



Communications and Digital Committee

Corrected oral evidence: BBC future funding

Tuesday 5 April 2022

3.30 pm

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Members present: Baroness Stowell of Beeston (The Chair); Baroness Buscombe; Lord Foster of Bath; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Lord Lipsey; Baroness Rebuck; The Lord Bishop of Worcester; Lord Young of Norwood Green.

Evidence Session No. 9

Heard in Public

Questions 74 - 80

Witnesses

I: Claire Enders, founder, Enders Analysis; Antony Walker, Deputy Chief Executive Officer, techUK.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Claire Enders and Antony Walker.

Q74 **The Chair:** I am pleased to welcome two new witnesses: Claire Enders and Antony Walker. Would you like to introduce yourselves briefly before we get straight on to the questions?

Claire Enders: I am the founder of Enders Analysis. I have been a media and tech analyst in this country for more than 35 years. I am Scottish; I am a Scottish taxpayer and my business is resident in Scotland. I come before you as a Scottish person.

Antony Walker: I am the deputy CEO of techUK, a technology trade association in the UK that has in its membership a broad swathe of the kinds of companies you have been talking about today. We do not have the BBC as a member, but we do have other providers of content and connectivity, including the previous two witnesses you have heard from today.

The Chair: Thank you. Moving on, you will have heard from the session just before yours that we have been looking at technology, how it is evolving and what that means in terms of opportunities, barriers and various different trade-offs. In the wider context, we are looking at the BBC's future funding. We are keen to hear from you how you see the impact of all this development on the industry and users. We are very keen to hear your analysis, as much as you can give it, in looking to the future rather than looking at how things are today.

Q75 **Baroness Rebuck:** Welcome to both of you. As you have heard, much of our evidence not just today but over the past few weeks has pointed to increasing online viewing. We had one witness who suggested the possibility of a second digital switchover, with the BBC and others moving from linear delivery to on-demand TV, with a consequent loss of universality and a likely increase in cost for the consumer, whether it went fully online or was part of a hybrid subscription model. At the same time, we have heard evidence about the challenge of internet connectivity across the UK. Claire's company's very interesting report suggested that around 8 million viewers currently choose to access only free-to-air TV. The question is, what are the benefits and the risks? For that matter, what is the likelihood of a transition to fully online viewing?

Antony Walker: I listened to the earlier session with a lot of interest. There is a truism in the world of technology that, when we look at the incredible pace of change of technology, we sometimes have a tendency to overestimate the impact of change in the short term and underestimate its impact in the long term.

On the question about digital terrestrial switch-off, you can see the potential for that but, from our perspective, there are a great many practical and real reasons why that future may in truth be some way off. We heard about some of them in the previous session. In particular, as we have seen from other examples, there are real practical challenges in

switching off previously universal services, and those challenges are particularly around some of the most hard-to-reach places and people. There is a real risk that, as we have seen with radio, you find that, at a political level, it becomes difficult to make that change happen as quickly as you may think is technically possible.

Baroness Rebuck: In terms of timing, you were here so you heard one of our previous witnesses say that it may be 2030.

Antony Walker: The fundamental question will be this: at what point can you have a universal broadband infrastructure that is capable of carrying the weight of the previous terrestrial traffic? Although we are making great progress, we know that there are these very hard-to-reach premises—probably about 100,000 of them—in the UK. We are going to struggle to get to them before the early 2030s. Even when we do, those premises will not be getting full-fibre connectivity. They will get a fixed wireless access solution, or something else, which will not deliver the kind of connectivity that most of the rest of the country will have. So there is a significant small number of premises dotted around the country for whom digital terrestrial switch-off would be a real issue of concern. My estimate is that they would be a very vocal minority.

Baroness Rebuck: Claire, feel free to comment on the technical barriers, but I think your work has looked at the behavioural barriers as well.

Claire Enders: I just want to make two comments related to what Antony spoke about and what the Arqiva witness suggested in relation to radio. There was a plan, which was broadly agreed but also cost around £500 million, to effect the transition. Let us not forget that substantial resources were applied to this. Dare I say it, the radio sector is not significant enough to find these resources. The overall income of radio advertising is not very far north of £500 million anyway.

