westminster to consider. It would be best if I could get back to you on that.

Michael Matheson: The £1.2 million that is to be made available for the digital Gaelic channel strikes me as a pittance. We are talking about £400,000 a year to run a dedicated, specialist digital channel. Surely we will not get the best quality of broadcasting for that. What further funding will be invested in the digital channel to ensure that it provides a good-quality service?

15:45

Vicki Nash: Clearly, it is not for Ofcom to fund broadcasters; we do not do that. Part of our review of public service television broadcasting was our "Statement on Programming for the Nations and Regions", in which we said that

"£13-16 million would be sufficient to create a digital channel ... showing around 1.5 hours per day of original Gaelic language programming."

Michael Matheson: Over what timescale?

Vicki Nash: Per annum.

Michael Matheson: Per annum.

Vicki Nash: Absolutely. Clearly, the question is the extent to which the Scottish Executive will fund the channel. It is possible that it will provide additional funding to the £8.5 million that is put into GMS funding, to which the convener referred. I understand that discussions are continuing on the subject. Discussions between the BBC and the GMS are also on-going, and the BBC has made a commitment, plus there is the possibility of an additional contribution from the DCMS. That is the background to our statement on the £13 million to £16 million figure.

I turn to our estimate of SMG's contribution to the channel of £1.2 million over three years. In our "Statement on Programming for the Nations and Regions", which is a public document, we estimated that the sum that could be freed up over three years would be £300,000 to £500,000 per annum. We followed up on that statement with a detailed document in which we spelled out why we thought the sum was a reasonable one for SMG to contribute—the document, which was necessarily confidential, went to all parties, including the GMS, the Scottish Executive and the DCMS. Ofcom is an independent regulator. We are well aware of the economic circumstances of the industry and the funding pressures of programme costs, advertising costs and so forth. No one disagreed either with the figures or the assessment that we produced. I hear what the member says and understand that Gaelic speakers would like more funding for the channel. However, we feel that the contribution is a reasonable one for SMG to make.

Michael Matheson: When do you expect the Gaelic digital channel to be up and running? What do you expect us to get for between £13 million and £16 million a year?

Vicki Nash: We have said that we would expect the Gaelic channel to be up and running by January 2007 at the latest. As we heard in the session with the witnesses from the BBC, the sooner a sum of money can be identified for Gaelic, the sooner the dedicated channel will happen. We look forward to receiving news before Christmas on the outcome of the discussions between the BBC and GMS. Equally, we look forward to hearing news on the level of contribution that will be made by the Executive and/or the DCMS.

Michael Matheson: And what do you expect us to get for our money?

Vicki Nash: I mentioned one and a half hours of dedicated Gaelic digital programming per day. That is the amount of original programming that we would expect, in addition to which a range of archive material and so on would be broadcast.

Michael Matheson: Thank you.

Susan Deacon: I preface my question by saying, for the avoidance of doubt, that I start by

taking our constitutional settlement as a given. In other words, I do not seek to enter into a discussion about where various broadcasting powers ought to lie, nor do I ask the witnesses to do so. I start from the factual position that we all know about, which is that the regulatory and legislative powers lie with Westminster. That said, the fact that we are having this conversation and that Ofcom has an organisation in Scotland indicates that all of us seek to ensure that the Scottish voice is properly heard.

The panel heard our exchanges with the previous panel from the BBC and a number of members have already touched on different aspects of that debate. If they can, I would like the witnesses to give us a sense of the nature of the relationship between their organisation and the Scottish Executive. If they feel able to do so, I would also like them to give us a sense of where some of the discussion that we are having today is taking place within devolved Scottish Government. It would also be helpful for them to suggest the way in which we in Scotland can ensure that some of the specific challenges and opportunities that we face in the period to come are properly heard and understood in the discussions that take place at the UK level and given proper consideration here in Scotland.

We have moved a long way from the position that some people took of it being thought better not to talk about broadcasting because it is a reserved matter, but I am sure that we could do more to achieve a more cohesive and effective approach. I would be interested to know what the world looks like from where Ofcom is sitting.

