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1. INTRODUCTION

This paper addresses the current state of business coverage at the BBC in the context of impartiality. The main focus is on business reporting for news programming but it also touches on the specialist daily and weekly business programming, Nations and Regions and the news interactive web and text services. Any review of the impartiality of this output requires an understanding of how the relationship with news programmes works and the overall audience and market context. This document should be read together with the submission from the Director of News on how editorial processes work in News as a whole.

1.1 The context for BBC Journalism:

Journalism is at the heart of the BBC's public service remit. Impartial news is a critical component of democracy. In its Charter renewal the BBC laid out a strategy for building public value around the purposes of sustaining citizenship, stimulating creativity, promoting education and learning, reflecting the Nations and Regions and bringing the world to the UK and the UK to the world. Strong, independent and impartial journalism is essential to the delivery of these aims. The BBC has a tough challenge ahead as the world of broadcasting is changing and fragmenting at extraordinary speed. Digital technology and the transformation of the web present huge opportunities and threats. The BBC has committed itself to maintaining overall reach and serving all audiences from the traditional core to the new age clickers and flickers for whom the BBC is one stop on a ceaseless journey of choice. Quality specialist journalism will be at the heart of that audience quest.

1.2 The Role of Business Journalism:

The aim is to provide the best business journalism for the broadest range of audiences. The BBC recognises that business and financial coverage is vital to an understanding of the world. It is business that generates the wealth that pays for the rest of society to function. It employs people and makes the goods they buy. In societal terms people are a mix of employees and consumers but many are also owners either directly or indirectly through pension plans and investments. The role of the business news team is to explain the world of business to the widest audiences in terms that they can understand, to provide context and to set out why it is significant and relevant. This it must do in a fair, objective, balanced and accurate way and very importantly in a language and style that can be understood by the audiences. The BBC must do this because broadcasting is the most important source of news and no commercial broadcaster provides independent, un-sponsored business coverage across such a range of outlets. The Financial Services Authority has said that financial illiteracy is one of the major issues facing people in this country. The BBC's role in providing trusted and comprehensible news and information about business and finance is important for sustaining citizenship and civil society.

2. IMPARTIALITY

2.1 Editorial values:

Impartiality is one of the BBC's core editorial values and a legal requirement. The editorial guidelines say: *'We strive to be fair and open-minded and reflect all strands of opinion by exploring the range and conflict of views. We will be objective and even handed in our approach to the subject. We will provide professional judgement where appropriate but we will never promote a particular view on controversial matters of public policy, or political or industrial controversy'*. According to the Charter Agreement, BBC journalism is bound by what is termed *'due impartiality'* which requires fairness and even handedness but does not require this to be literal. Due impartiality allows that editorial judgement is exercised and not every argument or point of view can be reflected on every occasion and that not all positions are deserving of equal time. Evan Davis in his submission says: *'It is not a goal to be impartial between sense and nonsense. In an area where there is a clear expert consensus, it is right for the audience to be told that'*. The guidelines also lay down that the tone of presentation of BBC stories must reflect the editorial values, that journalists must test contributors' views and not assume impartiality on the part of outside contributors and experts.

2.2 The Neil Report:

After the Hutton enquiry found faults in the BBC's editorial approach, Ron Neil, a former director of BBC News and Current Affairs, was asked to lead a team to review the BBC's journalism. Its report defined five core values at the heart of BBC journalism and considered the responsibilities of editors and presenters.

Neil noted that, *'Impartiality is increasingly under pressure in a world in which much journalism is partisan and opinionated. However the BBC's continuing commitment to impartiality is one of its most important core values and is the reason why the BBC remains one of the most trusted sources of information in our society.'*

It said that the BBC's journalism must be driven by the five core values which should be seen as a code of conduct for all BBC journalists. The values are:

- Truth and Accuracy
- Serving the Public interest
- Impartiality and diversity of opinion
- Independence
- Accountability

2.3 Delegated editorial authority:

Neil had important things to say about the way editorial power is exercised in the BBC. It is not like a newspaper where the editor can define a line or take a position on a story and see that enacted on the pages the following morning. BBC News has ten times as many journalists as a national paper and there are many more in Nations and Regions. It produces multiple streams of output, 120 hours in every day. These outlets are serving audiences right across the range from *Newsbeat* to the *Ten o'clock*

news and different audiences demand different agendas and approaches. Thus the BBC operates a devolved editorial structure with editorial authority delegated to programme editors who take the responsibility for what is in their programmes. At all times they operate within Neil's code of conduct, with shared values, shared professional disciplines and a shared journalistic culture. News programme editors are empowered to decide how a story is approached on their output which means the BBC may cover the same story in many different ways on any given day.

2.4 Impartiality in Business news:

The Neil values are the fundamental tenets of BBC news. Journalistic training and the editorial strategy underpin these aims. Business journalists are no different from other news journalists in being bound by them within the BBC culture.

Impartiality is at the core of the business coverage. On one level this can be seen in the effort to reflect a broader perspective on events and to avoid reducing stories to simple polarities, or example of labour versus capital. The emphasis is on hearing a range of views which reflect the complexity of the relationship between consumers, employees, owners, shareholders and competitors. The intention is to reflect a broad range of views and motives – covering not only the consequences of business decisions but the strategic reasons behind them.

This thinking is set in the context of how the UK economy has changed over the last couple of decades. The service sector dominates - manufacturing is only around 15% of the entire economy. Labour relations have changed. In place of strife there are employee share ownership schemes - more than 5000 companies run authorised schemes. The number of days lost to strikes in 2005 was only 157,000 compared with 7.2 million days a year on average in the 1980s and 12.9 million a year in the 70s. Unemployment is also less of a serious problem than in previous decades. Now the big issues are around globalisation, pensions, personal debt, house prices and the technological revolution. These are not black and white issues and they require a multi-dimensional approach.

In the short time frame of a news report this is not always simple and not all views will be equally prominently reflected but all important points of view should be covered if not in one piece then across the range of coverage of a story.

Business journalists work closely with programme editors and producers and being specialists have a strong influence over how a story is done.

2.5 The Panel's key Impartiality measures:

In its scoping document the Panel said that impartiality would be judged against four key issues:

- Accuracy
- Context
- Independence
- Bias

2.5.1 Accuracy:

Accuracy is fundamental to what the BBC does and to its reputation. The editorial guidelines say: *'Our output must be well sourced, based on sound evidence thoroughly tested and presented in clear, precise language. We should be honest about what we don't know and avoid unfounded speculation.'* We aim to achieve this by using first hand sources of information, checking facts and corroborating claims made by contributors.

Specialism brings with it high standards of accuracy. Business can be a complex area so having a team of people who focus exclusively on it means that stories are assessed from a position of knowledge. The senior journalists are highly experienced – some with a couple of decades of working in business news. They set high standards of proof for the stories they break and they know how to verify a story that appears on the wires or the papers. One of the key challenges is in the interpretation of company results which appear in a data feed from the London stock exchange at 0700 in the morning. Stock Exchange rules mean that any news likely to move the market is released in this way and no reporting of company results is allowed ahead of the official announcement. Business reporters work with great speed to get those results on air. It takes experience to find the story that lies behind the figures which may be buried on page 12 of a very long company announcement. The key to accuracy here is to be explicit with the audience what figures you are using and what aspect of the performance you are talking about.

There are also time pressures on the journalists working for the continuous channels, N24 and Five Live. The teams are led by experienced journalists whose job it is to verify the story and to add informed and accurate context at a time when information may be in short supply. The services are monitored in the business newsroom so if mistakes are made on air they can be identified and corrected.

High standards of accuracy are particularly important in financial reporting where getting the wrong figures misleads the audience and damages the BBC's reputation in a very clear fashion. Market data for the text services and for on screen graphics is taken from a reliable industry source, *FTSE Interactive Data Comstock*. The output is being monitored so when it goes wrong it is remedied or taken down. The online team work closely with Comstock to keep the publication of inaccurate data to a minimum. A keyword search of the BBC's centralised record of audience feedback revealed 169 contacts on business reporting last year, of which 32 were complaints about inaccuracy including 11 about inaccurate market data.

BBC News has a team of research analysts who provide briefings and factual background information on stories to help journalists get it right. This is an important reference source for reporters and producers. The intranet site provides glossaries on pensions, energy and market terms, for example, *'what is a hedge fund?'* There is also in-depth background on China, energy, Brown's budgets and pensions. The policy is to deliver topical research based on the stories of the day. When the inflation figures came out in January the background briefing issued that morning contained an explanation of the Monetary Policy Committee's obligations and detail on the inflation indexes, CPI, RPI and RPIX. (see Appendix 5).

2.5.2 Context:

The Neil Report says '*Facts set in their context, rather than opinion is the essence of BBC journalism*'. There are two aspects to context here; firstly the specific context of the story - giving the audience a range of facts and information about an individual story so they can come to an informed and unbiased judgement about it and secondly; the big picture context, the major trends that are shaping the world, such as the impact of Web 2.0 or the rise of China.

Specific context:

It is the role of the business specialist to provide that context, the shaft of light that means the audience can make a proper informed judgement. This again is the value of specialists – they understand the issues and if they don't, they know who to talk to. Their role is to go beyond the position taken by the generalists or the popular press and test the assumptions. So for example in last year's coverage of the rise in gas prices it was important context to know how far wholesale prices had risen. Similarly in the row over petrol prices it was relevant to point out that oil companies make very little of their profit on forecourt sales. In January when interest rates went up by a quarter percent to the surprise of analysts it was important for the audience as a whole to balance the bad news for borrowers with the good news for savers. When Vodafone wrote off billions of pounds in the biggest declared losses by a British company it was relevant to point out the impact on pension funds as Vodafone was one of the most widely held shares.

