

RTS Christmas Lecture – December 9 2009

By Greg Dyke

I was invited to give this lecture sometime in the summer. I remember I was sitting in my house in Ireland thinking about the world on one of the few sunny days in August when suddenly an e-mail from the RTS arrived with the invitation. I thought about it for about a minute and just replied yes.

Roll on four months to some time last week when I suddenly realised that the lecture was this week and I hadn't given it a moment's thought since that sunny day in Ireland – and believe me there aren't many sunny days in Ireland.

So at the weekend I had to miss going to see Brentford, where I'm the chairman, play at Tranmere to spend Saturday thinking and writing this lecture. As it turned out that was not a great tragedy given driving up the M6 on a Saturday is usually a nightmare and we lost 1-0 to the club next to bottom in the table.

Now I suspect that I was asked to give this lecture because I am chairing a committee on the creative industries for the Shadow Secretary of State on Culture, Media and Sport and everyone, including me, expected that the report would be finished by now. This was clearly an opportunity to talk about what was in it. Good plan but flawed – the report

isn't finished so when I sat down to decide what to talk about tonight the contents of the report were off limits.

So I had to give the contents of the lecture some more thought and what I decided was that this lecture tonight was effectively a belated farewell from me to the television industry.

I recently became executive chairman of the biggest theatre company in this country, am already chairman of the British Film Institute, Brentford Football Club, Chancellor of the University of York and own a number of businesses like three golf clubs, a country hotel and a property company. So although I'm still Chairman of HIT – which makes Bob the Builder and Thomas the Tank Engine - and a non executive director of Pro Sieben – one of Europe's biggest television groups – I think we can agree that my career in television is now largely over. I am too old and already do too many other things to contemplate anything new.

I'll admit it has taken me some time to realise this, given that it's now nearly six years since I left the BBC in such acrimonious circumstances. Now I'd virtually forgotten about the events which led to my departure, they are another part of my life which I've conveniently compartmentalised and stacked away. That was until a couple of weeks back when the Iraq Inquiry started and it reminded of the whole saga all over again.

What is remarkable is how the public mood has changed over six years. I hardly know a soul today who doesn't believe that Blair and Campbell sexed up the case for war which was, of course, what Dr Kelly alleged when he met Andrew Gilligan. That wasn't the overwhelming public view six years ago when that bunch of gutless governors at the BBC ganged up to throw me out of the BBC to protect, as they put it, their long term relationship with the government of the day as if somehow that's the purpose of the BBC.

Mind you every so often something happens that makes you think someone up there is looking after you. The leader of the group of governors who got rid of me at the BBC was a certain Sarah Hogg, a woman who didn't like me and the feeling was more than mutual. So imagine my pleasure when a certain Douglas Hogg MP, husband of Sarah Hogg, turned out to be the Tory who claimed cleaning out his moat on his parliamentary expenses and, as a result, has been humiliated and is standing down at the next election. Who was it who said revenge is a dish best delivered cold?

On the Iraq inquiry I don't hold out any great hopes that it will come down hard on Blair because the British establishment has an amazing ability to look after itself as we saw with both the Hutton and Butler reports. But it doesn't matter. The British public has rightly found both Blair and Campbell guilty and so, I am sure, will history.

Soon after I left the BBC, when I was still quite upset about the whole affair, I met the historian Peter Hennessy at a

dinner and he said to me “don’t worry forget it, history will be on your side” which is exactly what is happening.

Interestingly Hennessy is most scathing not about Blair and Campbell, but about the Labour cabinet who allowed Blair to take us to war without serious debate or challenge. I heard him on Radio Four only last week talking about the supine politicians who sat in Blair’s cabinet and did exactly what he told them to do – how right he is.

I am now in my sixties but as someone who studied politics at university and has always been interested in, and in some ways idealistic about politics one of the saddest realisations I’ve come to in recent years has been to discover how self seeking and intellectually dishonest most politicians of my generation turned out to be. But then who in their right mind would want to go into politics as it is today?

