



Communications and Digital Committee

Corrected oral evidence: BBC future funding

Tuesday 17 May 2022

2 pm

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

Evidence Session No. 15

Heard in Public

Questions 116 - 122

Witnesses

I: Sir Peter Bazalgette, Chairman, ITV; Archie Norman, Chairman, Marks and Spencer.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Sir Peter Bazalgette and Archie Norman.

The Chair: This is a meeting of the Communications and Digital Committee as part of our inquiry into BBC future funding. Today we are looking at the strategic challenges the BBC faces. We have four experienced figures from business and broadcasting who have operated in the commercial and broader political arenas. On our first panel we are joined by Mr Archie Norman and, on Zoom, Sir Peter Bazalgette. Coincidentally, both have chaired ITV, Sir Peter still being in the chair, but that is not why we have invited you. I also stress that you are not here representing any organisations. We have invited you in your own right because you both have a huge amount of experience, and we hope that as we ask you questions about the BBC you will draw on that experience as organisational leaders who have transformed businesses in the face of technological and social change. We are live on the internet, and a transcript will be published in due course. I invite Lord Hall to kick us off.

Q116 **Lord Hall of Birkenhead:** Hello to you both. From people who have given evidence, we have heard a variety of challenges faced by the BBC: increased competition, particularly from streamers; changed audience habits, particularly among the young; cost inflation in the production market, especially in genres such as drama and sport; and, of course, hard thinking about the licence fee and whether it is sustainable.

There are two parts to my question. First, what is your assessment of the big, meaty, strategic challenges that the BBC faces? Peter, would you like to kick us off?

Sir Peter Bazalgette: Thank you very much. I will confine myself to what I might call broader challenges. There are all sorts of specific challenges, some of which you have just alluded to, and I will talk briefly about three. First, how can the BBC justify itself in the 21st century? That is, how do you justify a publicly funded broadcasting organisation? Secondly, how can it get effective distribution for its services and programmes? Thirdly, how can it be funded? I will confine myself to those three questions.

How does it justify itself in the 21st century? As we know, it is 100 years old. Most comment on the BBC, and most defence of the BBC, is normally backward looking and refers to the past, but we should really think about the BBC in the 21st century. Tony has heard me talk about this before, but I think there are three key headings for justifying a publicly funded organisation for the 21st century.

First, to answer my own question, the trusted and impartial news services are far more needed in the internet era than they were before the internet era. That is democracy. The second is culture: the making and funding of programmes by us, about us and for us. It is part of how we define our values and explore social issues, and the BBC does more of that than any other public service broadcaster. Of course, that culture

includes the BBC's educational services, which were extraordinarily important during Covid.

Finally, after democracy and culture, there is economy. The last two Governments have both defined the creative industries as a critical sector for growth in the British economy. The most recent iteration of that was the *Build Back Better* document last year, in which one of the seven sectors named is the creative industries. The creative industries are about 6% of the economy, as many of you know. The screen industries are 22% of the creative industries, and the BBC is absolutely the cornerstone of our screen industries—genuinely the cornerstone. It has an important economic role as a public investment, if you like, in the creative economy, and a further economic significance because of the soft power that the BBC's programmes, in particular the World Service, give us abroad. You could say that this is the transmission of British values and the British approach to journalism. By the way, I listen to the World Service quite a lot; I think it is utterly magnificent and incredibly valuable to this country. That is justifying itself.

I will be as brief as possible on distribution. Within a decade, most TV signals will be distributed on the internet. The internet is currently dominated by five or six supranational monopolies that do not really have much allegiance to any particular country. We all know that one of the biggest challenges to civil society at the moment is regulating the internet, and we are all trying to work out how to do it. A small subset of that, if you have programmes that deliver public value such as public service programmes, is how they can be found in the internet era. The principle was laid down in the Communications Act 2003, when it was just a question of Virgin and Sky. That was to give the public service channels the top five positions in the electronic programme guide; that is now otiose.

The new era is platforms such as Amazon and Apple, which all want to aggregate all the content. If you do not do something about it, you will find that public service content on them is difficult to find and that the power of those platforms will take 30% to 40% of the revenue—that is also relevant to the BBC, which has commercial activities—and will not share the data. Whether you sell advertising or not, the data on your audience in the future direct-to-consumer method of broadcasting is critical. All the publicity around the recent White Paper a month ago was about Channel 4, but the Government's intention in that White Paper to legislate to provide public service broadcasters with access to internet platforms, prominence on those platforms and fair value for those programmes is absolutely critical to the future importance of public service broadcasting.