Big picture context:

BBC Journalism has as one of its key strategic aims the coverage of the big stories, the big trends that are changing our world. A number of these are firmly in the area of business and economics including globalisation, the energy crisis, the impact of longevity, the rise of private equity, the deflationary impact of China on world economies and so on.

These big issues lie behind the day-to-day stories and can be lost in the bustle of news so there is a specific process within the Journalism Group to identify them and to ensure that the mainstream news programmes do provide coverage. Regular seminars are held for editors across News, Nations and Regions, Sport and Global. Targeted money has been allocated to big stories and coverage of key themes is tracked.

The economics editor Evan Davis for example has done a number of stories looking at how China's cheap goods have played into the inflation picture in the UK. The Business editor Robert Peston has looked at private equity and at whether the sale of British companies to foreign companies is good or bad for British business. The Technology Correspondent Rory Cellan-Jones went to Korea last year to report on what the broadband future might look like. This year he has been in the States for new technology launches which may change the way we consume media.

N&R programmes also try to provide essential context on how the global economy is affecting local businesses: for example *Midlands Today* had a three-part series from China on the new Rover car and the threats and opportunities that faced local businesses and *Look East* went to India where Aviva have outsourced their call centre. *The Politics Show* programmes in the Nations and Regions have sought to contextualise big local issues, notably for the immigration story, where for example BBC West looked at the benefits of immigration from Poland for local businesses and

BBC North East reported on the lack of skilled workers for the chemical industry over the next decade on Teesside

2.3 Independence:

The BBC's strong culture of independence goes back decades and is founded on the Charter Agreement guaranteeing separation from Government and commerce. The editorial guidelines say '*the BBC is independent of both state and partisan interests. Our audience can be confident that our decisions are influenced neither by political or commercial pressures nor by any personal interests*'.

The independence and editorial integrity of BBC journalists is fundamental to our role as a provider of impartial news.

Our independence is part of the reason why audiences trust the BBC. BBC Journalism is more trusted in the UK than its competitors according to monitoring carried out for the BBC. In response to the statement, '*channels that are trustworthy for news*', 46% of respondents said BBC1, 26% said ITV1 and 12.9% said Sky News. The BBC news brand is the most trusted by international audiences according to the We Media global forum poll in 2006.

The integrity of BBC journalists is based on a culture of independence supported by an editorial code, which requires among other things that journalists sign a *declaration of interest*. The rules for business journalists go further than that, they also have to declare their financial holdings – shares, ISAs, PEPs etc. to their editor and to HR which keeps a share register. These additional checks and balances were introduced after the *City Slickers* scandal at *The Mirror* and in response to Treasury and European legislation on disclosure and conflict of interests. The *financial guidelines to journalists* set out in some detail what is expected and are available as a public document through the BBC business website.

There are also strict rules on acceptance of hospitality and free facilities.

An area of particular sensitivity for business journalists is in what the guidelines call '*product prominence*'. Care must be taken to ensure that references to brand names and slogans are editorially justified and that advertising and promotional material is used sparingly and clearly signposted for what it is. The BBC should not appear to endorse a company or product. This is a risk particularly in coverage of product launches. The BBC does not do many such stories as not all are editorially justified but one that was, was the launch of the Apple *iphone* in January this year. It was clearly of high interest to audiences and the technology correspondent was sent to San Francisco to cover it. In such cases an independent approach is essential and that comes from striking the right tone and from providing some market or competitive context including naming direct competitors. In this case context came from reporting that Apple were aiming for just one percent of the (highly competitive) mobile phone market and that the product carried a very high price tag.

Last year the Airbus A380 made its maiden flight to this country. It was a major news event and but for the manufacturers it was also a marketing opportunity. The BBC's approach was to couch the reporting of the story in the context of the battle for the civil aviation market between Airbus and Boeing and to highlight their very different strategies. In the event what was in danger of being a 'puff' was given a journalistic edge.

When this goes wrong audiences are quick to let the BBC know. Last year one mobile phone company used an interview on its annual results to promote a new pink phone the presenter appeared to endorse the product and complaints were made to the BBC 'Newswatch' programme. The BBC conceded that the guidelines had not been observed and the production team were reminded of proper practice. In the Nations and Regions product prominence has also been an issue on a handful of occasions. Coverage of a Harvey Nicols store in Leeds and a particular retailer on Jersey were criticised by commercial broadcasters as giving excessive prominence to individual firms. Again, BBC staff were reminded firmly of the guidelines.

2.4 Bias:

The BBC's editorial culture is about ensuring an absence of bias. Bias distorts a true picture. It may be defined as the deliberate, or knowing, inclusion or omission of viewpoints. Bias can also be unconscious which is sometimes referred to as the '*bias of assumption*'. In either case the BBC's emphasis on hearing all viewpoints seeks the avoidance of bias. In terms of business coverage the BBC has in the past been accused of not giving business enough airtime, being 'anti business' and suspicious of profits and markets. There was criticism that coverage was unbalanced, projecting the views principally of employees and consumers at the expense of a proper understanding of the strategic reasons for companies' actions. This view was articulated by the businessman, Greg Dyke, who became Director General of the BBC in 1999. He instigated changes which the BBC believes have significantly improved and expanded business coverage and shifted the internal culture.

In terms of airtime on key radio and TV bulletins, business is more prominent than it was. Monitoring over the past three months shows that the *One*, *Six* and *Ten o'clock news* between them carried 67 business reports in October, 64 in November, 41 in December and 50 in the first 19 days of January. If you exclude the short bulletins at weekends and the Christmas holidays that suggests the BBC 1 bulletins air an average of around three reports per week day.

Last year polling company, Opinion leader Research ran some focus groups in London on bias for the BBC's work on impartiality. Business did not come up as an issue with any of the audience members – there were just three comments:

- *'I think you'd find more bias, on channels like Sky, Sky News because it's run by a business entrepreneur, multi-billionaire, got no interest at all in uncovering things that might upset some of his partners'*
- *'I think Declan [Declan Curry, Breakfast business presenter] who did the business report was very, very good, he's just straight down the line, gives you the facts, he's just, he truly is a reporter'*
- *'Businesses seem to have quite a strong leaning on what is portrayed in the news'*.

According to a keyword search of audience contacts there were nine complaints about bias last year.

One way to look at whether the BBC displays bias in its coverage of Business is in terms of how successfully it reflects the views of major stakeholders. Is the BBC unfairly sympathetic to some stakeholders, notably consumers and employees, at the expense of managers and owners?

To be specific:

Does the BBC fail to convey the importance of private-sector business to the British economy and to individuals' wealth?

The Business Editor, Robert Peston, has identified this as a key challenge for him. In his submission for this paper he wrote: *'the relevance of business to all of us is not universally viewed as a self-evident truth, either within the BBC or among our viewers, listeners and readers. For many people, "business" is something done by other people, of interest only to them and of relevance only to them.'* His approach has been to talk about ownership and the fact that very many people with no interest in business have a stake in its success through their pensions and investments let alone their roles as consumers and possibly employees. When companies make very big profits it is important for balance to convey somewhere in the story that this is of benefit to society through tax receipts or returns to pension funds on which millions depend. This is something that the BBC has got better at in recent years, for example in the coverage of the growth of Tesco. There is now more likely to be coverage of successful companies in mainstream news and that coverage is more likely to focus on the wider benefits of high profits such as the ability to compete internationally. In his own reporting on high profile programmes like the *Ten o'clock news* and *Today*, Peston has successfully developed these ideas. It also means that when companies perform badly and coverage of a falling share price is now more likely to be part of the story together with job losses or cutbacks.

Is the BBC more sympathetic in its treatment of trade union leaders or consumer lobbyists than of business leaders and if so is that reasonable?

The point has already been made that the BBC does less industrial relations coverage now than it used to. When disputes do happen then union leaders are usually interviewed but big disputes are rare. For this reason union leaders appear less frequently than before and when they do they might well be talking on broader issues like workplace discrimination. As to whether the BBC is more sympathetic to unions than businesses, there have not been any official complaints on this issue from companies themselves.

The BBC should apply the same standards of impartiality to consumer lobbies as to businesses. The editorial guidelines say to test the evidence from lobbies rigorously. When the BBC judges they have a case then they get the chance to put their points on air. Businesses should always be given the right to respond. It is possible that the broadcast dynamic of the lobby making an allegation and business defending itself might, in itself, make some people feel that the BBC is more sympathetic to the lobby. The most important point is that the BBC does not broadcast something unless there is a genuine issue and that the BBC's coverage is properly neutral with the right of response being offered. With stories built around campaigning consumer research or best buy surveys one issue that does arise is the reluctance of some companies to appear on air. This makes balancing the story more difficult as a quote from a written statement always has less impact than an interview.

On a broader point the BBC's increased engagement with the audiences through email and texts is seeing more consumer-driven stories on air and online. This requires increasing editorial awareness on the part of business journalists. Growing interactivity with the audience means motivated people have an opportunity to

complain about consumer-facing companies. Sometimes this will be justified, as was the case with *Carphone Warehouse's* delivery problems with their broadband offer which featured prominently on *Breakfast*, but on other occasions the complaints might not reflect the company's overall performance in satisfying customers. When seen through the stakeholder prism, programmes tend to hear much more from audiences reacting as consumers than as owners. This audience input is very positive in terms of engagement and relevance but other stakeholder views and interests need to be represented too.