Of course one of the great things about no longer being Director General of the BBC is that you can say things like that and not give a toss. A couple of years back I gave evidence to Lord Fowler’s committee on public service broadcasting – it was wonderful turning up at a parliamentary committee as just me and being able to say exactly what I wanted, rather than being rehearsed and then surrounded by the BBC thought police.

Amongst the range of things I now do in my portfolio life is quite a lot of public speaking. At times it is very lucrative but tonight I can assure you it’s not. Remuneration tonight is the usual crap RTS wine and a nice thank you letter afterwards from Simon Albury and that’s if you’re lucky.

Like many people who do speeches I have a few set speeches which I adapt depending on the audience I'm speaking to. Actually I have three and I only have that many because David Frost told me that his American agent had told him that you can't only offer a single subject if you want to do the speaking circuit. Of course David has cracked that problem by offering three subjects and which ever one is chosen he does the same speech.

Now I normally offer to speak on leadership, democracy or weapons of mass destruction and out of the three most people ask me to talk about leadership, largely because of the events of that day I was thrown out of the BBC.

As you may remember on that day literally thousands of my staff took to the streets right across the country to protest against my departure. Others had a whip round and raised more than £12,000 to pay for a page advert in the Daily Telegraph, the unions organised a protest march and in all I received more than 6,000 e mails from my staff saying how sorry they were that I had left.

My favourite of the e-mails I received that day wasn't one that was full of praise for what I had achieved in my four years running the BBC, quite the opposite. It said, very simply, "Fuck off Dyke I never liked you anyway" but my staff didn't put that in the bound copies of the e-mails which I keep in my study at home.

Now having decided that this is my television swansong I didn't think any of my normal subjects would be appropriate for tonight so instead I thought what I'd do was take a look back at what's happened to the public service broadcasters this year – because I suspect this year has been one of those turning point years in the history of British television. I'll also ask what the future holds for them.

Now I could claim that I am uniquely qualified to do this as I think I am the only person ever who has been Director General of the BBC, Chief Executive of an ITV Company, Chairman of GMTV, Chairman of Channel Five, created and run one of Britain's largest independent production companies, been on the boards of both Channel Four and, for a brief period, BSkyB and given the MacTaggart lecture twice.

Of course that lot doesn't really qualify you to pontificate about anything – but I'm here, I was invited and I've got to say something for the next 30 minutes so I think I should just get on with it anyway.

For some in our industry, anyone who relies on advertising for their main source of income, it has been the year of the great train crash; the year when structural change happening because of multi channel, the internet and the digital revolution came this way and collided with the biggest advertising revenue crash of our lifetime, coming the other.

The result has been carnage both in the income and profits of certain television companies, some production companies and at the executive level amongst broadcasters.

Broadcasting has not been without its controversy in recent years – two years ago we had the scandal surrounding television quizzes and last year we had the Jonathon Ross/Russell Brand fiasco. But this year was one when the problems of television have been less on the screen and more in the boardroom.

In one year the CEO's of Sky, ITV, Channel Four and Five have all moved on and only one, James Murdoch, did so voluntarily – if I was Mark Thompson I'd be getting a bit jumpy because he's the only CEO left and you always have to remember that half of all Director Generals left against their will, including the great John Reith.

But the Boardroom changes in television have gone further than CEO level. The chairmen of ITV and Sky changed and the chairman of Channel Four is on his way so it has been a pretty tumultuous year.

Incidentally the events at ITV only proved once and for all why you shouldn't have the same person as chairman and CEO because when the board or the shareholders force them out – as they did with Michael – you leave a vacuum behind.

At ITV, of course, this year has been the year of corporate chaos. What a shambles the Board of ITV became.

Last week while clearing out the cupboards in my study at home I came across my file on the bid I put together for ITV in 2006. You may remember along with three private equity companies we bid 130p a share for ITV. When we met the ITV Board committee considering the bid we met a bunch of old blokes who seemed to us totally ill-equipped to take ITV into the new world and it was that group who recommended to the Board that the bid should be rejected.

When the ITV share price hit an all time low of 16.5p early this year and there was a real chance of ITV running out of cash and going bust, I wonder how many of those old men remembered our bid from three years earlier and regretted their decision.