Vicki Nash: Okay. I preface my remarks by saying that we are clearly going through a huge communications revolution. I have lived in Scotland for the past 27 years and I would like to feel that Scotland is best placed to take advantage of that revolution. The interface between the Executive and Ofcom and the Executive and other parts of Scotland is very real and relates to the Scottish Parliament's devolved responsibilities.

I touched on media literacy, which is a critical area for the future given the communications revolution that is happening. The outcome of our nations and regions audit and our media literacy audit will inform the debate in Scotland enormously. How well placed is Scotland? Do citizens and consumers understand what is on offer and what is not necessarily on offer? That is where the nations and regions audit will highlight issues of availability, take-up and broadband coverage. Broadband and mobile technology will play a real part in broadcasting and access to public services in the future. We are going beyond the traditional television, whether it be analogue or digital. The audit will provide a picture of the situation in Scotland.

From an Ofcom point of view, our powers are our powers and we will work within them. It is my job to represent Scotland within Ofcom and to press the button and thump the table when I need to say, "That solution will not work in Scotland," or "You will have to think of something different."

The committee should be asking where Scotland is in having a joined-up strategy for media literacy and skills training. What opportunities might the digital media park at Pacific Quay in Glasgow present to the independent sector as well as to the commercial sector and the BBC in Scotland for engaging in and making the most of the communications revolution?

We have a good relationship with the people in the culture sector of the Scottish Executive Education Department and with the people in the telecommunications team, which is part of the Enterprise, Transport and Lifelong Learning Department. We also have emerging relationships with the Health Department, for example, because food advertising to children is on our radar at the moment. We are also developing a relationship with the media literacy people. On Friday, we had a round-table discussion with a good representative from the media literacy section of the e-learning division.

I am pleased to say that I have found that the Executive officials recognise the need for joined-up working and acknowledge that they have to start to think about the emerging technologies that I have talked about and about how Scotland can be best placed to meet the challenges that exist in ensuring that the public and businesses use and take advantage of emerging technologies where they exist and that broadcasters and the production sector make the most of the opportunities on offer. There are very real possible points of engagement.

Skillset Scotland was mentioned earlier and we have mentioned PACT and the screen industries summit group. Many groups in Scotland are beaver away, but I would like to feel that there is a comprehensive strategy for Scotland. My position in Ofcom means that I am well aware of the huge revolution across broadcasting, telecommunications and broadband. I am well aware of the possibilities and interested in how Scotland sits in the debate and in the opportunities that are presented for Scotland.

Susan Deacon: You mentioned several Executive departments and I am pleased that you have good relationships with them. However, do you have separate relationships with them, or is there any means by which they come together to discuss broadcasting with you? Are you required to speak to individual departments on a given subject?

Vicki Nash: To date, we have engaged with the Executive on a variety of issues. Clearly, public service broadcasting is an issue for officials who are concerned with culture, and the telecommunications team is very much engaged in our strategic review of telecommunications. However, there are points where the officials come together. For example, reference was made earlier to the digital dividend. What will happen when a wider spectrum becomes available as a result of the analogue switch off? There is a real debate to be had in Ofcom about that. Indeed, we have issued a consultation document that asks people what they think the wider spectrum should be used for. It could be used for more 3G, or third generation, telecommunications—clearly, 3G is not available in some parts of Scotland—for high-definition television or for local television, and asking people what they think creates a real opportunity for engagement. I have sent a report to the telecommunications people, but it struck me as I was coming here that I should also send it to people in the culture section, as they would clearly have an interest in the roll-out of the digital dividend.

You have raised a good point about our points of contact. When I speak to Executive officials, they recognise the need for contact and I think that they are starting to make connections with one another. That is at an embryonic stage, but Ofcom is also at an embryonic stage—we are trying to make sense of the emerging technologies in the same way that everybody else is.

Perhaps one of my colleagues will want to add to what I have said.

Tim Suter: Media literacy, which is interesting for the committee and for us, was mentioned. Unlike with most of our other duties, we have no levers to pull in that context—our job is simply to encourage and promote media literacy. We are looking across a range of areas to make the case about the engagement that must be made. What is the future of public service broadcasting, for example? What is the role of a public service publisher? The role of local digital content was briefly touched on. What is the case for public intervention in local digital content? Broad cases and arguments must be made.