Does the BBC appear hostile to business leaders and entrepreneurs?

In recent years the BBC has successfully convinced business people that they should appear on its programmes and services. In the course of the business reporting cycle almost all chief executives of big public companies are interviewed, many of them live on Today, Five Live or N24. Most do not see the BBC as hostile and they are prepared to engage with tough questions. It is true that this relationship is delicate. Businesses, that are reluctant to appear, point to interviews which to them appear rude or ill-informed but to a BBC journalist may look merely like a proper challenge. Businessmen, unlike politicians, do not in general feel themselves accountable to the general public. Nevertheless the BBC has secured interviews in the past couple of years with a range of business leaders who had previously not talked to broadcast like Terry Leahy of Tesco, Rupert Murdoch of News International and Fred Goodwin of RBS.

Audience feedback does not suggest that the BBC is seen as hostile to business leaders. On the contrary people ask that the BBC should put the tough questions. What is important is that interviewers should be knowledgeable about business and well briefed and that the tone is right.

The BBC screens two very successful business entertainment programmes, *Dragons' Den* and *The Apprentice*, which have popularised entrepreneurship. The BBC has also run a series featuring former Granada boss, Gerry Robinson, as a business troubleshooter going into small businesses to offer advice. In January he did a similar exercise in an NHS trust.

Does it have an editorial preference for stories that show professional managers in a poor light over "good news" stories and is that reasonable?

Daily business coverage is about what is news. Editors are looking for events of significance, events that change things and affect a wide range of people and, in particular, their audiences. It is in the nature of news to ignore the middle range company that produces moderately good results and does nothing dramatic. Editors are more interested in companies that cut jobs, outsource services, cut dividends, short-change their customers and sack their CEOs than ones that grow soundly. But they are also interested in companies that do dramatic things on the upside, create jobs or exciting new products, change their strategy or buy a rival. 'Good news' is part of the picture. For example the BBC has given the recovery at M&S a lot of coverage, also the turn-around at Sainsbury's. Both these resurgent companies have received more coverage than Somerfield or Morrison's, which have been struggling. Specialist programmes like Working Lunch have the space to engage with interesting companies independent of the daily news agenda. A roving correspondent is on the

road filming in small and medium sized companies across the country and reporting daily on how their businesses are adapting to market pressures.

3. AUDIENCES

Audiences are at the heart of what the BBC does. The recent internal editorial change programme, *Creative Future*, reaffirmed this and editors are increasingly aware of who is listening, watching or using their services. This means they know who they need to appeal to and across the hundreds of hours of news produced by the BBC every week there is huge differentiation in agenda and styles. The BBC's business coverage is not made for specialists but for different groups of mainstream audiences across the BBC's channels and networks.

The business teams are organised to focus on specific programmes and streams of output which means different editorial assumptions and different style. For example the 0615 business slot on the *Today Programme* has a middle aged and middle class audience which is comparatively well-informed so the agenda tends to be serious, focussed on corporate and economic stories. In contrast the *Five Live* is trying to attract the 25 to 44-year-old age group, ethnic minority listeners and regional audiences and is asking for business coverage that supports these objectives. The agenda is skewed more towards small business, consumer news, workplace and entrepreneurship and the style is more conversational.

Audience numbers for business coverage and audience feedback for business are important measures of performance. So what does the BBC's audience research reveal?

3.1 Quantitative research - how many?

Business news is an important element of the total news agenda and most of the daily business output is consumed in news shows which reach millions of people. Reports by Robert Peston or Evan Davis on the *Ten o'clock news* are seen by up to five million viewers and the *One* and *Six* get around 2.5m and 4m. On *Breakfast* Declan Curry's slots are seen by 1-2 million. On radio, the biggest business audiences are for the drivetime slots on Radio 2 with 1.5 million listeners and the *Today Programme* slots – one million at 0615 and 1.7 million at 0720. Peston and Davis are also used outside the business slots on *Today* between 0700 and 0830 and can reach even higher audiences.

There is a good audience for specialist business programming. *Working Lunch* attracts up to 400,000 viewers every day on BBC 2 and although the numbers have dropped in recent years they have fallen less fast than the channel average. On radio, the new Five Live programme, *Weekend Business*, gets nearly 200,000 listeners on Sunday evenings, on Radio 4, *In Business* attracts 650,000 and the new Saturday evening show, *The Bottom Line* gets a weekly reach of 750,000.

Business programmes have been featured in the BBC's on demand *podcast* pilot. *Wake up to Money* is getting around 20,000 downloads a week and *In Business* around 40,000.

Many people, including many business people, choose to consume online or text services like Ceefax. Growth in audience reach on line is increasing at about 25% year-on-year. The business pages of the BBC News website have a monthly reach of eight million and a daily reach of about 720,000 users, although it hit 1.6 million in January on the day of the surprise rise in interest rates. The market data pages receive around 100,000 visits per day.

A recent *Money Programme* investigation into bank penalty charges provoked nearly a million hits on the programme website.

3.2 Qualitative research - how engaged?

To deepen knowledge of audiences BBC News is running a series of *meet the audience* sessions for its journalists. There have been five focus groups in the past three years on Business. The responses are used to inform the selection and treatment of stories and are part of a range of data and influences and not on their own definitive.

Some domestic audience research commissioned by the Business Centre and conducted earlier this year with a panel of “engaged news consumers” aged 22-56 showed that BBC viewers wanted to be informed about all major business stories, though they had a greater interest in those that were of direct relevance to them. The group interviewed felt the business coverage on main bulletins was of high quality and generally well-presented. They trusted what they were told and felt a lot of it was well explained. Participants were keen to receive information they could rely on and really use in their lives and were fans of *Working Lunch*. They felt the consumer perspective should be *slightly* favoured over that of the boardroom and they wanted CEOs to be questioned more rigorously on behalf of the public

A focus group on business news in the *Today Programme* came back with similar themes: Complex corporate governance stories either bored the audience members or left them with a lack of understanding of the importance of the story. They appreciated stories which resulted in them feeling better informed and wanted clear explanations. They were quick to criticise when they felt the programme hadn’t been hard enough on a company leader.

The feedback from these sessions was discussed with business journalists.

Another key way that audience insights are communicated to journalists is through the feedback they receive from audiences on air or on line. For example *Five Live* makes extensive use of interactivity through texting, e-mails and phone-ins and this feeds into the agenda of the programmes. *Working Lunch* is the television business programme with the closest relationship with its audience. Viewers contact the programme and their experiences provide the basis of much of the best journalism. Viewer case studies enable the team to highlight issues before they reach mainstream news or print. The viewer database of correspondence means case studies can be found when a relevant story breaks. There are plans to develop this further with a *Lunch Bunch* panel of six viewers with webcams, who will form the eyes and ears of

the programme around the country, regularly reporting their first hand experiences and commenting on the issues of the day.

Money Box and *Money Box Live* on Radio 4 also have a high degree of interaction. The traditional Monday phone-in is now boosted by e-mailed questions and comments sent via *Money Box's* website where listeners can also listen 'live' and 'on demand'. Listeners to each Saturday programme contribute to a *Have Your Say* web discussion and their contributions generate programme investigations.

3.3 Audience feedback:

All news programmes are now much more aware of the desirability of feedback from the audiences and they all encourage texts and emails. In some areas that is causing a slight shift away from corporate news. For example, on programmes like *Breakfast* or on *Five Live*, email and text feedback suggests audiences are most interested in stories about for instance retail, housing, debt, pensions and utility prices.

Increased audience sensitivity is a hugely positive force in BBC journalism. It is having a significant influence on the agendas of certain programmes and having a positive impact on the relevance to audiences of the BBC's agenda. The BBC must be aware of the implications of this and must ensure that it continues to report other kinds of business stories which might be of equal or greater significance even if they might appear less immediately relevant to audiences. The *Ten o'clock news* and *Today* have an important role to play here and their business content is increasingly differentiated from *Breakfast* or *Five Live*.

4. ORGANISATIONAL BACKGROUND

4.1 The recent history of Business news in the BBC

Business is a key genre within BBC news. It was an area of comparative historic weakness for the BBC particularly in daily news. In the last decade efforts have been made to tackle this with, the BBC believes, significant successes but clearly there are still areas to develop. (See section six below)

The business output splits into five main areas.

- Business reporting for daily news programmes
- Daily specialist business slots and programmes
- News interactive services – online, digital text, ceefax, mobiles.
- Current affairs and factual programming
- Nations and Regions

The first wave of expansion of business coverage began under John Birt in the late 1980s. He put huge emphasis on journalistic specialism. He established the economics unit within Newsgathering as the umbrella for business and appointed an economics editor. This team was joined by the already existing radio reporters from the Financial Unit in a bi-media business news operation. Birt also invested in daily business programming launching *Business Breakfast*, an hour-long programme which ran from 0600-0700 as part of the re-launched '*Breakfast News*' on BBC 1. The team went on

to launch *Working Lunch* and provide the business coverage for *BBC World* and then *N24*. In the mid 90s they came together with the radio business programmes team in a new business programmes department.

Throughout the 1990s the daily business coverage was split between two departments. News coverage was in Newsgathering under the Economics Editor and daily specialist programmes output under Head of Business programmes who also managed all the weekly specialist programmes, like *Moneybox* and the *Money Programme*.