I also want to make a point that is supplementary to all the other ones that have been made about universality and how to obtain it. Agreement would have to be reached with neighbouring countries on radio spectrum retiral. Those agreements take a long time to reach and must be respected. Security services use the radio spectrum, alongside its many other uses. You cannot just have a coup de tête as the Prime Minister and say, "Gone". You cannot cancel a very complex situation. These are not treaties that you can tear up.

Baroness Rebuck: I think there are going to be questions on radio in a second.

Claire Enders: On the consumer side, as an analyst of almost 40 years' standing, I have never heard any arguments about the utility to the consumer of switching off this particular set of services and putting them on subscription. I know that, as a country, we have spent decades arguing these points about advertising and whether that would go on the BBC, subscriptions and so on. There has been enormous passion for the subscription argument. During those heady years when the Netflix share price went up, it looked like a peach of an idea. As an analyst of almost

40 years' standing, I have seen many fashions go through the political economy. I have seen many politicians advocate outcomes that are zero-sum games. When Netflix launched, Sky was written off. Today, its turnover is £11 billion in the UK. I have heard every single version of this. Channel 4 has been repeatedly condemned to being out of business, even by its own management in 2009, within a breath of history.

I have heard every version of the zero-sum game but no one has ever landed an argument for it. That is why, on page 5 of the slides that I prepared in advance and have circulated, I thought it might be helpful to fillet down the problem of subscription—since that is the only leading idea—to the TV bubble, which is £1.6 billion of expenditure. We should look at that and say, "Which bits of that should be subscription-only? Would it be worth it to the consumer to have conditional access to these bits of TV drama?" For the rest of it, I have to say, as we have heard, it is about the consumer impact of taking away trusted and loved services. As for radio, forget that.

It is also about utilities. The gentleman who was sitting here talked about energy efficiency. I can tell you one thing: the BBC's radio and TV services are the cheapest thing that people can do in this country apart from breathing air. The streaming services are now collectively responsible for emissions globally that are closing in on those of the airline industry. They are so inefficient that it is unreal. That is not the right way for our country to go. We have old equipment in people's homes that they know how to use. We have people with disabilities who know how to use one set of equipment who do not want to use others. There is an element of *Brave New World* around a conversation about retiring hundreds of millions of gadgets and appliances. So complicated is the infrastructure here that only a Netflix or a Sky is able to address the 50,000 different codes that you need to address consumers; no one else can.

I am saying that if you could find an argument in which it would actually be cheaper for people to get radio services, information or TV in this way, that would be incredible. However, as you see on page 7, staring me in the face is the fact that the licence fee is five cappuccinos on a good day in a cheap location—and four at Starbucks—a month. Looking at this panoply of things that are in front of you, I do not even see Lord Grade's argument that the licence fee is expensive. When you look at how much people consume, it really is just about like breathing.

Baroness Rebuck: Very briefly, because I am conscious of time, could I ask you a more general question, because it would be helpful to have you on the record on this? At another hearing, you mentioned that the licence fee in various European countries has been replaced in more progressive ways. I am wondering, based on what you just said, whether there is any alternative model that you feel should be explored by the BBC, irrespective of everything that we have been talking about. Or are you saying, "It's the licence fee but, if you need to, maybe look at drama for subscription"?

Claire Enders: I understand the arguments about how the licence fee is not perfect; we all understand that. I myself have felt pain in my heart that it is primarily women who do not seem to understand what the letters say, and I know that Age UK and the BBC are working hard to try to correct that. I think there are a lot of administrative elements there. Free licences for the over-75s made life very easy; everyone over 75 had a free licence, and no one had to contend with these mysterious letters demanding this, that and the other and offering you three different payment plans, none of which you understand.

I have looked at all the alternatives and at decriminalisation. Age UK made a very intelligent argument about how there would be real disbenefits from changing the system for these 8 million people I have identified who do not subscribe at all. I have provided figures for ease of reference. I know that you guys are eternally young—and that there is a perception that people who are 18 dislike the BBC and therefore it should be done away with, since it is not central to their consumption right now. Actually, if you look at page 10, you will see the figure of 31% of those in the UK aged over 55, and the average age of the country is over 42. I am afraid that a large number of people are wedded to their existing habits, come what may, and there are a wide number of habits. So I have to go with what Age UK says, and, if it thinks people over 75 would have enormous difficulty understanding a change even in the legal status of the licence fee, I can tell you that it is difficult.