We also discussed the production sector. We are about to issue the first part of our review of the whole UK production sector. What opportunities exist for that sector? How can we ensure that production is appropriately spread throughout the United Kingdom? Those are important subjects that people feel passionate about and which underpin the sharply pointed regulatory interventions that are embodied in the Communications Act 2003. I hope that those interventions are the result of debate, discussion

and advocacy rather than simply an end in themselves and that there is interaction on all those questions as we go forward.

Susan Deacon: I want to ask a final question about how things come together in the UK. The DCMS is a lead Government department with a clear link to Ofcom. Let us consider media literacy, which obviously requires significant efforts to be made in a range of sectors and by a range of deliverers of education, training and so on in all sorts of places. As a matter of interest, would you have a conversation with the DCMS and would it act as a conduit into other UK Government departments, or would there be parallel and separate discussions?

Tim Suter: The DCMS directly funds our media literacy activity—that is one of the few bits of direct funding that Ofcom receives. We do not recoup that money from our licensees. We have an agreement with the DCMS about how and where we will spend the money and we look to it as our sponsor in the Government to ensure that our activity dovetails with activities elsewhere. Equally, we know that there is a huge amount of work to be done with the Department for Education and Skills and other Government departments. We have a Government sponsor in the DCMS, but we also have an energising role in trying to find activity on the ground and in supporting, promoting or seed-coming that. That is the job that the DCMS gives us to do.

16:00

Christine May: I want to pursue that theme, but should first remind the committee of my entry in the register of members' interests. I am the chair of the Scottish Libraries and Information Council, which, of course, does a considerable amount of work on digital and media literacy.

First, I want to ask about SwitchCo Ltd, which I understand is funded directly by the DCMS. In the Scottish context, are the penetration targets that SwitchCo has been set—in particular, the target for the number of households in Scotland that will switch over to digital—realistic? Has SwitchCo been given a realistic budget for that?

Secondly, should public sector authorities such as councils have a greater role, through their libraries and learning centres, in upping the ante on digital literacy and in providing information from SwitchCo on switching over? I was impressed by the technical knowledge that the convener displayed in his opening questions, but I must confess that he beat me hollow, as I genuinely did not know what he was talking about. However, I suspect that my level of knowledge reflects that of most of my constituents—other than the very young or the very geeky.

The Convener: We will move on quickly.

Vicki Nash: I will kick off on that question, but I may ask my colleagues to supplement what I say.

First, I can reassure Christine May that we have involved a number of organisations from throughout Scotland, including SLIC, in our media literacy round tables. Indeed, pulling people together is part of our function. When people turn up at such events, they can share ideas about what they are doing and make connections with the many organisations out there that are doing an awful lot of work on media literacy. As Tim Suter said, our role is not so much front-line delivery as helping people to make those connections.

On local authorities, I absolutely agree that they have a role to play. Because of my background in local government, part of my relationship with SwitchCo—or Digital UK, as we should call it—is to help Digital UK to make the right connections with local government and with the voluntary sector.

The voluntary sector has a key role to play in helping the people whom Ofcom's consumer panel described as society's most vulnerable in this context—that is, elderly people and others in the community who are isolated—with the switch-over to digital. Digital UK is increasingly engaged with that sector and it has had a number of meetings with voluntary bodies in the Borders area. Staffing and resourcing issues are uppermost in people's minds as they gear themselves up to cope with the lack of consumer awareness that you mentioned. My job in Scotland is very much to support those who have that kind of front-line role. We can actively support people but, as we have a role in regulating broadcasters in and around Scotland, we cannot necessarily be on the front line.

I do not wish to respond to the point about Digital UK's budget; one of my colleagues may do so.

Tim Suter: SwitchCo—or, rather, Digital UK—was created by the broadcasters and is funded by the industry. Ofcom has provided the technical planning and infrastructure to guarantee that digital television is technically achievable, but Digital UK's job is to market digital television effectively. As Vicki Nash mentioned, Digital UK is a new organisation that is working out what needs to be done. However, we all know that its job will be very difficult until such time as it has realistic dates for when switch-over can and must be achieved. In a sense, we have suffered from not knowing when and in what order switch-over will happen. It is important that those things are clearly staked out, as the marketing messages need to be built around them.