The second significant change happened in 1999-2000. Keen to get more impact for Business, Tony Hall, BBC News Chief Executive, created the *Economics and Business centre* which co-sited the newsgathering and daily programmes teams from across radio, TV and the nascent online operation. Then Greg Dyke arrived as DG. He publicly criticised the BBC's attitude to business and set out a strategy for change at the CBI conference in 1999.

"Our specialist programmes often get to many of the subtleties, but I want our mainstream business coverage to have a greater range and more context too - and that means editors of our general news and current affairs programmes will have to find the space to make sure we improve further."

His key initiative was to create the post of Business Editor and to recommend the then Editor of the *Sunday Business* newspaper, Jeff Randall, as the obvious candidate. Randall had a strong record as a business journalist and was known to have good contacts in the corporate world. His appointment was a highly visible sign that the BBC would no longer see business as secondary to economics.

There is no question that when Jeff Randall came into the business unit in 2000 he made a significant difference to the impact and reputation of BBC business coverage. He gave the reporting more of a corporate theme, he persuaded more senior business people to give interviews to the BBC and he delivered a steady supply of good stories himself. Other changes followed: a shake up of the correspondent portfolio, more investment in daily programmes on TV and radio and the *Money Programme* was moved from News to Factual and Learning and a new editor appointed.

In the first years of the 2000s budgets, staffing levels and output hours increased by around 30%. In addition to the much stronger newsgathering presence the key enhancements were the addition of a business slot on *Today* at 0720, launching *The Bottom Line* on Radio 4, doubling the length of *Wake up to Money*, launching *Weekend Business* on Five, extending *N24* slots through the evening and doubling the length of *Working Lunch* on a Friday. Against this has to be set the disappearance of *Business Breakfast* on BBC1 and the *Financial World Tonight* on Radio 4. Dyke's influence was also felt in the Nations and Regions where BBC Wales launched a weekly business programme called *Wales@Work*

While not at the heart of this review there has been significant expansion in business news on *World Service Radio* and *BBC World*, There are now business programming teams in New York, Singapore and Dubai and reporters in Mumbai and Brussels. Business programming forms a larger part of the global news schedule than ever before.

Jeff Randall left the BBC last year and was replaced by Robert Peston, City Editor of the *Sunday Telegraph*.

4.2 The Structure:

The creation of the Economics and Business Centre and the combining of the newsgathering and daily business programmes teams brought more coherence to the daily news operation. The Centre produces all the business news reporting for TV news bulletins and radio bulletins and summaries across Radio networks 2, 4 and Five and the general news service (GNS) for local radio and the *Asian Network* and all the daily specialist programmes from *Wake up to Money* on Five Live to *Working Lunch* on BBC 2. They also produce the business news for *BBC World* and for *World Service Radio* (although the World Service team are based at Bush House). Also in the Centre are the newsgathering personal finance, transport and labour affairs correspondents and the news interactive business team.

It is a 24-hour, tri-media operation of around 160 journalists and support staff producing 11 hours of business programming every weekday and full online and text services. There is a central planning team and there are daily editorial meetings to coordinate the journalism across the Centre.

Two news programmes have dedicated business correspondents, *The World Tonight* and *Newsnight*, which also has its own economics editor.

The weekly radio business teams do not work in the Centre but are co-sited with other current affairs staff in a different building. They make the personal finance shows, *Moneybox* and *Moneybox Live*, the business trends programme, *In Business* and the new discussion programme, the *Bottom Line*.

Outside the News Division, the BBC also makes the two business entertainment shows, *Dragon's Den* and *The Apprentice* and the *Money Programme*, which recently celebrated 50 years as the flagship for TV business coverage.

The current structure is shown graphically in a chart at the end of the report. (Appendix 1)

The Nations and Regions also cover business news. There are a correspondent and a reporter in each of Scotland, Wales, and Northern Ireland and the English regions have a mix of 14 business, transport, rural affairs and consumer affairs correspondents. In London they are recruiting an Olympic correspondent with a remit to cover related business stories. The N&R Europe correspondent in Brussels also covers a broad range of business stories from farming subsidies to 'bra wars' trade issues.

In addition to this newsgathering effort there is some specialist content. The Economics and Business Centre provides a service of daily business round ups and expert comment which is used by local radio stations. BBC Radio Wales produces *Wales@work* which has won a *Work Foundation* award for its regional coverage there is also a weekly consumer affairs programme on *Radio Ulster*. *Radio Scotland* has three dedicated slots a morning on *Good Morning Scotland*. BBC 1 in Northern Ireland has run a series called *The Next level* following the challenges facing family businesses and BBC 1 in Wales makes *X-Ray* an audience-driven consumer affairs programme which attracts a younger demographic.

4.3 How does a business story get to air?

The economics and business centre is the supplier of business news to the BBC's news programmes and networks. It is the internal advocate for business news, arguing

to get business onto the news agenda and trying to influence news editors on how the story should be covered. This is what all newsgathering specialists in the BBC do and the leverage comes from the expertise and ability to deliver. If there is a disagreement on how to do the story in the end that is a call for the editor. The *Neil Report* explicitly reaffirmed that editors were responsible for what appears on their programmes.

Stories come from many different sources either the journalists get to hear of it through their contacts or they come in via the newswires, the newspapers, as press releases, on the Stock Exchange RNS feed or a small but growing number from the audiences. Many business and economic stories are predictable and linked to data being published or companies' announcing their results. On any given day the news diary will have 2/3 business stories on it and others will happen over the course of the day. The business centre editors meet their news counterparts at 0915 each morning and again in the afternoon to discuss which stories should be covered and which correspondent should do them. There is then an editorial meeting in the Centre at 1000 to feed back to the reporting teams what is required. It is also an opportunity to debate the stories and discuss what angles different streams of output, like Five Live and N24, are doing. In addition to this day-to-day process correspondents liaise closely with the editors of news programmes and provide specific stories directly. Much of the specialist output is broadcast first thing in the morning and company stories tend to break at 0700.

The two key on-air figures, the Business Editor, Robert Peston and the Economics Editor, Evan Davis play an important influencing and educating role in addition to their on-air journalism. They work primarily for the *Ten o'clock news*, the *1800* radio 4 bulletin and the *Today Programme*, which have been identified as priority outlets for business news.

They have written submissions for this paper which are published in the Appendix.

5. THE EXTERNAL PICTURE

5.1 The competitive context

The BBC is by far the largest broadcaster of business news to the generalist audience in the UK. The closest competitors, Sky, ITV and Channel 4 news are small by comparison and Sky and ITV have been cutting back, not expanding their business coverage.

There are two dedicated international business channels, Bloomberg and CNBC, which are funded largely through financial services advertising. They broadcast for a City audience across Europe and the World and do not provide a UK focus. They talk the language of international finance and their audience base in this country is very small.

In radio terms the only direct competition for the BBC comes from Bloomberg's *Dawn traders* made for LBC. This show is broadcast early in the morning and gets 40,000 listeners compared with over a million for the *Today* business slot at 0615 and 3m per day for the 0840 slot.

The competitive strength of the BBC can be measured in its dominance of the main broadcasting awards for business and personal finance reporting. The BBC has averaged more than 10 awards a year since 2000 with winners coming from across the range of its output including Nations and Regions.

A key part of the general competitive environment is the business pages of the newspapers. Like the BBC the newspapers have invested heavily in recent years in their business sections which are of high quality. They have also moved onto the Web for example, *FT.com*, although the BBC business site remains well ahead in user numbers.

Monitoring in January showed that the BBC *Ten o'clock news* ran four business stories in the week of the 15th while ITN's *2230* ran just one. A TV bulletin contains around nine reports so are roughly equivalent to a quality newspaper front page. In the first 19 days of January, the Guardian, the Telegraph the Times and the Independent carried 42 business stories on their front pages while the BBC ran 50 business stories on the *One*, *Six* and *Ten o'clock news*.

5.1.1 First with stories:

An area where the BBC has not always performed strongly compared with the newspapers has been in breaking stories on the news programmes. The arrival of first, Jeff Randall, and then Robert Peston has helped to change that. In the past few months Peston has had scoops on Tata of India bidding for the Anglo-Dutch steelmaker, Corus; on BAE Systems' decision to sell its stake in Airbus; on a plan by the world's biggest investment banks to set up a business to challenge the London Stock Exchange; on Ferrovial of Spain winning the auction to buy BAA; and how Lord Levy told Gulam Noon not to disclose his Labour loan to the Lords Appointments Commission.

Randall also broke a number of stories, notably Roman Abramovich's takeover of Chelsea. Beyond the news programmes the BBC is often first with developments on breaking business stories through Five Live or N24 it also has a good record of generating stories through audience feedback to programmes like *Working Lunch* and *Money Box* and through investigations on the *Money Programme*.

5.1.2 Analysis:

As already described in the section on context above, the role of the news specialist is to add value to the news agenda by providing explanation and analysis. In particular, programmes look to the two editors and Peston and Davis are regularly interviewed across the output. Beyond business and economics, analysis of technology has been strengthened by deploying one of the business correspondents, Rory Cellan Jones as technology correspondent. There are also specialists in personal finance, transport and labour affairs.