Finally, we will probably come to funding later, so I will make just one point about it. It is quite dispiriting for me to find that most of the debate about the BBC most of the time is led by the question of whether we should have a licence fee, without talking about all the other reasons why we might want the BBC and then working out how to pay for it. Given the benefits, bonuses and positive elements of the BBC, I think that society, government and the public must in future make a

commitment to public funding, and that the public funding should be hypothecated. I am not saying that it should pay for all of the BBC, and we can discuss the method later, but if I were to leave one thought with you, it would be that we should maintain our public investment as an investment in civil society, and we need the will and the wisdom to do so. Thank you.

Lord Hall of Birkenhead: Thank you very much, Peter. Archie, what is your assessment of the strategic challenges facing the BBC?

Archie Norman: The first thing I should say is that I am delighted to be here, but I have no credibility in this committee, because I was last involved with the broadcast industry six years ago—I was chairman of ITV for six years—so I am not even contemporary, as Peter is. There are many more expert people in this room. If I have a shred of expertise, it is in how you take large organisations encountering institutional gulf or challenge and change them for the better. That is what I have tried to do for most of my career, most recently at Marks & Spencer.

It is important to start off by saying, with my ITV alumni hat jammed on my head, that we are not changing just the BBC. We should be looking at the total ecosystem. All changes to the BBC have knock-on implications for ITV, Channel 4, digital Britain, et cetera. It is a delicate set of economics that have to be considered collectively. That is a general point.

Peter has gone on a tour d’horizon of the challenges. First, on technology, we are seeing the disruption of Netflix, Amazon and the move to online news. Twitter is actually a major competitor to the BBC; we need to think of it that way. We have seen only the beginning. What we see in five years will be unrecognisably different from today. We all face that in business—we are all being disrupted—which means that every institution has to ask how well it is equipped to disrupt itself, to countenance change, to be athletic, to be a collaborator and to be global. Content is now global; that is what Netflix is now telling us. Is the BBC destined to become the local broadcaster? That is a very limiting concept. That is the first challenge, and there is not one solution to it. The solution is organisational: to have an appetite to be different, to innovate and to trial things differently.

Secondly, the BBC is caught in the scissors of the technology challenge, the arrival of new-form competition and the funding, which has been in decline in real terms. We are just about to enter a very difficult funding period for the BBC, because inflation, even in the sort of things the BBC buys, will be running at nearer 10% than 5% in the year ahead and probably subsequently. So we are looking at a funding crunch, and funding productivity and efficiency, combined with the technology challenge, is creating a very difficult space for the BBC. The last thing that any of us want to see is a BBC that carries on trying to do the same thing, in a legacy way, increasingly short of funds and therefore increasingly failing and disappointing people. That is not a good place to be. Part of the thrust of my remarks is therefore that there has to come a point in time when the BBC is invited to change and do things

differently, and has permission to disappoint some people and to take some risk. Unless we create that, it will be very hard for the institution to change.

Lord Hall, you can vouch for this better than anybody. With so many stakeholders, it is inevitable that the BBC has such a public property that internally you always have a defensive mindset and are always anticipating the next criticism. You are so habituated to rebutting criticism that at times you probably forget why you rebut the criticism in the first place, but you have to do it to defend the institution and the morale of people internally. There has to be a moment when that is allowed to change. We have to say that changing organisation and culture is part of the conclusion of the pressures the BBC is under. It may be that we use the moment when the licence fee system or funding system changes to say, in relation to the remit and the scope, that there is an existential reason internally for the director-general to say to people, "Unless we do things differently, we ain't gonna be around in the future". It needs that.

Talk to Peter about ITV or me about Marks & Spencer. Most organisations seeking to transform do not transform. It is normal for chief executives to say, "We are transforming", but most of the time it does not happen because everybody is rocking up every day to do the same thing sitting behind the same desk. It is very hard. Organisations transform when something very disruptive happens: you fracture the old culture, everybody changes seats, new people come in, the money is not there to do that any more. I strongly think that we are approaching a point where we almost need to shape that event to allow the BBC to do things differently.

Q117 Lord Hall of Birkenhead: There is one follow-up, which is the second part of the question: how should the BBC tackle these issues? Prompted very much by what you said, Mr Norman, I want to put something to you. We have had evidence that has said the scale and scope of the BBC are too big, that it can be more efficient and maybe scale down, but you are pointing towards something that could be more fundamental than that, which again was put to us in evidence. I would love to hear from both of you on it. We know we are heading for an on-demand world, which is cheaper to run in terms of the services you have to give. You can therefore put more money into content, which is the benefit that Netflix and others like it have. Why not say, "Let's move to that really fast—have a second digital revolution, in a way—and move a service completely to an online world"? Can you briefly comment on that?