I have looked at all the other models. Other countries, Germany in particular, went to a household fee to bump up the total level, which is around €191, the highest licence fee in Europe. There was a universal understanding there—Germany was not a right-wing country at that time, and is not now, but this is a right-wing country, which has different views about funding mechanisms—that a household tax would be a better option. There was universal political buy-in, except from the extreme right wing in Germany, that that was the right course. So 90% of the political landscape approved that change, and it was thought fair.

In other countries, which are smaller, there have been movements to various other, more progressive methods—

Baroness Rebuck: We have had evidence from various countries but I was interested in your opinion—and what I think I am hearing is no, there is not another model.

Claire Enders: Again, my question is: what is the problem that you are trying to solve? What are you going to make better for the BBC, for consumers, for network use or for anything else that you can think of? Changing a system, even decriminalising the licence fee, has an apparent significant risk for a very large group of people in this country—almost 4 million, an appreciable number—and everyone else in between who has a struggle with dealing with this. You would have to say, “Oh, Claire, we’re going to spend hundreds of millions to change the system to address a small subscription element of TV drama at the BBC”. I have to remind you that it is only Netflix that converted people. Until 10 years

ago, around 40% of the country had never subscribed to anything. That is why I put the slide about Netflix at the back.

Baroness Rebuck: We have the evidence and that will be published. Thank you, that was really interesting. I am glad we heard you on that subject.

Claire Enders: There is no change that is worth making.

Baroness Rebuck: I hear that.

The Chair: It is worth us keeping in mind that in this inquiry, which is about BBC future funding, we have started by asking what the value is of a national broadcaster and how we can ensure that the value it provides continues in a world that is increasingly changing in terms of technology and people's viewing habits. That then leads to questions about the way in which these things are funded. That is why we are looking at this issue in the round.

Q76 **Lord Lipsey:** I go back to focusing on what may be the more manageable subject of radio. When we went for the analogue switch-off of television, frankly, I thought there would be rioting in the streets. I was completely wrong; there was no rioting. It was well-managed, because it was very well-lubricated; this incredibly valuable spectrum was made available, which meant that people were prepared to spend large sums of money on doing it.

I say that by way of a preliminary because we have to make political as well as economic judgments. I must find that I find the prospect of turning off our existing radios politically scary. I just cannot imagine, when I get home at half past seven at night, finding that my wife has just failed to get "The Archers" on the radio that she keeps in the kitchen. My question is: is there a way out of that, or should we stop bothering with switching off radio and make it a price we pay in order to keep old people happy?

Claire Enders: I am afraid the answer to that is that we have to. When BBC Radio 6 Music was cancelled, there was an absolute public outcry. I am afraid that people who listen to radio are devoted to those communities. They may not seem like significant communities, but they can be very loud when there are hundreds of thousands of them.

People do not understand how inexpensive radio is; it does not cost people anything. It is entertaining, mobile and extraordinarily efficient—energy efficient and information efficient—and it is something that we are used to doing a great deal of.

There have been outcries every time that something has been switched off. In the TV switchover, as you say, there were enormous amounts of lubrication and excellent co-ordination across every single body to make it friction-free, although there were still issues with older people. So yes, you have to have a huge head of steam. In that case, the spectrum was worth around £4 billion to £5 billion, which would certainly not be the case for radio—not in a million years—so there had to be a huge head of steam.

Antony Walker: I have a couple of things to add. Radio is interesting because there is an incredible installed user base of all sorts of sometimes very old devices that people have great affection for. There is the significant issue of in-car use, which is very difficult to get around and requires a lot of co-ordination with the automotive industry and so on. This area has proved to be difficult, because the utility of radio, which Claire has just discussed, is very high, and the benefits of that switchover are really quite small.

On the digital TV switchover, compared to digital terrestrial TV switch-off, it is all about the alternative network that you would move consumers to. It is therefore about the availability of that broadband network—but then it is about consumers' ability to access those services. Although the vast majority of people are able to access broadband services very easily, many will find it a very difficult process. As ever, when you look at these switchover issues, it comes down to a small minority of consumers who will experience significant difficulty because of either their location or other factors. That is a societal issue.

Claire Enders: But, in this particular case, let us be clear that there are also hundreds of millions of devices to replace. There are many radio devices in cars and all kinds of other appliances. This is on a completely different scale than television sets, in terms of numbers of devices. I would use the word "impossible"—it is impossible to contemplate switching off radio.