The BBC looks to its current affairs programmes on TV and radio and the news interactive text pages to provide the in-depth analysis of what is happening. *In Business* on *Radio 4* has a specific remit to look at the big issues – recent programmes have covered the rise of open source companies on the Web, how Toyota's production principles are being applied to help improve NHS healthcare. It's also explored the way hedge funds work and the rising significance of private equity. It aims to interpret significant global macroeconomic issues for a general audience and in the last nine months has reported from China, India, Russia, Brazil, Vietnam, Egypt, Romania, Hungary, France, US, Switzerland. Another documentary recorded over a period of five years, tracked the development of a new HIV drug by global drug giant, Pfizer.

The *Money Programme* has done in-depth investigations on issues like tax avoidance, business surveillance, counterfeit football shirts and bank penalty charges and recently two “phenomenon” programmes, which analysed why Google and eBay have been so successful.

The main broadcast competitor is Channel 4 news which does extended news reports and the occasional special. The newspapers are strong on analysis which shades into comment, an area the BBC does not go.

In the English Regions the current affairs strand, *Inside Out*, explored a range of business stories in its last run including from the West Midlands an authored piece by a Birmingham factory owner looking at why the city has lost all its heavy industry and whether there's any way of getting it back. This involved a trip to Eastern Europe to see how why businesses are relocating there.

The online site carries huge amounts of analysis on key issues. Important news stories are accompanied by question and answers, backgrounders, features and analysis pieces. There are eight *Your Money Guides* providing in-depth information on the issues of mortgages and housing, savings and investments, borrowing and debt, taxes and inheritance, life at work, pensions, benefits and tax credits, and running a business. The website also carries regular, in-depth investigations, for example on the impact of globalisation and the state of Africa one year after the G8 promises.

5.2 External engagement:

Since 2000 there has been a regular programme of seminars at Television centre where business journalists have had the opportunity to hear directly from business people, NGOs and regulators. Senior business leaders like Justin King, Stuart Rose, Jean-Paul Garnier and Ben Verwaayen have all talked to the team. The seminar with Stuart Rose also involved the Nations and Regions correspondents. Another BBC initiative to increase business knowledge and awareness is a secondment scheme for senior BBC editors to spend 2/3 weeks at the heart of a big company. It has been running for 10 years under the Head of Radio News and some 50 editors have already been on the scheme including editors of *Newsnight*, *Today*, the *One*, the *Six* and the Controller of N24. Its aim is to address mutual misunderstandings, allowing BBC editors an insight into how a profit-making organisation runs and helping persuade the corporate sector to overcome its wariness of broadcast and engage more with the BBC.

In some areas across Nations and Regions, the BBC is involved in local business awards schemes which foster a dialogue and generate local success stories such as Radio Cornwall and the Cornwall Business awards and Radio Wiltshire which sponsors the county's annual business awards.

6. CONTINUING ISSUES:

This analysis suggests that the BBC has made significant improvements in its coverage of business news since 2000 particularly on the mainstream news programmes but clearly there is still work to be done on in certain areas. Question marks have been raised in this report over whether generalists are sufficiently familiar

with business and economics and whether they are too willing to embrace a consumer perspective at the expense of other viewpoints on a story.

6.1 Business knowledge

News editors and producers at the BBC tend to be generalists with a good command of issues across the political and social agenda but many, perhaps most, would regard business as a weaker area than say politics, international affairs, health or environment. Robert Peston writes in his submission: *'I have not detected the "hostility" to business which some critics of the BBC claim is prevalent. But although knowledge and expertise is of a high order within the BBC's business unit itself, there is probably less awareness and understanding of business among the general news staff at the BBC than there would be on a leading newspaper'*.

6.2 The consumer agenda

BBC journalists are public service employees so their main direct relationship with business is as a consumer. In that sense they mirror the majority of the active audience. But as Robert Peston points out in his submission this is a potential problem. He argues that the BBC should reflect on the "language" it uses when broadcasting about business. The language of choice is that of the consumer, the Tesco shopper, the motorist, the bank customer. It is sometimes the language of the employee but, he says, the BBC almost never uses the long-term language of the owner. *'...and yet most of us are owners, if we save in a pension fund, of every substantial UK listed company and many overseas businesses. What happens to Vodafone, to HSBC or to GlaxoSmithKline matters to all of us. Even if we think that the banks are ripping us off or that Tesco is unfairly crushing suppliers, the dividends they generate will sustain most of us in retirement.'*

The consumer perspective is very important and may sometimes be the most interesting or significant viewpoint on a business story. But BBC journalists need to be clear that it is not the only viewpoint and they need to be more aware of the *owner* perspective.

6.3 Correctives and actions:

There is clearly an important role for the specialists in guiding and advising editors. This they do in editorial meetings or in one-to-one conversations. Peston also circulates an influential daily email, called "*Peston's Picks*", which goes round ahead of the morning editorial meetings and plays into discussion of story selection and treatment. It is at times explicitly educative, at times a story spotter and at times a reflection on important developments and how they relate to audiences' lives, including their roles as owners. There are a couple of examples in Appendix 4.

The two editors, Davis and Peston are also running seminars for news bulletin writers which begin early next month. These will be recorded and posted on the *College of Journalism* website for all teams to access. Peston will explain issues like the City,

hedge funds, takeovers, buyouts, flotations and stocks and shares and Davis will explain currencies, budgets, interest rates and economic policy. In the past month, Davis has also done two seminars on economics for the business team.

The BBC's *College of Journalism* launched a website in January which will complement these initiatives and the Analysis and Research subject briefings. It already hosts all *Peston's Picks*, an analysis of key themes and an on-line learning scenario around copper prices.

There is scope for further developments here.

6.4 Nations and Regions developments:

The cultural issues reflected here are as relevant for journalists in Nations and Regions and a number of developments are being considered:

- Further best practice conferences/seminars at the N&R training centre – with senior external business guests.
- Addressing local business coverage as a specific objective for the new local television service.
- Subjecting specific business programming – particularly the consumer affairs strands – to a process of peer review.
- Exploring ways in which the reorganisation of BBC internet content under Web 2.0 can join-up network and local coverage more effectively.
- Using a new opinion-former support network for Heads of Regions in England to improve senior level dialogue between editors and local business leaders.
- Focussing one of the four annual public meetings in each English local radio area (under the new outreach advisory structure) on discussion of BBC business coverage.

7. FUTURE CHALLENGES

In common with all BBC Journalism the business teams will have to adapt to the digital broadcasting revolution. It will require closer multi-media working in order to deliver content for new platforms – *podcasts* have just started, as have *vodcasts* (video downloads for MP3 players) but on demand content is at the base of the S-curve. The economics and business centre is well placed to lead in this as radio, TV and interactive teams are already co-sited. There are plans for multi-platform commissioning building on the lessons of an on-going pilot, where the technology correspondent has been assisted by an audio/video web producer.

Audiences will be harder to attract so the team will have to produce journalism that is popular without '*dumbing down*'. This is particularly the case in television current affairs which has seen audiences slip in digital homes.

Business teams in newsgathering and programmes will also be fighting for internal resources as a licence fee settlement looks likely to result in challenging savings targets year on year.

APPENDIX 1 Chart - The structure of Business News in the BBC

APPENDIX 2 Robert Peston's submission

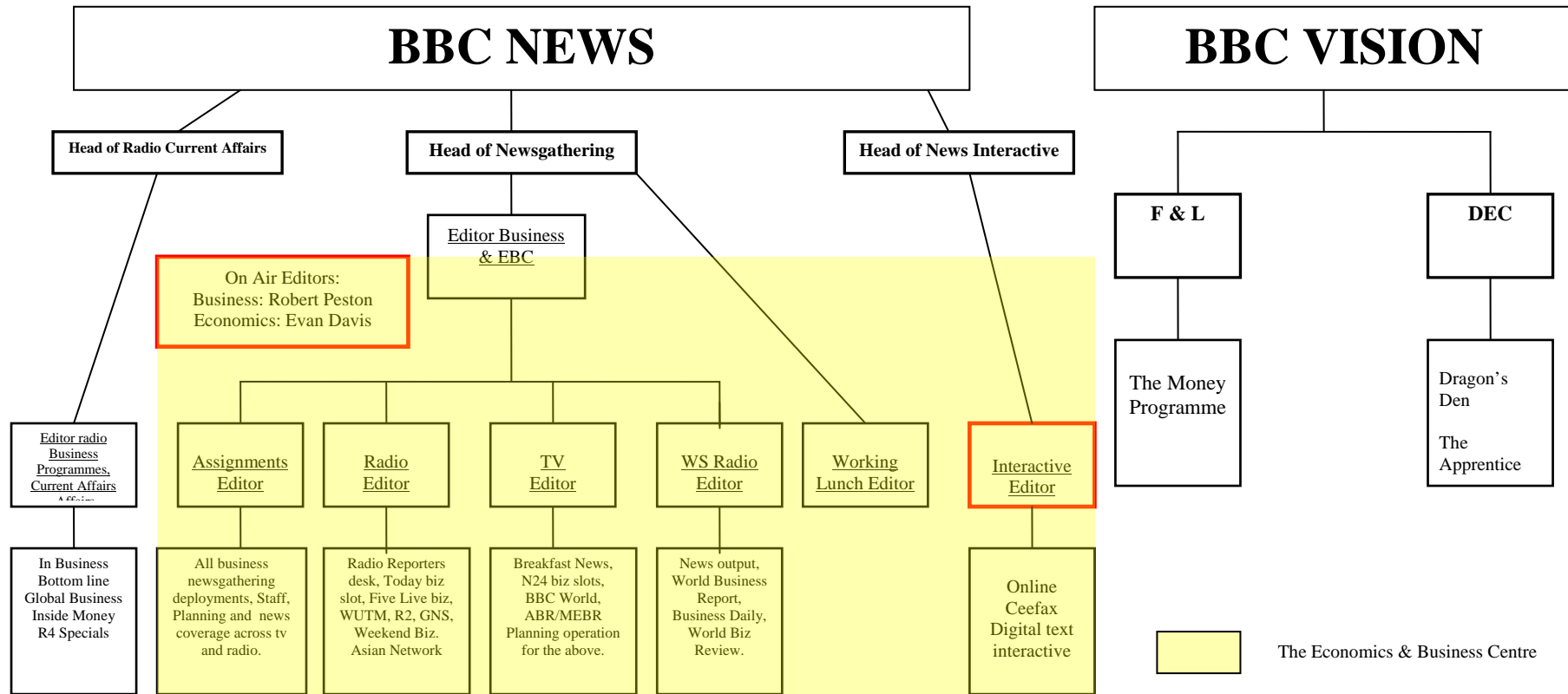
APPENDIX 3 Evan Davis' submission

APPENDIX 4 *Peston's Picks*

APPENDIX 5 Analysis and Research briefing paper on inflation

APPENDIX 1

The structure of Business News in the BBC



APPENDIX 2.