Archie Norman: There is a lot of attraction in that, but you cannot separate that from what the BBC is asked to do in its remit. Of course, you will always get people like me saying that you should do less, better. Quite a lot of what the BBC does today probably does not work very well in an on-demand world. If you are to move to an on-demand world and be wholehearted about it, you have to relinquish some of the things that happen today—maybe the number of channels or some of the things you do on radio.

The other thing is that, institutionally, what you have set up in an ITV—Peter can comment—or a BBC is not very well geared to moving to an on-demand world. Even the creative, the content and the way people work are different. To make that transformation with your existing people and organisation can be very difficult. Conceptually, this requires the BBC to start to think of itself more as a platform, a venture capitalist and a funding organisation than as a closed-loop system. When you were director-general, Lord Hall, you made some changes, particularly on the production side, to become market competitive and work externally, and at the time you had conversations about collaboration with the enterprise sector. The BBC has always really struggled to do that, but if you are to compete with platforms you have to do that.

Sir Peter Bazalgette: About 50% of viewing is still live. That means people watching the schedules, which you can regard as the old world. It is a diminishing world, but it adds to the universality of the BBC. It is a challenge; if you switch that off overnight, you lose massive amounts of universality.

I just want to make one more point here, if I may, which is about the technology. Yes, we are moving to an on-demand world and, as I said earlier, the majority of television signals will be distributed by the internet in 10 years. However, woe betide the country that completely dismantles its other means of transmission: its DTT or satellite systems, in particular DTT. We need only to look at the Ukrainian conflict at the moment. In a more prolonged conflict, one of the targets will be the satellites that fuel and make the internet run worldwide. Internet communications are vulnerable to future geopolitical conflict, so every country needs a BBC not only for what I might call its civil strength—you have only to look at the viewing figures for the announcements from the Government about Covid—but for the security of that signal, not just via the internet.

The Chair: This is so fascinating and we could spend so much time on each question, but we will keep moving on.

Q118 **Baroness Rebuck:** This is completely fascinating so far. My question is about commercial opportunities. In its submission to us, the BBC highlighted its existing hybrid model, with commercial activity mostly via BBC Studios, which it hopes will grow by 30% over five years. But net returns from this are still very small.

As background, we have heard evidence—you touched on it, Mr Norman—that a subscription model capable of financing all current BBC output would be unaffordable and perhaps impossible. The competitors we have spoken to do not favour an ad-funded model, for obvious reasons—nor do they think it feasible—so we are left with a hybrid possibility. But then we heard evidence that that would require a massive and possibly risky step for the BBC, be it a consolidated overseas streaming service or a substantive top-up service in the UK. Could these or other commercial ideas significantly supplement or replace the licence fee? What would it cost to fund such a step change? Is the current borrowing, which has gone up to £750 million, enough?

Archie Norman: I do not know the answer to that, and I doubt whether anybody in this room does. But we can see that we are inevitably moving into a phase where we will have to move towards a hybrid model. It may not be attractive, but it is difficult to see what the other options are. The tolerable or indifference level for the licence fee will not increase.

The year I joined ITV, the company was more or less on its knees because the advertising market had dropped by 15% to 20% in a single year. Of course, it has changed under the current great leadership, but we did not know what our income was going to be four to six months out. Part of the reason why you can have greater creativity, take more risks and make more investment in people at the BBC is that you have this flat licence fee guaranteed for years ahead. It is a huge advantage to have, so I would be in favour of keeping part of that. For the foreseeable future there will be a tolerance level, but the tolerance for the licence fee will be lower than it has been previously.

To qualify my earlier remarks on online platforms and streaming, I think there is a 20-year future for free-to-air. It is a smaller and more defined space than it was, but I am certainly not advocating that we stop broadcasting free-to-air television.

On the question about how much additional commercial-related income you can have, could we have a "BBC deep", where we charge for extra in-depth content? Possibly, but it is a very big change. When you ask what a BBC "deep" is, which I am going to charge for, you have to create must-have content. Must-have content is rather different from free-to-air content. Free-to-air can be broad and quite interesting to a lot of people; subscription content is must-have to a few people, so it is a very different model and needs a very different management mindset. It is not very easy to take what happens on BBC1 today, say, and have a second layer of that for people who will pay for it; it sort of will not happen.

I remember that when we first started at ITV we had a second layer of "Coronation Street". The idea was that people would watch "Coronation Street", and then the aficionados would watch behind the scenes at "Coronation Street". There was even a "Coronation Street" game, which we probably spent a lot of money developing. It was all hopeless; nobody really wanted that, and it cost a lot of money. All I am saying is that it is not easy; it is a very different thing from what the BBC does today.