Shiona Baird: I am interested in what you said about Ofcom not having a front-line role. Ofcom's

relationship with the consumer must be very different from that of the Office of Gas and Electricity Markets, which I know is based on having a close relationship with consumers. Does Ofcom have no close role with consumers who receive television services?

Vicki Nash: I should clarify that we play a role in complaints handling. We have a contact centre that deals with complaints from viewers and from users of telephony, including mobile phones and broadband. When people phone us, they can get advice but we always ask them whether they have first contacted their provider or the broadcaster. To that extent, we have a front-line role.

By saying that we do not have a front-line role, I mean that Ofcom Scotland does not itself go out and promote media literacy but makes contacts with other organisations that have such a role. For example, we had a stand over the two days of the Citizens Advice Scotland conference that took place earlier this year and have engaged with the Trading Standards Institute in Scotland, which has a front-facing role.

We have also engaged with local authorities, which have a front-facing role, too. We have sought to engage the Convention of Scottish Local Authorities in some of the issues that I have talked about, such as the digital switch-over. Earlier this year, we held a couple of events on the switch-over just over the road at Our Dynamic Earth. One was for MSPs and the other was for consumer groups and the voluntary sector. With our small but perfectly formed resources, we try to make the connections and to create cascading and umbrella effects throughout Scotland.

Shiona Baird: A concern is that the more vulnerable groups, which I consider to include disabled people as well as the elderly, will have difficulty in ensuring that they have a set-top box or a new digital TV set. They are often the people who rely on television most for company. The number who will miss out and be unable to make the connection is an issue.

Vicki Nash: Absolutely.

Shiona Baird: Do you have any relationship with television set retailers?

Tim Suter: Digital UK has the direct relationship with retailers. We have no relationship with retailers. We have one intersection with that debate, because we have one duty under the Communications Act 2003 on the provision of easily usable apparatus. That role largely concerns research and development, but that is where we interact most with retailers and manufacturers, with the input of our Advisory Committee on Older and Disabled People, which is a formal, statutory committee. We work with that committee to determine the priorities that we

should discuss with manufacturers and retailers on the provision of easily usable apparatus.

Shiona Baird: I am concerned that many retailers sell analogue sets. Who will tell them, "No—don't sell analogue sets, because people will need boxes," or ask whether what is on offer is digital? Even I bought an analogue set just two years ago, so I will face the extra cost.

Tim Suter: One of Digital UK's critical jobs is to ensure that the consumer propositions are clear and that people know when their region will switch and what equipment they will need—what that means for their set, what additional material they might need to convert their video recorder and what kind of aerial they will need. People will need to address a load of technical issues. Digital UK's job is to ensure that those issues are addressed.

Shiona Baird: Who oversees Digital UK?

Tim Suter: It was established by the Government.

Shiona Baird: Another matter that concerns me involves the waste electrical and electronic equipment directive. When digital TV rolls out, a huge number of sets might be discarded. We will have to ensure that those old sets are recycled.

Tim Suter: People do not need a new set; they just need a box.

Shiona Baird: Yes—but we know that sales pitches may make many people go down the road of replacing sets. The decision to roll out digital TV has implications down the line, but I do not feel that Ofcom is aware of all those implications. Perhaps I have just misunderstood.

Vicki Nash: To reassure the committee, I say that we are aware of all those issues, but we are keen for Digital UK to take responsibility for them. That is necessarily because we have a regulatory relationship with several of the broadcasters that are involved in Digital UK and because of Sky's position. We need to preserve our role as an independent regulator, but I assure members that we have well covered the issues.

The issue that was raised about elderly and disabled people was nicely illustrated to me at a meeting with the voluntary sector. Somebody from Ofcom who shall remain nameless said, "It's very easy—you just buy a set-top box and plug it into the SCART socket at the back of your television." The woman from Age Concern replied that old people do not necessarily know whether they have a SCART socket and, even if they know that they have one, they may not have the mobility to go behind the television or the manual dexterity to plug in the box. That is a good example. On such matters, engagement by Digital UK with the voluntary sector and front-line workers who work with people who might be disadvantaged could be

most profitable. I know that Digital UK is keen to do that.

Shiona Baird: That is the issue that I am really concerned about. May I quickly ask another question?