The role of the BBC Business Editor

Right now is the most exciting time in my working life to be covering business. Why? Because business – or more precisely the unleashing of market forces across the globe – is changing all our lives, mostly for the better, but also (if you are in the wrong job in the wrong place, or you have been saving in many conventional pension funds) for the worse.

That said, the relevance of business to all of us is not universally viewed as a self-evident truth, either within the BBC or among our viewers, listeners and readers. For many people, “business” is something done by other people, of interest only to them and of relevance only to them. As the BBC’s Business Editor, I therefore view my over-arching responsibility as making business stories seem exciting and relevant to the maximum number of people – and to do so without over-simplifying the issues or patronising the audience.

The democratisation of business stories is not easy to achieve. Even issues that obviously matter to all of us, such as pension reform or the challenge to our economy posed by low-cost competition from China and India, can appear dull and bafflingly complex to many. But when it comes to an issue like an attempt by an overseas stock market to buy the London Stock Exchange, well it takes time on air to explain why the story matters to all of us, even before launching into the narrative of what’s actually going on. And as for reporting on “hedge funds” and “private equity funds” – which are changing the way that our economy is owned and managed, with profound implications for all of us – the difficulty is that few of our viewers, listeners or readers have the faintest notion what these funds are or do.

Nor is there enormous knowledge of these issues and concepts within the BBC itself. To be clear, I have not detected the “hostility” to business which some critics of the BBC claim is prevalent. But although knowledge and expertise is of a high order within the BBC’s Business Unit itself, there is probably less awareness and understanding of business among the general news staff at the BBC than there would be in a leading newspaper (although it is dangerous to rely too much on one individual’s experience, I am in a reasonable position to judge this having worked at the *Sunday Telegraph*, *Financial Times*, *Independent*, *Independent on Sunday*, *Sunday Times*, *Spectator*, *New Statesman*, *Daily Telegraph*)

If my mission is to widen and deepen the BBC’s knowledge, my advantage is that I am steeped in the issues, having for more than 20 years worked in business and political journalism at national newspapers. It also helps that the BBC sees me as the face and the voice of the corporation when it comes to business issues. To that end, I am expected to broadcast regularly on the Ten O’Clock News and the Today Programme. They are my main broadcasting priorities. I also appear on other outlets, programmes (especially the 1800 news bulletin on Radio 4) and platforms (News 24 and the website) where practical.

However the position of Business Editor at the BBC is unlike the equivalent positions I held in newspapers (City Editor of the *Sunday Telegraph*; Financial Editor and Political Editor at the *Financial Times*, *inter alia*). In those jobs, affecting change was not easy, but there were conspicuous levers to pull because I managed a team of reporters and sub-editors. I had the power to hire and fire. I signed off their expenses, conducted their career assessments and had the decisive role in determining their salaries. The point is that having this explicit power to direct was a help, although change within organisations tends to happen in a sustained way only when there is a consensus about the direction of travel.

At the BBC, I do not have the power to direct in the same way. I am the senior business journalist at the corporation, but the only person I can boss around is myself. My predecessor, Jeff Randall, was in the same position, as are all the other senior reporting editors – Nick Robinson as political editor, Evan Davis as economics editor, John Simpson as World Editor, Mark Easton as home editor, and so on. What this means is that we can only exercise our responsibility for maintaining or improving editorial standards by cajoling, lobbying, leading by example, mentoring, instructing and sharing information. We are the equivalents of senior consultants in a hospital. We demonstrate best practice, in that we show how “operations” should be performed. We sell our services to the hospital trust (or, more precisely, we try to persuade programme editors to run our stories). But we have limited powers to order anybody to do anything.

Since joining the BBC on February 13 2006, my main innovation in pursuit of raising the BBC’s game in business journalism has been to send out a daily email, called “Peston’s Picks”, which goes out most mornings. It has wide circulation, going to all members of the Business Unit and also to programme editors, producers and BBC news managers. Sometimes it is explicitly pedagogic, explaining technical terms and complex business issues, directing reporters towards the important business trends, and pointing out where to look for relevant stories. Sometimes it alerts the BBC to an important breaking story and its significance. But mostly it’s an attempt to keep the wider BBC abreast of important business developments, so that they can trace the development of important stories and start to make connections between their lives, the lives of the audience and business issues. I attach a few examples.

There is also something to be said for leadership manifested through example, on showing how things could or should be done in the hope that others follow. As a reporter, my stock-in-trade has for most of my career been generating scoops – which is not, historically, where the BBC has had an edge. So I’ve tried to demonstrate that the BBC can beat any newspaper, wire service or broadcaster in the business of getting exclusives. In the past few months, I’ve landed scoops on: Tata of India bidding for the Anglo-Dutch steelmaker, Corus; on BAE Systems’ decision to sell its stake in Airbus, which turned into a long and hugely controversial saga; on a plan by the world’s biggest investment banks to set up a business to challenge the London Stock Exchange and all the rest of Europe’s stock markets; on Ferrovial of Spain winning the auction to buy BAA, owner of Britain’s airports; assorted chapters in the Royal Mail saga; and how Lord Levy told

Gulam Noon not to disclose his Labour loan to the Lords Appointments Commission (which was followed two days later by Levy's arrest).

As the Levy story shows, I frequently work with other departments, especially the political team in Millbank, to win internal support for the notion that the Business unit is not a ghetto but is at the heart of the news operation. My acquaintanceship with business people and knowledge of lending techniques has, I think, been helpful to our coverage of the so-called "loans-for-honours" affair. The more general point is that business knowledge can be useful when generating the widest range of stories and issues.

Looking to the coming year, my ambition is that the BBC should reflect on the "language" it uses when broadcasting about business. Its language of choice is that of the consumer, the Tesco shopper, the motorist, the bank customer. It's often the right language for a particular story, but not always. What concerns me is that it is the language of the short-term, of this week's purchase. It does not address the longer term issues of how a fair, prosperous society is created.

Occasionally we use the language of the employee in our coverage - the employee whose job is at risk or the lucky few who are in demand. This at least has the merit of being a bit more medium-term in its outlook. But we almost never use the long-term language of the owner. And yet most of us are owners - if we save in a pension fund - of every substantial UK listed company and many overseas businesses. What happens to Vodafone, to HSBC or to GlaxoSmithKline matters to all of us. And even if we think that the banks are ripping us off or that Tesco is unfairly crushing suppliers, the dividends they generate will sustain most of us in retirement.

To conclude, the BBC needs to find a language for business stories that is inclusive, not ghettoising and exclusive. That doesn't mean being pro or anti business: for me, such judgements are category errors, in any case. We should be arms length from individual companies, rigorous in describing exciting innovations, fastidiously accurate when exposing scandals. Anyone watching or listening to our coverage should think "this is about me, and it matters".

Robert Peston,
January 2007

APPENDIX 3.

The Role of the Economics Editor

The role of economics

1. There is a distinction to be drawn between business and economics, although there is a very large grey area between the two. In general, if a story has a company name in it, it's business. If a story is about a statistic, it's probably economics. But we try not to get caught up in pointless demarcation disputes. The distinction is not always recognised by programme editors anyway.

2. Economics used to be the more extensively covered subject. There was a monthly cycle of macro-economic data that could usually expect a prominent place in the news bulletins. Economics was generally considered important as it delivered a continuous stream of ups and downs and crises that affected people's daily lives.

3. In the last fifteen years, two things have changed.

First, policy-makers have succeeded to some extent in making macro-economics boring.

Secondly, as broadcast news has become more competitive, broadcasters (including the BBC) have strived far harder to frame a news agenda in line with audience interests. It is less common than it used to be for us to cover things simply because "we've always covered them", or because "we need to provide a bulletin of record". (By way of example, a bulletin editor explained to me three or four years ago that we did not need to cover the annual Mansion House speech, unless the Chancellor said something the audience would find interesting. It is hard to argue against that kind of news judgement).

To some extent, the old tradition of macro-economic coverage has been – quite rightly in my view – a casualty of these two factors.

When I arrived as economics editor in 2001, one major goal was to help assuage programme editors of any last vestige of guilt they might have felt at not reporting small changes in monthly statistics. Previously, I suspect they had thought economics of that kind was "worthy but dull". My view was that it was simply dull.