Lord Lipsey: The counter-argument would be that, yes, there is a generation that sits in the kitchen listening to "The Archers" but, as that generation goes to meet its maker, a younger generation, brought up on totally new things, will come forward and will not feel like that at all. They will be used to chucking things away every six months, so having to buy a new radio will not be a big deal, especially because it thinks that it will get better reception, or whatever. So although I tend to agree with Claire, there is a counter case to be made, one that needs to be argued through very carefully on both sides, without undue rush.

Claire Enders: Lord Lipsey is very good at reading wonderful charts, and I am sure that he can read demographics, so he knows that, today, we are 50 years away from the moment where whatever it is that people are listening to in the kitchen, in the car or on their bikes is completely different from what it is today. We are looking at a range of different services used by everyone in the population, including four year-olds and 10 year-olds. BBC and other radio services are used ubiquitously by the population today, and it will always have them going forward. People even grow up and suddenly switch on to Radio 4 at some time in their 40s—they do not do that in their 20s. The idea that someone who does not do something today with BBC or commercial services will never do so again is not a correct view. I say that as an analyst of 40 years.

Q77 **Baroness Harding of Winscombe:** I ask this with some trepidation, because I think that this will be quite heretical in the media group that this is. When I hear the argument that switchover is impossible because there will always be a proportion of our country that does not have

sufficient digital connectivity, my worry is not about the benefits of a media switchover but that it is increasingly essential for citizens to have digital connectivity, not for their entertainment but to get a job, to be able to claim benefits and to communicate with their GP. This a slight counter-argument, asking whether there are not bigger societal reasons why getting completely ubiquitous digital connectivity will become a public policy requirement in the next few years? Once you take that away, should you not just switch off DTT?

Antony Walker: I do not think that that is heretical at all. Actually, I would argue that we should be trying to bring forward the point where we have universal broadband connectivity as quickly as possible. Technologically, it is possible, but it comes down to costs. In particular, there is a cost to addressing the last 100,000 premises dotted around the UK that will be very difficult to reach. So there is always a trade-off in the time that it takes to get to that point of universal connectivity versus the cost, but I strongly argue that we should try to bring it forward as quickly as possible.

But, as I said earlier, not all those premises will get fibre to the home. Some of them will probably have to be reliant on fixed wireless access networks or other forms of wireless connectivity because it will never be cost effective to connect them to fibre. That means that they can have a perfectly good and usable broadband connection—but it will be so when there is also access to terrestrial TV, because the TV can carry quite a lot of that extra bandwidth demand, and you can use your broadband for those more essential services, such as working from home, running a business from home or whatever it may be.

When we think about the impact of switching off the digital terrestrial network, we also have to understand the impact of all that additional traffic landing on the broadband network. There will still be some places where broadband capacity may be a constraint. That is all doable, but we are 10 years away from the point where it is realistic.

Claire Enders: I agree with you 100%. That long-term aim, which has been government policy for such a long time, has achieved considerable success. Seven years ago, the percentage of people who were excluded from any form of connectivity at all was around 15%, and today it is 7%. There has been a huge push into groups—you can see them on page 8 of the slides—including: the disability group, which is 1.8 million; those with no paid work, of whom there are 5.2 million; and the 75-plus, of whom there are 2.7 million. These are the groups that are on the other side of the digital divide and live perhaps very modestly away from connecting points. But these groups of people and connecting all of us are issues separate from getting rid of a huge amount of equipment, turning off radio and imposing conditional access on services.

I say briefly that the two countries in Europe that most support their creative industries through public service broadcasting, Germany and the UK—that is on the last slide—have by far the most significant creative industries, the highest employment and the greatest opportunities to offer their young. So there is a utility completely separate from the

licence fee and from the perception of the BBC in the world, which is that the licence fee and the lack of change guarantees, for all the people in the world, the impartiality, independence and trust that the whole world gives to the BBC—that is more than 500 million people. To my mind, the BBC will end up reaching 1 billion people around the world by 2030 through all of these different platforms. That is a completely separate argument around the importance of having this entire country connected together so that forms and administration can be done efficiently, above all by people who are disabled and people who do not understand why the post has brought them a demand for a payment that they do not understand, and who will just ignore it.