The Convener: Keep it tight, please, Shiona.

Shiona Baird: To what extent is Ofcom proactive in relation to the definition of public purpose and the need to reflect the make-up of the UK's nations, regions and communities? What do you do when you watch a television programme and see that something is not being reflected in the way that Jeremy Peat talked about? He mentioned enriching the story. Something that got me jumping up and down recently was when John Thurso was described as "Liberal Democrat MP, Scotland", as if there were only one Liberal Democrat MP in Scotland. That would never happen in relation to an English MP. I did nothing about that case but I wondered whether you had a panel of people who might react proactively—if that term makes sense—to such things.

Tim Suter: Given the amount of complaints that we get when people see something that they do not like, I do not think that we need viewer panels. I would urge you to get in touch with us about the case that you mention.

We license 300 or 400 television channels. We do not watch all of them—we simply cannot and, in any case, I do not think that that would be an appropriate or creditable use of our time. We depend on people getting in touch with us if they see things that offend or upset them.

The Convener: You should pray that they do not bring back "Come Dancing", because it was a disaster in terms of people complaining about there being no Scottish couples on it.

Karen Gillon: There is no Scottish couple on "Strictly Come Dancing".

The Convener: I am talking about "Come Dancing" with Peter West. It was on a long time ago now.

Tim Suter: Convener, I am full of admiration of your ability to span the beginning and the future of broadcasting in a single session.

The Convener: I have to emphasise that it was my granny who told me about that programme.

I thank our witnesses. This has been an entertaining and informative session.

Before we move on, we should have a brief chat to determine whether we have any points that we want to follow up in relation to items 3 or 4. Susan Deacon suggested having this discussion. Do you have any points to raise, Susan?

Susan Deacon: I simply queried when we might have an opportunity to debrief after the two evidence-taking sessions. I think that, often, points are freshest in our minds just after we have taken evidence. I am in your hands as to how best that might be done.

Michael Matheson: We have had an update only from the BBC on the issue of the progress that has been made to date on its internal reviews. However, when we originally considered this matter, we took evidence from a number of other organisations, including the trade unions. It appears that our update has, therefore, been somewhat one-sided. I would be a bit concerned about drawing any conclusions about what progress has been made until I have had a fuller picture about what is going on from the other side.

Christine May: It is fair to say that we have heard quite a lot from the BBC on this brave new world but have heard nothing from the independent broadcasters. It would be good to hear what they are doing to improve quality, raise the level of Scottish content, deal with Gaelic broadcasting, tackle the switch-over that Ofcom has just told us about and so on. We run the risk of concentrating on the BBC to the detriment of the broadcasting debate across Scotland. I would like us to consider that. Further, whether in a year's time or sooner, depending on what announcements are made in the new year, I would like Ofcom to report back to us on progress in relation to Digital UK and the other matters that have been raised.

Richard Baker: You mentioned that we could get an update in a year. Obviously, the programme is rolling out over a period of time and I imagine that some of the impacts will become more evident over the next few months. I do not know whether Michael Matheson was thinking of asking the unions to come back to us quite soon, but perhaps it might be useful to have them before us in a couple of months' time, when the impacts of the pilots that are taking place might be clearer. I am just floating that idea because some of the things that will have an impact on quality—particularly some of the things that I am concerned about—will not come into play until February or March.

16:15

Susan Deacon: We need to be clear about where we want to go with these issues. There is the issue of drilling deeper into the BBC review and the wider question about the future of broadcasting in Scotland. I merely observe that we keep switching between the two; we really have to decide at some stage which way to jump. Whichever way we jump and whatever we say about regional broadcasting in general and

broadcasting in Scotland in particular, it would be appropriate to ask the Executive how it is engaging and dealing with the issues. We could wait until we develop our report and ask the Executive to respond to it, and/or we could ask it now to tell us what capacity it has in place and how it is engaged with the processes that Ofcom has described.

The Convener: We are operating at three levels. First, there is the general issue of the future of public sector broadcasting and how it affects broadcasting and associated industries and sectors in Scotland. Secondly, within that are the specific issues raised in the BBC proposals for change. Thirdly, there are even more specific issues such as representation on the new board of trustees for the BBC, which people have expressed strong views about.