They turned down our bid because to quote “it didn’t properly reflect the value of ITV” – they were dead right but not in the way they saw it. In many ways we had a lucky escape but were the directors on that board really looking after shareholder value when they rejected the bid or were they just defending the status quo and their own positions? And what about Lazards as their investment bankers? One of their roles is supposed to be to look after shareholder interests and yet they not only advised against the bid but positively worked against it. Like most investment bankers they’ve carried on making their millions but isn’t it time some investment bankers who screwed up were held to account by shareholders? I doubt if the ITV share price will reach the price we bid any time in the next decade, if ever again.

The story of ITV in this decade is a sad one. In particular it's a story of how a board and the senior management managed to seriously damage a great populist channel and destroy shareholder value on a massive scale at the same time.

Here I want to make it clear I'm not talking about Michael Grade, because he might threaten to sue me again. No seriously by the time Michael arrived ITV was already in deep trouble. Michael's problem was he believed he could scatter some stardust and all would be OK. It turned out not to be the case.

Today the markets values ITV at just over £2 billion pounds which is good compared with the £700,000 it was worth six months ago. But today's value is only about a third of the £6 billion it was worth when ITV became one earlier in the decade.

Now to be fair, ITV was bound to have a difficult decade because of the development of digital and, with it, the enormous expansion of advertiser funded multi channel television. But the management and Board of ITV, and before them Carlton and Granada, must take quite a lot of the blame for ITV's current predicament.

They lost £1.2 billion on the disastrous ITV digital project and then when it went bust initially refused to be part of Freeview which was another costly mistake because spectrum they are currently paying millions a year for

could have been theirs for free. That's probably cost another £200 million.

Then there's the contract rights renewal system for TV advertising which was put in place to protect advertisers when the ITV companies merged. It's turned into a disaster and it's clear the leadership of ITV didn't understand what impact it could have. Many people believe this was the biggest mistake of all and has cost ITV much more than the £1.2 billion lost on ITV Digital.

And don't forget to add on the £150 million they blew on Friends United.

The former editor of World in Action, Ray Fitzwalter, published a book last year called "The dream that died – the rise and fall of ITV" in which he blamed the collapse of ITV directly on Charles Allen and Gerry Robinson. His account is perhaps a tad too simplistic but those who haven't read the book and want to understand what happened to ITV after a couple of accountants from the catering industry first took over Granada and then the whole of ITV should read it.

I was running London Weekend Television when suddenly businessmen like Robinson, Allen and Michael Green of Carlton turned up. Their aim was to turn ITV into a "proper" business and take the running of it away from television people. They did it and today you can see the results of that.

Ray Fitzwalter summed it up in his book when he said “Gerry Robinson refused to recognise that television was different from other businesses, he was adamant that television was just another economic activity. He was wrong. Broadcasting is the central cultural, not economic, experience of our age.”

What never ceases to amaze me is that money people don't understand about media companies. If you put an accountant in charge and everything they do, every action they take, tells the people who work there that's it's only money that matters then the company will struggle. At it's crudest creative people will not be inspired by accountants obsessed about money, they want to be inspired by someone who believes in the same things that they believe in, someone who values what they do. Then the company will be successful and then it might make some money – it doesn't work the other way round.

Of course Charles Allen ran ITV for four or five years, which was at four or five years too many, before he left with an enormous pay off. He also left ITV with an enormous pension deficit which has now risen to something like £600 million. That's what happens when the company takes a pension holiday for many years to boost its profits which is what Granada did in the nineties. Mind you Charles and Gerry are OK because they set up a special executive pension scheme just for them and a couple of others and, as far as I know, that isn't underfunded.

Now this year was the year when all ITV's chickens came home to roost, to use a rather hackneyed cliché. The advertising recession meant ITV's revenue sank like a stone and as a result a few shareholders ganged up to get rid of Michael Grade with the aim of replacing him with the former CEO of Sky Tony Ball.