You can talk a lot about different methods of funding, but the fact is that the licence fee has never changed. There have been so many inquiries in my working life. I can point to four major ones: the Peacock committee, which looked at advertising; the inquiry in 1999-2000 looking at funding; the inquiry in 2015; and yours today in 2022. We must offer the world something incredible, and that is what we do through the BBC, its brand, its news and the certainty that it is funded in that way. It does not really matter how long the radio spectrum will last or how many people listen to the radio; the thing that we are offering to our country is like oxygen itself. It has provided—and will continue to do so—enormous opportunities for employment for our young that, dare I say, no other country in Europe can present, except for Ireland. These are the two highest-employment places for people in the tech, digital and video sectors. It is no surprise, as you will see on the back page of the slides, that they support the system that we have and which we have never changed.

Q78 Lord Young of Norwood Green: As an ex-governor of the BBC, I thank you for your contribution. And with regard to the demographics, it is amazing how—during the pandemic especially—staying in contact with their grandchildren has impacted on that older generation. I just say that as a comment.

I have a question. When DAB first came in, the argument about switching off was that it would be so expensive that we could not do it. However, the cost of DAB sets now is nothing compared to when they came out. Does that make any difference to the equation?

Claire Enders: It takes a long time. That is what that means.

Antony Walker: The fact is that people keep those devices around for a long time. It is also important to stress that it is not just about the device issue: there is a whole ecosystem that has to be able to support the industry as well.

The other interesting point in terms of radio has been the emergence of IP-based radio. Lots of people now access radio entirely via IP. My sense is that in some of these services there will be a big transition in the marketplace. We are moving to more IP-based services, and I think we will get to a stage where we have entirely IP-based distribution. However, I think that will take a long time and, in the meantime, some

of those other networks will have to get to the point where demand has really withered before it becomes cost effective to do that switchover in the end—unless you do a very big push where you also potentially spend quite a lot of money on supporting that switchover.

Claire Enders: I would like to make an interesting point about that. This is something that was put forward in 1995 by Lord Heseltine, as he now is. The idea was originally to sell British-made DAB radios all over the world, but that did not pan out—so that was a red herring. The costs to the industry of that changeover have never been recouped. The revenues in the radio industry did not change, even though more capacity had been put on, and indeed car manufacturers resisted it for a long time. So there has been no benefit to the consumer or UK plc from DAB.

Lord Young of Norwood Green: Not even better reception?

Claire Enders: Better reception is good, and there is more capacity and lots more shows—but I am saying that despite all the money that was spent in order to sell British-made radios, made in Yorkshire, to the rest of the world, that did not pan out.

Lord Young of Norwood Green: Clockwork radios did, though.

Q79 **The Lord Bishop of Worcester:** Thank you for your evidence so far, both written and oral. I want to ask about what you think the BBC should prioritise in planning for technological changes and adapting to the future media landscape, and what it can learn from the commercial sector. Witnesses have already argued that the BBC needs to prepare early for a digital future, ensuring that its developments are properly aligned with its core mission. Other witnesses have spoken about the importance of partnerships in future. Could you give us an overview on that?

Antony Walker: I would argue that the BBC has historically been very good about adapting to technological change. I would point to iPlayer; very early on, at the point when broadband services were starting to be rolled out around the UK, the BBC started to invest in developing the platform that went through multiple iterations and became the iPlayer streaming platform that is there today. It is an extremely good platform. In some ways the BBC was ahead of other commercial providers, so it has been and can be very good at foreseeing technological change and adapting to it.

The other important point to remember is that the BBC sits at the heart of an extremely complex and extraordinarily valuable ecosystem, not just around content creation but around technology innovation in the UK and, indeed, globally. Therefore, when it is mapping out that new technological future, it needs to do so in collaboration with those other partners, whether on the content side, the technology side or the platform side.

Sometimes there are areas where the BBC could be a better partner; it can be quite a slow and cumbersome organisation for commercial companies to work with. But it is crucial that it has a long-term vision

and works in an open and collaborative way with the wider ecosystem to manage the transition, from companies such as Openreach and the broadband providers that are going to carry more of the traffic all the way through to the TV manufacturers, which have quite complex standards that they have to work around and with on the development of the actual receivers. I think the BBC can and does play a very positive role, and it has done.