In February or March, after the white paper has been published, we will know better the proposals for the future of the BBC. We have agreed to write anyway on the specific issue of representation among the new trustees. The right time to write would be sometime shortly after the publication of the white paper, by which time Ofcom will be further down the road with its review, particularly on issues such as Gaelic television. A variety of people could give us evidence on the Ofcom review, what is happening in the BBC and, as Susan Deacon said, the broader issues that we need to address with the Executive. We could have a meeting about the future of broadcasting in Scotland in general. We could agree beforehand who to invite when we consider the work programme. Is that agreed?

Christine May: I flag up something that concerns me slightly, which is that we need to be clear about what we are bringing in people to discuss. It is not our role to interfere in the discussions between an employer and the employee representatives, and sometimes we have veered towards doing that. We have to keep focused on our remit, which is to ensure that public service broadcasting in Scotland is of the highest possible quality, takes into account the varying aspects of culture and life in Scotland, deals with training and skills and is fit for the next century. We need to be sure that when we arrange our next evidence session we are clear about what we want to get out of it.

The Convener: I had thought that we would have a general evidence session at one of our meetings in the spring, to which we could invite representatives of the key stakeholders. The viewers are pretty well key in all this, as are the people who work in the industry as a whole, rather than just in the BBC. Also involved are people who work in peripheral bodies, such as the creative industries people at Scottish Enterprise and

Skillset Scotland. Should we ask the clerks to prepare a paper? We could discuss that sometime in January, with a view to keeping the momentum going. There are legitimate issues for us to address, even though we do not have legislative responsibility for broadcasting. The clerks will seek the views and input of relevant members before the paper is circulated for discussion. Are members agreed?

Members indicated agreement.

Murdo Fraser: As far as the white paper is concerned, we discussed writing to the DCMS on the issue of trustees with responsibility for Scotland. We should go ahead and do that.

The Convener: I believe that we have agreed to do so.

Susan Deacon: I also sought clarification on that point, and I wonder whether, as a precursor to our evidence taking, we should ask the Executive for the factual position.

The Convener: I suggest that, before we decide on which stakeholders to invite to give oral evidence, we should ask for written evidence to ensure that any oral evidence-taking session is necessary and productive. Are members agreed?

Members indicated agreement.

The Convener: I thank Susan Deacon for her useful suggestion.

Energy Policy

The Convener: We now move into private session.

16:21

The Convener: We move to item 5. As members might recall, we received a verbal indication from the Environment and Rural Development Committee of the idea that we would have some kind of joint inquiry into energy policy. We have since received and circulated a letter from the committee convener, Sarah Boyack, who goes nowhere near making such a suggestion. Basically, she is seeking information on our work programme. However, we have not firmed up the details of our work programme beyond February; I think that we agreed to consider our work programme in February, to cover work up to the pre-election period.

The convener of the Environment and Rural Development Committee asks specifically whether we plan to carry out any work on energy policy or renewable energy, and the answer at the moment is no. However, that situation could change as a result of our discussion in February. Do members agree to reply to her along those lines? She draws our attention to her committee's inquiry into the future of the Scottish forestry strategy, which I am sure that we are all interested in.

Shiona Baird: We could emphasise that we appreciate that energy policy has serious implications for enterprise and economy issues. I am concerned that we might be seen as too dismissive of such an important subject. I certainly would not like to convey such an impression.

The Convener: No, not at all. The fact that the committee devoted a year and a half to its renewable energy inquiry, which took place before I became convener, indicates that it takes the matter seriously.

Shiona Baird: We should bear it in mind that renewable energy tends to refer to electricity.

The Convener: Absolutely. I take your point.

Perhaps the issue could be examined initially by a body such as Scotland's futures forum instead of by a parliamentary committee. Obviously, that is a matter for discussion. There is a lot going on: the UK energy policy review was announced today; the Scottish Executive will publish its supply-and-demand analysis by the end of the calendar year; and the Royal Society of Edinburgh is undertaking a very comprehensive inquiry into energy supply. The question of whether an additional parliamentary inquiry would add value is open to discussion, but we will put the matter on the agenda as part of our discussion of the work programme in February. Are members agreed?

Members indicated agreement.

16:24

Meeting continued in private until 16:25.

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