Ball wanted big rewards to take the job, the ITV board split in two, it looked like everyone was leaking against everyone else and eventually Ball was rejected. Following that a series of candidates for Chairman of ITV turned the job down eventually leaving the company without a chairman, without a CEO and with the bloke who screwed up HBOS as the senior non-executive. If ever a bunch of directors turned themselves into corporate clowns it was this lot and even previously loyal ITV executives were walking around in despair telling anyone who would listen that the Board had to go. I don't think you could describe ITV this year as lions led by donkeys but only because I'm not so sure you could describe the ITV staff as lions.

Now unlike many people I don't write off ITV. They have finally appointed a credible chairman in Archie Norman, someone who does know how to run a company and also understands the importance of inspiring your staff. Look at his record at Asda. At ITV his first job will be to get rid of most of his board as fast as he can, and his second will be to find a good Chief Executive who has credibility with the creative community and can inspire a disillusioned staff. Then he's got to hope we've seen the worst of the collapse in ad revenue, which I suspect we have, and develop and

support a decent pay TV strategy and a proper internet strategy for ITV.

You see I think traditional channels will be around and popular for quite a few years yet and I'd urge you not to write ITV off just yet. Maybe, just maybe, there is life after death. It's true that ITV will never get the sort of revenues it used to get – I think history will show that, in real terms, 1999 was the peak in ad revenue for ITV – nor will it be able to spend as much on programming as it did in the past but post 2012 it will no longer be a public service broadcaster so its costs will be reduced and it will still have enough income to make or commission some good entertainment programmes, broadcast national news, and retain some decent drama. As a result I believe it will go back to being financially successful just on a smaller scale.

So what of the other advertiser financed public service channels? How have they survived in the great train crash? What this year has shown is that Five has no real chance of surviving as an independent channel so it's just a matter of who buys it or who it merges with and when. I can't see why BSkyB would want to buy it, but then who am I to judge, I never understood why they wanted to buy 18% of ITV.

Logically Five should become part of the ITV family, that's certainly what we planned would happen if we had bought ITV three years ago. There are a few programmes on Five – Neighbours, Home and Away and CSI – which would all

get better ratings on a deregulated ITV and sell at a higher cost per thousand than they do on Five. So as an independent channel Five is a gonner and as a former chairman I think that's a bit of a shame – especially as the Chief Executive Dawn Airey is one of my favourite people in this business, but then that's life. As my teenage daughter said to me after the Hutton Inquiry “get over it”. Brutal but effective.

What then what of Channel Four? Two thousand and nine has not been a good year for the Channel. It, too, has lost its Chief Executive because the departing Chairman, Luke Johnson, and most – but not all - of his board decided it was time for a change. Quite why a Chairman should decide to axe the Chief Executive he appointed and then worked with for five years just a few weeks before his own departure seems odd to me. Personally I think Andy Duncan was harshly treated but, as I implied earlier, when you are caught up in a train crash there are a lot of undeserved casualties.

Channel Four also gets a new Chairman in the New Year in Terry Burns. Now Terry is a good bloke and will add a degree of stability at an unstable time. Like Archie Norman at ITV Terry will have to find a new Chief Executive pretty quickly and most of his board leave in the next 12 months so he'll be able to influence the future direction the board takes as well.

The big challenge for the new team at the channel will be to work out what Channel Four is and what it's for in the new

world. Personally I thought Andy Duncan and the old board made too much fuss about needing to be subsidised by the state or the licence fee in the years to come. I can see their problem. Like ITV I doubt whether Channel Four's advertising revenue will ever return to the heights it once hit but unlike ITV Channel Four is likely to remain a public service broadcaster post 2012 with expensive public service obligations. The question is will advertising revenue sustain that?

I suspect Channel Four's revenue is no less today, in real terms, than it was ten or fifteen years ago but it's overhead is more expensive and it spends a great deal more on programming today. Maybe it has to go back to the size it used to be.

In some ways the outstanding commercial success of Big Brother was damaging for Channel Four. The Channel became too reliant on the Big Brother revenue and kept the show running well past its peak. What started as a brilliant innovation in television has ended up as a freak show and I, for one, am really glad that next year will be its last.