Claire Enders: I would like to echo some of those points. There has been a significant change in the way the BBC tackles technology issues in the last 12 years. It has become much more collaborative. Prior to that time, it had had a long-standing technology leadership role in the UK. In fact, the BBC's origins can be traced to a technological innovation rather than to a cultural response to a cultural policy. So the BBC has always been entrusted with many technological missions—some of them completely useless, including DAB—but others have been of great value.

For instance, to my mind—I say this only as an analyst—the BBC overspent in the decade leading up to the launch of iPlayer in 2009 on a number of different solutions so that they would be bespoke. That did not stop Channel 4 from launching its own effort in 2012, which is excellent and more off-the-shelf. It has turned out to be tremendously successful, just as successful as the iPlayer.

In the last decade, Lord Hall has been the person who really pioneered completely new relationships with Sky in particular, post the end of the phone-hacking saga and the arrival of new management at Sky. There was an opportunity for Sky to emerge as a technology partner and in fact leader in the UK, and to bring its scale to play for all the public service broadcasters—all of which, except for ITV, receive substantial sums for the use of their material in these very interesting ways that are enabled by Sky, through Sky Q and other means. Sky has emerged as the real tent for public service broadcasters, none of which really has the scale anymore, dare I say it, to compete in the great world against Apple, Google and so on for technological innovations that they can then have proprietary control over. I have just been helping France Télévisions, the equivalent of the BBC, to survive in a very difficult context. I said, "Please buy an off-the-shelf solution. The Channel 4 solution for a hub would be the best thing in the world."

There is no question that the BBC is far in advance of all the public service broadcasters in Europe in terms of offering its services online to young people via the streaming platform, which is how people like to consume—but that does not mean that streaming has become ubiquitous. The BBC has been constrained; its income has gone down by 30% in the past 12 years, and its income will effectively go down by 3% a year until there is an uplift, which I hope there will be in two years' time. We will see about that. But the BBC has had to become extraordinarily innovative, and it has done so very well. That is why, to my mind, we have seen the BBC that, despite its drop in income, has been doing more with less. It now has more partnerships with producers, and it now has a tripling of its borrowing capacity, which will enable more partnerships to emerge.

The BBC has learned from this. Dare I say it, *Killing Eve* is a great example of a very contemporary show. The BBC was perhaps less contemporary and cutting-edge before all this great partnership activity that has happened. It has gone very modern in the past decade. It has succeeded brilliantly. It understands. And its income limits are very real. However, if you look at the last slide I presented to you, you really see the benefits—you can see that, despite the fact that Netflix has spent \$85 billion on programming, time spent viewing it is a sixth of time spent with the BBC. The BBC is spending across a huge number of genres and doing so very effectively. This slide tells you that money is not everything. Ingenuity, British voices, British scripts, British regions, our different nations—these things matter a lot to the viewer, and they matter an awful lot more than American tropes.

We did a report on the first 10 years of Netflix in the UK, and we highlighted the fact that it had been the most significant new contributor to independent production in the UK—it is absolutely tremendous. Notwithstanding that, our prior report—I would love to put you on distribution if you are not already—pointed out that the Netflix material made in the UK has substantially fewer British intonations, and so on. Even the stuff that is supposed to look British is not really like us. That granularity is going to remain very strongly. That innovation around programme-making is how Channel 4, the BBC, ITV, Channel 5 and Sky will keep going in the face of this \$190 billion wave of cash, which is simply going to keep going up. This is how they have survived so far; it is how they will survive going forward. Necessity is the mother of invention. The BBC is awfully good at being a partner that everybody wants to have.

The Chair: While we are talking about it, you mentioned Netflix and learning from the commercial world. Do you foresee a time when all broadcasters are on demand?

Antony Walker: Do you mean on demand only?

Claire Enders: Do you mean streaming only?

The Chair: Yes. I mean a time when linear TV is no more and, in effect, broadcasters all become platforms.

Antony Walker: It comes back to the point I made right at the beginning: ultimately, yes, but that time is still a long way away. For now, having terrestrial broadcasting is an extremely efficient way of getting content out to consumers and citizens.

I want to come back to the environmental point. There should be a net-zero aspect to our discussion here. At the moment, digital terrestrial broadcast is, for high-volume content, a very energy-efficient way of distributing content out to homes versus IP delivery. In time, it will be entirely possible for us to decarbonise IP delivery by working through in terms of how data centres are powered, how the distribution networks power themselves and so on. However, that is going to take time. If you are looking at this from a net-zero perspective, as part of this transition you can see happening, I would also align some sustainability and net-

zero targets in there. At the point at which you move all that traffic on to the broadband networks, you want to make sure that those IP networks have as small a carbon footprint as possible.