I have a couple of other comments. There is already a good effort to exploit the global rights and IP of the BBC. On the whole, the historical archive tends to be overrated as a source of funds. We had a misty-eyed view that somehow programmes produced 25 years ago would be extremely valuable to people longing to watch them in Mexico, but unfortunately they are not. It is a never-ending quest. Also, the global rights inform part of your programming decisions here. Far more for ITV, but even at the BBC if you are commissioning a drama programme, the first question is, "Can I sell that abroad?". If you sell it abroad, it will

help the finances and help create a budget for the future, so it is sort of unavoidable.

The last thing I will touch on is an interesting point made earlier about streaming: data. It is unfortunate, but it is just a thought that the BBC is watched by everybody, but we do not know who they are and what they are watching. That is the nature of free-to-air. We rely on powers of research to try to find out, whereas the great advantage of Netflix is that it has incredible data about who its customers are and what they are watching. People say that data is the new oil; you cannot just monetise it that easily, but there could be something valuable in a BBC that has the greatest database of who watches what in entertainment, who is trending which way, who is interested in what programmes and who is making what remarks.

Baroness Rebuck: That is really interesting. I believe the BBC has announced that it is doing a big research project into who watches what, but that seems like a good justification of it.

Archie Norman: At Marks & Spencer, 15 million people have a Sparks card. Every time they shop, we know what they are buying; we do not have to do a research project to find out.

Baroness Rebuck: Sir Peter, you have called for friendlier relations between ITV and the BBC and collaborated on BritBox, although that is now part of ITV. What lessons could the BBC learn from existing competitors? Is there something we have not thought of yet?

Sir Peter Bazalgette: BritBox has two iterations. It has a domestic iteration as a paid service, but BritBox International is a partnership between the BBC and ITV, and it is doing very well. There is a huge demand for English-language content around the world, and BritBox International now has something like 2.5 million subscribers, the bulk of whom are in North America but they are also in Australia and South Africa. It will launch in Scandinavia soon as well. That is going quite well and is a pointer to the future: public service broadcasting, as it currently exists, cannot succeed without more collaboration between the organisations involved.

The BBC has two rather important assets that it can probably leverage. One is BBC Studios, its production company, and the second is BBC iPlayer. I could easily see BBC Studios, in collaboration with or even as part of a larger group, having more leverage, more funding and more power in the marketplace. At the moment, the BBC is basically giving away every possible programme it can on iPlayer in order to get as many eyeballs as possible and justify the licence fee, but in the long term that will not work.

In the long term, I think iPlayer should have something like a 30-day window and after that, in some guise, you should have to pay for accessing programmes. It may be that part of iPlayer is part of a broader service. There will be some wry smiles in the room when I say the word Kangaroo, because we all know that the competition authorities made what is now a case study for one of the worst decisions ever made when

they stopped the public service broadcasters from launching a joint streaming service, even before Netflix or Amazon Prime had entered the British market. I cannot put numbers on it today, but in those areas I think the BBC can come out to play, and will need to come out to play and think of itself less as a citadel and more as a collaboration.

Baroness Rebuck: That is really interesting, and hopefully the circumstances have changed should such an idea be mooted today.

I have one final quick question, maybe for Sir Peter. We have heard from a lot of our witnesses that there should or could be an alternative funding model that would mean a much narrower, smaller BBC—a BBC-lite. If that were to happen, as a competitor would you see it giving rise to opportunities or causing harm to the current TV ecosystem?

Sir Peter Bazalgette: As the Chair very kindly pointed out, I am not here wearing a particular hat, although it is a fact that I am the chair of ITV—for about another three months, as it happens. I am not going to put on the ITV hat. To diminish the BBC would be damaging in the social and cultural sense I talked about earlier, but also to the creative industries and the creative economy. It was once described by Tessa Jowell as capital investment in the creative industries, and she was right. The idea that the public service broadcasters are trying to tear strips off each other, as they were years ago because they had competition between themselves but no real outside competition, is really out of date. So, no, I do not see any benefit to anybody from a diminished BBC. A strong BBC is an organisation that organisations such as ITV, Channel 4 and Channel 5 can collaborate with, creating more value for everyone.

Baroness Rebuck: Needless to say, I agree with you, but it is very good to have it on the record from an expert.