4. Just because the old style of economics was no longer quite as relevant as before, did not mean the audience had no interest in money, or the economy, or the way that goods and services were provided. The news bulletins evolved a greater interest in "business".

5. And at the same time, economics at the BBC has enjoyed something of a re-invention. We may have less on the trade statistics, but we have more about globalisation. There are still several very prominent roles for economics on the news, as opposed to business.

- (i) Macro-economics may be less volatile than it used to be, but it still has its interesting days. We continue to cover the general macro-economic story as it evolves, even that is a less routine business than it was.
- (ii) There are a number of “new” economic topics that have pre-occupied the audience, ever more responsible for their own personal financial decisions: for example pensions, house prices, debt and insolvency.
- (iii) Above all, there is micro-economics. This has a large and constructive role to play in news bulletins. For example, migration, transport policy and health service reform are topics that would traditionally never have found their way on to the economics correspondent’s patch, but all have received extensive attention from the economics team this year.

6. There are still general challenges in presenting economics in the news. Most notably, it tends to move rather slowly, so it is easy to dismiss an economics story as unimportant on any particular day, even if it represents an important trend. In addition, economics is pretty complicated and hard to explain without falling foul of one of the various journalistic goals – accuracy, comprehensibility or brevity.

The role of the editor

6. The job of the economics editor is:

- (i) To be a leading reporter of economics news on some of the most prominent programmes.
- (ii) To explain the subject matter in greater depth and with more personal judgement than other reporters.
- (iii) To guide the programme editors on the economics agenda. (In practice, this means two things: dampening their natural journalistic enthusiasm for over-reaction and exaggeration. And ensuring they give some weight to the themes or developments that are important, but not moving day to day.)
- (iv) To guide, but not dictate to, other reporters in the BBC who are covering economics.
- (v) To promote economics and the economic mindset in the BBC generally, where appropriate.

7. One can easily imagine the role successfully being filled in a number of different ways. However, in my case an enormous amount of effort in the first and second roles – perhaps the bulk of the effort – goes into *presenting* economics well for a mass audience.

8. The effective presentation of economics places a strain on some traditional, narrow views of impartiality. It is not possible to simply report economic “facts”, however often the audience asks us to “stick to them”, simply because for normal people the facts are meaningless. (Raw retail sales data is not helpful to people in making assessments of high street trading conditions).

As the former economics editor, Peter Jay, sometimes said: it is *not* the case that “comment is free and facts are sacred” as is often supposed. In economics, facts are in abundance. There are too many facts for anyone to digest. The valuable work is in putting a shape to the facts, even if that requires some personal professional judgement.

In economics – perhaps more than in most other subject areas – it is important to link facts, explain the data, and make clear how different economists might interpret it. Perhaps the true role of the economics editor is to make the judgements necessary to do those things.

9. Notwithstanding the previous point, in areas of clear and major economic controversy, impartiality is a more straightforward goal.

In coverage of an issue like membership of the euro for example, the very point of the presentation is to explain the arguments used by each side, and to help the audience understand them and their implications

And in an area of particular controversy, it is not the job of the economics editor to pass final judgement. It is ok for the editor to explain that “More needs to be done if the government is to hit its child poverty target”. It is not ok to say “More needs to be done about child poverty”.

10. It is not a goal to be impartial between sense and nonsense. In an area where there is a clear expert consensus, it is right for the audience to be told that. If statistics are presented misleadingly, the implications should be spelt out for the audience (as long as misleading claims of both sides to an argument are given equal weight).

How are we doing?

11. The previous sections raise various issues in coverage of economics, and it is only possible to give the briefest of assessments. The following points are my own personal judgements or observations.

12. In presenting economics comprehensibly to a wide audience, we are far more ambitious than rival broadcasters. We make more effort to advance understanding without sensationalising. And I think the audience recognise that we have a lead in that.

13. In delivering economics impartially, I like to think we are performing adequately. That may not be the case. But the systematic complaints of bias that I personally receive are often unconvincing simply because they ascribe views to me that I do not hold.

14. In explaining the broad economic agenda to the audience, I think we can always do better.

For example, while we have given prominence to the issue of out-sourcing, and while we have got well beyond the line that “more jobs are being lost to foreigners”, I still don’t feel the audience has a real understanding of how this country’s economy adapts as jobs move off-shore.

Or, to take another example, I don’t think most of our general audience would know that huge Chinese savings have played a large part in the decline of real interest rates in the last few years.

These are challenging topics, but not insurmountably difficult to explain. And we need to maintain our ambition to take the time to do so.

15. In my view, the biggest challenges in our economics coverage are faced by those providing the business slots on the continuous TV services.

These slots suffer various disadvantages relative to the mainstream news output.

- (i) They are poorly-resourced.
- (ii) They get far less time and attention from the specialist editors, who put their efforts into the higher profile outputs like the Ten O'Clock News, making it hard for the business slots to offer original insights.
- (iii) And perhaps above all, they have a less clearly-defined role than other outputs. They don't know their audience as well. For example, they often have to balance the competing demands of a specialist business audience, with the needs of the general audience, leaving them somewhere between the two. They face competition from specialist business channels, but can't allow themselves to become too like Bloomberg, for fear of alienating the non-business viewers.

Evan Davis
January 2007.

APPENDIX 4.

SELECTION OF PESTON'S PICKS

18th Jan.

The hedge fund bezzle. It wasn't a bad year for hedge funds. They rose 13.86 per cent in 2006 on average, almost double what they made the previous year, according to the Credit Suisse/Tremont hedge fund index.

But that performance – which, to be clear, isn't particularly special – doesn't come cheap. Hedge fund managers charge 2 per cent in annual charges and take between 20 per cent and 40 per cent of any capital gains made by the invested funds. The rewards for the managers are stupendous, which is why so many bankers, brokers and hedge funds have set up hedge funds in recent years. Thus the ten partners at Sloane Robinson, a successful UK hedge fund, shared £208m between them in the 16 months to last March. For the avoidance of doubt, that is £20m plus per partner.

Nice work, you might think. But hedge-fund superstars in the US do sooo much better: they make ten times that. However, if you're an investor, you shouldn't care about that, so long as you're making a nice return on the money you're giving to the hedge-fund managers. And top hedge funds, like Atticus or TCI, may well be worth the fat fees. They generate returns well above that 13.86 per cent average: 40 per cent plus is not unusual.

You of course can't give your money to an Atticus or TCI. The top hedge funds don't want your savings. They've got investors queuing up to give them cash. And many of them are turning it away, fearing – rightly – that when a fund reaches a certain optimum size, diminishing returns set in.

Mostly it's only the new or crappy funds are open to new money. So the average return of 13.86 per cent is probably a guide to what is actually available. And here's the thing. Anyone who simply bought the US market or the European market via a cheap index fund would have done much better. The Dow Jones Industrial Average rose about 17 per cent last year. And the FTSE Eurofirst 300 – which measures the performance of European share markets – gained 16.3 per cent. And if you shop around, you can pay 20 or 30 basis points in charges for a decent index fund, compared with up to 2000 basis points on a hedge fund (one basis point is 0.01 per cent).

So here's a reason to be depressed. Your pension fund – and yes, I mean you – has been reducing its exposure to equities over the past couple of years, while they've been storming ahead. And it's been increasing its exposure to so-called alternative assets – or hedge funds and private equity – just as their returns look set to fall to the mean, or even possibly deflate like a pricked bubble.

16th Jan:

Tescoland. Forget what Gordon Brown and David Cameron say. On the basis of its trading statement, what binds the Union is Tesco. Its British sales growth over Christmas was stupendous. On the face of it, Tesco's UK figures were significantly better than Sainsbury's, even as Sainsbury powers on with its recovery (though direct comparison is difficult, because they report for slightly different periods). And Tesco's surge was across the board, but particularly marked in non-food, in its "convenience" locations and via the internet. What's more, its overseas performance was literally stunning.

The big point is that Tesco is still winning market share in the UK. Which really puts the Competition Commission on the spot just days before it's due to give a preliminary view on whether Tesco's market clout is now excessive.

November 10th:

Please be careful when using the terms "bid" and "bidder". They are terms of art with precise meanings under the takeover code.

So companies that make "takeover approaches" for other ones – such as Iberdrola's for Scottish Power and NTL's for ITV – are not bidders and they have not made bids. It is better to say that they are "suitors" or - better still - that "they want to buy company X".

But when is a bid actually a bid? Well any formal bid has to be announced to the stock market. And the price and terms of the offer have to be published in the stock-market announcement. Without publication of the price and terms, there is no bid.

In other words we can say "Iberdrola told Scottish Power it wanted to buy it and is working on a possible bid". By contrast, it is correct to say "Tata Steel is bidding for Corus" or that "Bonkers PLC has made a £1.2bn bid for Pesticco".

Why do these nuances matter? Well to the putative bidder, they are almost a matter of financial life and death. If a company makes a takeover bid prematurely and at the wrong price, the cost will be a combination of public humiliation, losses and expensive litigation.

Now, most of you know this. But these distinctions are often glossed over in cues and in online headlines and blurbs - which is what viewers, listeners and readers tend to notice. So I would recommend that we pay special attention to cues, headlines and blurbs.

Coming soon (well probably) will be answers to the following questions:

"What do people mean when they say shares are cheap or expensive?"

"How would we judge whether profits are excessive?"

"Is the concept of 'big' useful when talking about companies and their profits?"