I believe the ending of Big Brother gives Channel Four the opportunity to re-invent itself both as a channel and as a digital multi media organisation. With a new Chief Executive arriving soon it is time to shake the place up a bit I do get the feeling Channel Four people have become a bit comfortable. The £70 million a year that was being spent on Big Brother can now be spread far and wide on some

new, innovative commissions. The strategy might not work but, again, that's life. At least it will be exciting.

And finally I turn to the BBC. The 500 pound gorilla in the public service corner. Here, too, corporate governance has been a big issue this year with the new Secretary of State for Culture Ben Bradshaw criticising the BBC Trust and disowning the very system of governance that Tessa Jowell his predecessor but two – they come and go pretty quickly at DCMS – put in place only three or four years ago.

Now some people have criticised Ben for doing that but they shouldn't. At the very least he was honest. We can't criticise politicians for never admitting mistakes and then attack them when they do.

Now quite a lot of us did warn that this system of governance wouldn't work at the time it was created. Remember the history. A small committee chaired by Terry Burns, now the new Chairman of Channel Four, was asked by Tessa Jowell to advise on what system of governance would best suit the BBC in this changing broadcasting era.

The committee proposed that there should be a BBC chairman and a BBC board of governors responsible for running and defending the BBC – and I say defending because the BBC is always being attacked by someone or other - and a small outside regulator – an Of-BBC – responsible for regulating it.

The proposal made sense but was rejected by Tessa Jowell because Michael Grade threatened to resign as BBC Chairman if she imposed it – her reaction was a complete waste of time because he resigned anyway to go off and run ITV, briefly. Instead the current “fudge” of the BBC Trust was enacted in which it is both regulator and directly responsible for running the BBC.

The truth is the Trust is unduly slow and bureaucratic, expensive to run and creates inbuilt conflict within the organisation. It has left the BBC without a supportive board or chairman and the Director General without the “cover” any chief executive needs. In any organisation the Chairman/Chief Executive relationship is all important and here the structure works against it being effective. Most of all when the organisation is under attack – as it currently is – the Chairman isn’t free to defend it as he should because he’s really the regulator.

Now this should not be taken as a criticism of the current chairman or members of the Trust who have done their best to work what is an impossible structure but in truth, outside of Trust members themselves, I can’t find anyone who supports the current system, either inside or outside the BBC. Mind you I deliberately haven’t asked Mark Thomson because I didn’t want to embarrass him.

So what should replace it? Logically Ofcom should become the regulator of the BBC and a new BBC Board with its own non executive chairman and both executive and non-executive members, should be responsible for running the

organisation. But there are concerns – expressed publicly by the leader of the opposition - that Ofcom is too large and taking on too many responsibilities. I'm not sure that's true – it seems quite an effective regulator to me – but if that is the case then a new small public service television regulator – an of-PSB should be created and take responsibility for regulating the BBC, Channel Four and any other public service broadcasters which might remain in the future – not that I think there will be any others.

PAUSE

Now let's be clear when talking about the BBC I'm biased. Long before I became director general I was a fan. I believe the BBC is one of the great institutions that Britain has given to the world. I think it has ensured we have a British broadcasting system dominated by British programming and not American programming, it has produced outstanding programmes over many years both for the mass audience and minority audiences, it has worldwide credibility second to none, and it is probably Britain's most important cultural institution.

So why am I increasingly worried about its future? Why do I feel the vultures are circling and ready to move in? I suppose what I feel is that the BBC is short of friends and supporters at the moment, short of friends in parliament, short of friends in the press, short of friends here in the industry and most serious of all is losing friends out there with the public.

I'm not sure I understand why this has happened but one of the reasons why I agreed to do this lecture tonight was to appeal to our industry to stop bitching, see the bigger picture and come out and support the BBC and what it stands for. Currently the BBC isn't great at making the arguments for the BBC itself so those of us who care need to do it for them.

I know at times the BBC drives you nuts –at times it drives me nuts and did when I was running it. But you don't have to like the Trust, you don't have to like this generation of management - although personally I think they're doing alright – you don't have to like all the television channels or the radio stations, you don't have to like all the programmes. What you have to do is recognise what the BBC stands for and support what the BBC is because if you don't we could lose it, or worse still it could gradually fade away through neglect.