Claire Enders: On the consumer front, we are decades away from a situation in which there will be no demand for linear viewing—that is, scheduled material and things that show up every week.

The Chair: That is the answer to a different question.

Antony Walker: No.

Claire Enders: No. It is the same question, I am sorry.

Antony Walker: It is the same question because, as soon as you go to streaming, you are no longer linear, because people can choose to schedule that. That is the point where you no longer have these single moments where everybody is looking at the same content at the same time.

Claire Enders: You are asking whether 67 million people in this country will one day wake up and say, “We only want to select what we want. We only want to watch our own stuff on our own time. We only want to make these choices individually. We do not want to go with something that is being flung at us by the BBC or whoever”—or, indeed, when it is the BBC, say, “We want to select this radio programme. We want to select this TV programme”.

I have to say, because I have been an analyst for 40 years, I can tell you the basis on which that vision of the future was emitted 20 years ago. It was one in which we would never have enough time and would always be time short; everybody would be working like crazy and would never have any time to watch television or anything like that. That was a vision of the future that never came to pass—not even for my daughter, who is almost 33. She spent the two years in lockdown doing what everybody else was doing: staring at a screen.

I am saying that the world has not changed; that very much goes to the point made by Antony. If you talk to people in advertising, or all the experts I deal with on consumer behaviour, they say that, because work has not changed and people have workspaces that they participate in, they will always have a shared culture and always want shared moments. People do not all want to binge-view. The idea that everybody has 12 hours to carve out is very difficult to understand for a mother or people who work. There are all these elements.

I can tell you that, cognitively, human beings in this country will never be in a position where they want everything to be a choice that they are actively making and selecting. The remarkable thing about people is how predictable they are. In fact, even at the age of 20, they can be counted on to eat the same things at the same time around the campus, pretty much as is. I promise you that people’s ability to navigate the world in the way that the far-seeing visionaries felt we would all want to do, with a whole world of infinite choice, is actually not how most people work or live, or want to.

Q80 Lord Hall of Birkenhead: I have two questions. One is for Claire; I will then come on to a question for both Claire and Antony.

Claire, you have never wavered. You are firmly in favour of the licence fee as the best way of funding the BBC. However, if you were thinking about keeping the licence fee but also about how you could make it fairer, cut the collection cost or learn from the streamers about collecting money in a different sort of way, are there reforms that you would make to the licence fee in those sorts of areas, while preserving the licence fee as a universal fee?

Claire Enders: I would like to bring back free licence fees for the over-75s. I am 64, I am afraid; even now, I sometimes forget little things. I am rather worried about what I am going to be like when I am 75. I just think life would be nicer and easier. Also, I know the issue backwards, and I am familiar with the ins and outs of the poverty issues among the over-75s and how difficult it was for the BBC to find solutions to them. We know that there are still 500,000 to 700,000 people who should have a free licence but do not have one. I bet your bottom dollar that there are partially sighted females who are being taken advantage of by the system.

I do not like that system at all. I would like to have free TV licences for the over-75s. They should have them because they had them for a long time and found it easy to understand, and taking it away was very difficult. However, if the BBC or the Government do not want to do that, one thing that has to be done is making this very simple. I would work with Age UK, and Arqiva has also been doing some very valuable work so that people understand when works are happening and when something is switched off. Remember that we are talking about people who might be listening to BBC radio for eight hours a day. So things like making the over-75s more comfortable and making their lives easier to understand are the top issues.

The BBC has taken the right course during the pandemic. As far as I could tell from the feedback, the BBC descaled any kind of pursuit. If I were the BBC, I would never pursue anyone, and I think that this country is so honest that you would never need to do it—

Lord Hall of Birkenhead: Sorry to interrupt, but I am trying to find out whether there is a fairer way of having a universal payment—call it the licence fee. I completely understand what you are saying about the over-75s, but what about the disadvantaged? I imagine—and we know—that, over the next two or three years, a lot of people will find it really tough. Is there something else in the system that involves a universal payment that could help them as well?

Claire Enders: I cannot think of anything, because you are imposing a payment on over-75s that they never had to cope with before—that was not considered in the full realm of things. I really believe that the BBC will have to stop pursuing completely in the next two or three years because of fuel poverty and some of these cost of living issues—that is a very short-term thing. That is the best way to make the licence fee fair.