"What is a 'successful' company?"

Robert Peston

Nov 9th

I have detected a bit of confusion around these parts about the pricing of whole companies. So here are the basic concepts.

"Market capitalisation" is simply the share price multiplied by the number of shares in issue. However "enterprise value" is the market capitalisation plus the debt in the company's balance sheet.

Thus if Pesticco has a market cap of £1bn and has borrowed £500m, it has an enterprise value of £1.5bn (1 plus 0.5).

Why do you need to know this? Well it is particularly important to understand this distinction in takeover bids, because sometimes the bidder or biddee cites the market capitalisation as the value of the takeover and sometimes they cite the enterprise value.

Now, in general I think we should use the market capitalisation approach when reporting on a takeover and also when saying what a company is worth. So if Pesticco has 1bn shares in issue and Bonkers PLC offers 120p per share, then we would say that Bonkers' offer valued Pesticco at £1.2bn.

There is one main exception to this approach and that is when we are talking about takeovers by private equity firms or by their close cousins, the infrastructure funds. Here the enterprise value is a useful concept. Why? Because it gives some indication of the scale of the challenge faced by a private equity fund. What I mean by this is that the private equity bidder can only make a profit on an acquisition after servicing and paying down the debt it is taking on in the deal. The bigger the debt relative to the cash flow of the target company, the harder it is to make a profit and the greater the risk that the deal will be a disaster, to the detriment of all and sundry. And that's why we used the enterprise value recently when talking about the proposed sale of Thames Water to Macquarie.

Equally, it is often sensible to use the enterprise value when talking about the sale of subsidiaries of companies (and Thames Water is, as you will remember, a subsidiary of RWE). The reason is that a company selling a business has considerable discretion in deciding how much debt to include in the business being sold. Also valuing the equity in a subsidiary is a surprisingly inexact science. And for the purchaser, the price is the price is the price, as they say. Of course, the balance between debt and equity matters, but the big number is the big number.

Confused? Come and talk to me.

Robert Peston

APPENDIX 5.

December inflation figures

Summary

The Office for National Statistics published the inflation figures for December on Tuesday, 16 January at 09:30.

The headline CPI rate rose from 2.7% to 3%, the highest level since 1997. Most of the rise was attributed to higher fuel costs, which were linked to the 2p per liter increase in fuel duty which was introduced in December.

The figure is just short of the 3.1% level that would have triggered the first ever explanatory letter from a Bank of England Governor to the Chancellor. Prior to the release of the figure, some analysts had been speculating that CPI could be as high as 3.1%, following last week's surprise interest rate increase whic. Analysts will now have to wait until the release of next week's Inflation Report for more detailed thinking behind the Bank's interest rate decision and its outlook for inflation.

Retail Price Index inflation, which includes mortgage interest payments (and is used for uprating pensions, social security benefits, and wages) rose to 4.4% in December from 3.9%. The new figure is the highest since December 1991.

Full details

CPI inflation has now been above target for eight consecutive months, prompting the Bank to increase interest rates three times in the past six months. Two of these increases (August and January) have been a surprise.

The Office for National Statistics (ONS) said on releasing the inflation figures that the 4.4% RPI increase was largely due to the November rate hike, which sent mortgage payments higher.

Electricity and gas contributed to the CPI rise, having now reached a 10 year high annual inflation rate of 30.2%, according to the ONS.

Furniture and household goods also saw the inflation figure jump, with prices of furniture showing their largest month-on-month rise in 10 years as retailers put their prices up ahead of the January sales.

The cost of food and non-alcoholic drinks fell since November, as did the price of clothing and footwear.

January's inflation figure is set to come under further upward pressure from increasing energy bills imposed by Scottish and Southern Energy on New Year's Day.

The cost of a first-class stamp is due to rise by 2p to 34p in April, while mortgage rates will also increase following last week's interest rate rise.

Background

Following last week's surprise interest rate rise by the Bank of England, there is *some* speculation that the headline CPI number will be more than 1% above the Bank's 2% target. (This is because the MPC is likely to have had an advance estimate of Tuesday's figure, which some analysts say could be as high as 3.1%). However, a poll of economists questioned by Reuters gave an average CPI figure of 2.8%.

If inflation comes in at 3.1% or above, the Bank's Governor, Mervyn King, will have to write an open letter to the Chancellor explaining why this has happened and what course of action the Bank is planning to take in order to get inflation back on target. In the event of this happening, it will be the first time a Bank Governor will have had to write such a letter since the Bank was made independent in 1997. If CPI comes in below that level, commentators will have to wait until next week for the publication of the MPC's January minutes for an explanation why it increased interest rates a month earlier than markets had been expecting.

Click [here](#) for more on the January interest rate decision.

1. Inflation Target

The Bank's inflation target is 2% on the Consumer Price Index (CPI). During the 2003 pre-budget report, Gordon Brown announced that the inflation target would change from RPIX to CPI with effect from January 2004. Previously, the Bank's RPIX target had been 2.5%.

Click [here](#) for more on CPI and why it was introduced.

High energy bills pushed CPI to 2.7% in November 2006, its seventh successive month above target and the highest level on record. The broader all items RPI, which is used for uprating pensions and benefits - and is considered by many economists to be a better gauge of the cost of living - is currently 3.9%.

The Bank is concerned that rising prices will feed through into inflationary pay deals, as workers seek more favourable wage settlements to compensate for the higher cost of living. This is why the MPC took pre-emptive action with its two interest rate rises in November and January.

Some economists, including Roger Bootle, the managing director of city think tank, Capital Economics, and the economics team at Citigroup believe that interest rates might have to rise to 6% before inflation can fully be brought back under control. Bootle also believes

that low interest rates have led to an expansion of cheap credit, not only in the consumer and housing markets but also in the financial markets. The result of this has been booming asset prices and artificially low interest rates.

A key question for economists is whether the UK's consumer-weighted economy can withstand a period of higher interest rates without losing momentum. In 2005, the UK housing market and consumer sector slowed sharply in response to higher interest rates, halving the UK's growth rate from a projected 3-3.5% to 1.8%. There is also the risk that higher interest rates could end up slowing the economy without actually bringing inflation down. However, for the time being the weaker growth scenario is looking less likely. For one thing, business investment and capital spending have picked up, suggesting that the corporate sector could pick up the slack if the consumer and housing markets slow.

There is also the possibility that inflation will subside without rates having to rise significantly for it to happen. Of the current 2.7% headline CPI figure, 0.8% is comprised of energy costs which are likely to fall considerably over the coming months.

Inflation since 1990

Years	RPI	RPIX	CPI
1990	9.5	8.1	7.0
1991	5.9	6.7	7.5
1992	3.7	4.7	4.3
1993	1.6	3.0	2.5
1994	2.4	2.3	2.0
1995	3.5	2.9	2.6
1996	2.4	3.0	2.5
1997	3.1	2.8	1.8
1998	3.4	2.6	1.6
1999	1.5	2.3	1.3
2000	3.0	2.1	0.8
2001	1.8	2.1	1.2
2002	1.7	2.2	1.3
2003	2.9	2.8	1.4
2004	3.0	2.2	1.3
2005	2.8	2.3	2.1
2006	3.2	2.9	2.3

2. The Letter

The Governor of the Bank of England must write a formal letter of explanation to the Chancellor if the inflation rate is more than one per cent above the official target of 2%.

This means that the trigger for a letter would be CPI at 3.1 %. If the estimate that the Bank saw last week was 3.1% or above then Mr King will have already begun to draft the letter.

Under the 1997 conditions granting the Bank independence, if the Governor has to write an explanatory letter, the Chancellor expects to receive it on the same day as the inflation figures are published.

The Bank's press office will publish the whole letter at 10.30 AM on the day.

The letter must say:

- On behalf of the MPC the Governor must notify the chancellor that inflation has gone over 1% above/below the target;
- Explain why this has happened
- What policy action the Governor is taking to get inflation back on target
- The period within which the Governor expects inflation to come back to target;
- And how the MPC's response is consistent with the government's monetary policy objective (i.e. economic objectives - both for price stability and high and stable levels of growth and employment)

If inflation remains 1% above or below target, the Governor must write a follow up letter after three months.

3. CPI vs RPIX

CPI is actually quite similar to RPIX. Both provide a measure of the changes in the cost of buying a representative basket of goods and services. But, although they use broadly the same information, there are several key differences, including how they are calculated.

For instance housing costs – such as buildings insurance and council tax – are given much more weight in RPIX. Dropping RPIX in favour of CPI has made it harder for the Bank of England to correctly gauge what effect the notoriously volatile UK housing market is having on the economy. Some analysts argue that the official CPI figure underestimates the true cost of living because it does not include housing.

RPIX also excludes spending by the very highest earners.

CPI also includes the residents of institutional households such as student hostels, and also foreign visitors to the UK. This means that it

covers some items that are not in the RPIX, such as unit trust and stockbrokers fees, university accommodation fees and foreign students' university tuition fees.

CPI was introduced to make it easier to compare how the UK economy is doing on inflation compared with Europe.

Except for a period in the early 1990s, RPIX has been higher than CPI inflation. This has been because housing costs have soared in the UK. However, RPIX does not include mortgage interest payments, unlike the all items RPI.

Although RPIX was the former inflation target, the Government uses RPI to uprate pensions, benefits and index-linked gilts. It is commonly used in private contracts for uprating of maintenance payments and housing rents. It is also used for wage bargaining.

Economist Contacts

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