Now certain things do have to change at the BBC. I agree that executive salaries there are too high, just as they are at Channel Four and ITV. I read occasionally that I am to blame for the high salaries at the BBC because I increased them significantly in my time. Just to put it on the record that's simply not true. In my time increases in executive pay mirrored the same percentage increases that the staff were getting and they were not over generous.

When I joined I took the salary I was offered, which happened to be exactly the same as my predecessor and

when I left my basic salary was something like half what the current Director General is now receiving.

The truth is that top salaries right across the industry have become too high and the new Chairmen of both ITV and Channel Four have an opportunity to stop this when they appoint their new chief executives. If this happened top salaries at the BBC would have to be reduced which is right and proper but even if they don't take action the Trust should. It will mean breaking a few contracts and even paying a few people off if they resist but it needs to be done. The public find what people at the BBC are earning – both executives and stars – offensive and I'm sure it is one of the reasons why the public are falling out of love with the BBC. In the long term interests of the BBC it's time to cut the salaries of the executives.

PAUSE

Now the BBC was bound to have a tough time if advertising revenue collapsed in the way it has. Suddenly the advertising funded channels are blaming the BBC for their plight because the BBC still has a lot of money when they don't. In fact I bumped into one of the ITV directors earlier this year and asked how things were going. He replied “it's difficult when you are fighting public money”. Oh please. ITV has been fighting public money for years but up to now has managed to thrive.

Now BSkyB hasn't been seriously affected by the recession. Pay television is doing pretty well, just as

cinema and theatre admissions are increasing in the downturn. People turn to entertainment to escape the relentless bad news. And yet James Murdoch, in the long tradition of the Murdoch family, used this year's MacTaggart lecture to launch an unnecessary and fairly bitter attack on the BBC.

I loved how the British media reported it as a big story that a Murdoch was attacking the BBC. How was that news? To me it feels "Murdoch attacks the BBC" was a headline when I was a boy it's just that the particular Murdoch doing the attacking has changed.

This week, knowing I was doing this lecture, I re-read James's lecture and was struck by how ridiculously self serving it was. He attacked everyone who, in any way, was threatening to BSkyB – Ofcom who just happened to be suggesting that BSkyB's dominance of sports was suspect; the European Commission for insisting that the Premier League couldn't be sold in total to Sky; the British Government for not acting on piracy because it threatened BSkyB's dominance in pay movies and sport; and finally the BBC.

In criticising the BBC and accusing it of a land grab what James was really getting at was the BBC's activities on-line because suddenly they could be in conflict with News International's aims. In my opinion James was laying the foundations for a ferocious attack next year on the BBC if News International's attempt to charge for its newspapers on the internet – a complete reversal of its previous policy

– doesn't work. I can write the speeches now. "It would have worked if the BBC wasn't giving away its content for free." You watch it happen.

Now I agreed with a lot of what James said in his MacTaggart. He is right about the threat of piracy, I hope News International's bold move in charging on the internet works and pays off and he's right when he says there's a danger we still have analogue attitudes in the digital age, but the digital age doesn't mean the BSkyB age or that News International should dominate all.

Where I found the lecture laughable was when he described the BBC as state sponsored media as if it was the modern day Pravda. In our society one of the great challenges of the next decade is who will pay for proper, well researched journalism. Historically it's been funded by advertising on commercial television and in regional and national newspapers. But increasingly that advertising has gone on-line and on-line blogging is not properly researched independent journalism.

Now in these circumstances my argument would be that the BBC becomes more important in a democratic society not less. Clearly Mr Murdoch doesn't agree.

I want to end by repeating my earlier message. The BBC matters in this society. Despite what Mr Murdoch the younger said in his lecture it matters because it is still free and still able to hold those in power account.

James finished his lecture by saying “the only reliable, durable and perpetual guarantor of independence is profit.” That has to be a joke coming from someone running an organisation where every single one of its 175 newspapers around the world supported the war in Iraq. Where’s the independence there?

The truth is, flawed as it is, in the world we’re in today the most reliable, durable and perpetual guarantor of journalistic independence in Britain today is the BBC and we, the people in this room, should recognise that and publicly support it before we lose it.

Thank you.