On the point about its progressive or regressive nature, I, as an analyst, have looked at this right, left and centre, and I really think that this is an argument for public service broadcasting and its value as an educational system to us as a nation and as a society that I joined as an immigrant. It is a society that can afford an amazing system that is universal, and universal to the world. That has to be in everyone's heart whenever someone says, "Oh, there's a 15 year-old who hasn't watched or listened to the BBC all year". That is an unlikely scenario, but that person is not really suffering from that. I am paying for the NHS for that person when their time comes, and I am paying for it for older people. I do not use the NHS—I am still in such good shape—but I will one day.

There is something so fundamental about the way that the BBC is perceived in the rest of the world, so I urge you to remember how important it is for the rest of the world and how the demerits, such as they are, are so slight. But they are real. The criminal nature of the thing has always been a problem, but not pursuing is the right way to deal with that. So there is no change that you could make, apart from making it much easier for anyone over 75.

Lord Hall of Birkenhead: Arguably, you could also pursue the same thing for others who are disadvantaged. Thank you for saying that the BBC is ingenious with less and less money—I agree with you. I could give stats for the number of dramas that the BBC could produce for the cost of a Netflix drama. But the problem with the licence fee is that it is a fee but also a tax. As Claire eloquently said, it has gone down by 30% over a decade, and over the next two years it will have to absorb inflation, which may be 6%, 7% or 8%—it is often higher in media terms—which will be a substantial cut into its income.

If you stay with the licence fee, is there some way of escaping from the fact that it is seen as a tax and taxes should come down, and no one is prepared to say, "Here's a large increase for the BBC to give the benefits that it offers", namely those that Claire has been arguing for, in terms of the creative industries and what it offers to consumers?

Claire Enders: I understand what you are saying. The BBC has spent 12 years innovating, and I am expecting it to continue to innovate its way out of these problems. I pray that the Treasury will apply an inflation formula in two years' time. However, if we are in a cost of living crisis similar to today's, I would not bet on it. I very much hope that the BBC understands this and constantly plans. As you know, the BBC is in a constant state of reduction of costs, and it will have to carry on doing that, so it must prioritise—and, as you know, it has prioritised all of the elements that are most important for our society, and it has found partnerships. The tripling of its borrowing capacity is very interesting; in two years' time, that may be seen to have been effective in increasing the BBC's ability to make up this constant loss of income. As you saw, the people at Netflix and the other streamers will carry on spending like mad, but we will see that increasingly attenuate. What the BBC is seeking to do with the licence fee is so manifestly different from what Netflix is trying to do with its income that that will come through.

If the BBC manages to weather well this very bad next two years, which will come on top of a very substantial reduction, with this added borrowing power, there would be an argument for increasing its borrowing power again and for using that method, rather than an increase in the licence fee. I am with you 100%, but I do not understand it. As I said, I could make an argument for why people should want to pay more for what is an extraordinary multiplier effect, in that £1 of every licence fee generates £4 of creative economy. It is a dead cert investment, so I would like to see that recognised, and it is really important to how I see the future of my country. It is also important that Scotland completely supports the licence fee 100%. That is how we see these things, because we can see those advantages.

I can see the problems with increasing the licence fee, and I would therefore like the BBC to have much greater borrowing capacity to deal with the TV drama and IP issues. It is a brilliant organisation that manages its IP extremely well across studios and all of these different platforms and buyers. The BBC is second to none in knowing how to exploit its IP today. I have every hope that it is able to use this next £500 million very wisely, and then more. What do you think about that? Do you think that that is a good idea?

Antony Walker: That is an extremely good question, and it is central, but I am not sure that I have great insight on it. I genuinely believe that there is a huge affection for the BBC and a recognition that it delivers value and that these are difficult times. The only thing that I could think to ask is whether there could be a mechanism for some sort of additional voluntary contribution that people could make, but I have no idea if anything like that could ever work. That is my tuppence worth.

The Chair: Thank you for all of your evidence and answers, even if we tussled over a question a few moments ago. Claire has made it loud and clear that, as far as she is concerned, the only way to fund the BBC is through the licence fee. Obviously, we will consider what you have said alongside lots of other witnesses that we are also talking to as part of this inquiry.