Lord Vaizey of Didcot: I just want to ask Mr Norman, with your significant business experience, about what Sir Peter was talking about: a BBC-lite. If the BBC had a certain but limited budget, would it be better simply to stop one service? Would you come in and say, “We should just stop doing this one thing in order to save money”, or are there other ways in which you can square the circle, as it were?

Archie Norman: It is just an unspoken truth, when you look at what is happening with technology, the arrival of Netflix and alternative viewing and news platforms, combined with the reduced tolerance for public funding and what we are already doing with the licence fee, that it is an imperative to do less, better. I am not expressing an opinion; I just do not see any way around that. You cannot carry on reducing the real-terms funding of the BBC and ask it to do exactly the same thing well. We all know that it is a delicate flower.

There are people who say the BBC should only fulfil market failure, but it will not work that way because a channel has to be a complete channel, with lots of watchability, and cover the schedule. It is not as simple as that, but if we pick at the edges we can all see things that the BBC need not do. I am not saying that it is not desirable, for instance, for it to compete for sporting rights. If I was running BBC1, I can see why I

would like to do that, but those sports will be seen by the same audience anyway. I can use that money elsewhere to concentrate on television programmes we actually need. I know we would say that the creative budget of BBC Three is small and does not make much difference, but it is dispersion of energy. The BBC is very dominant in commercialised radio. I accept that it is not a big part of the budget, so we are not going to get rich that way, but there are options and we should not pretend that there are not.

The point is the opportunity cost. We talked about streaming. There are so many things that the BBC could be doing but cannot do because we are funding what it is committed to funding. The wagons are drawn around in a circle and there is no sufficient pretext for change; we need to face that. Instead of this impossible thing of what we are going to cut and how much pain we are going to create—this never-ending cycle of salami-slicing budgets—having a moment when we say, “We are going to do something different”, and consciously moving to more of a platform, a commissioner, a collaborator and a venture capitalist that will invest in other people, like a BBC incubator fund, could be a very attractive idea. I accept that there will be failures, but most other organisations are doing that. It is about creating space for those exciting things that we would really like to do.

To pick up on the earlier point about collaboration, I am delighted to hear that BritBox is going well. We started those discussions when I was there; Lord Hall might remember. That is terrific, but it was not a quick deal, was it? Collaborating with the BBC in the enterprise sector is agony. I say that without criticism; it just is. It is all to do with the BBC’s self-concept, but also the parental attitude that comes from the BBC: “We know best. We have to protect our rights. We have our public service broadcasting brief. Our content cannot be allowed to drift on to other platforms”. Unfortunately, in this day and age, that is a completely non-modern attitude and has to change.

Q119 Baroness Featherstone: We have heard from a number of witnesses that competition is increasing and that the BBC will have to innovate. The annual plan makes reference to some innovations. Netflix is very advanced in being able to recommend personalised information and different things that can be offered, but my question really is: in order to achieve all that, what are the purposes and principles that should drive the BBC’s approach to innovation?

Sir Peter Bazalgette: That is rather a big question, is it not?

The Chair: To take the example that Mr Norman just outlined of something very different, how should the BBC approach that sort of possibility?

Sir Peter Bazalgette: There are two ways of answering the question. One is about technology, and Archie Norman has just made some very good points. You cannot be too protective; you have to go with the flow of the technology. Archie Norman wisely said that an opportunity is arising to shake things up, not to go forward just in tiny steps but to ask

what the new BBC we want is, so the other way of answering your question is to ask what we want from the BBC.

Do we want those new services? Do we want that investment in drama and documentary? Do we want those education services? Do we want regional news? Do we want the investment in the production centres outside London? Do we want the investment in the next generation of talent? These are all things that need to be thought about, tabulated and, if necessary, put together in some sort of charter, licence fee agreement or whatever. To answer your question, you need to define what you want from the new organisation, and it cannot be everything it has done in the past.

Baroness Featherstone: Okay, but in terms of purpose and principle, what do you see that as for the BBC?

Sir Peter Bazalgette: I hope I answered that in response to the first question.

Baroness Featherstone: You did answer very extensively.

Sir Peter Bazalgette: If you think I missed anything, please pick me up on it.

Archie Norman: I do not think that the purpose of the BBC changes, but you have to fulfil that purpose through innovation, modern platforms and technology. That requires you to work very differently so that quality, education and all those distinctive things to inform remain.

If you are to innovate, you have to be prepared to take risks. Part of the problem is that failing is very dangerous for the BBC. If you make an investment and it falls over, or produce programmes that do not work, you attract a lot of criticism. But we have to create an environment where the BBC has permission to innovate and to take risks. I know that is not easy.

I want to build on a thought that was just mentioned. You talked about Netflix, which knows who you are and what you want to watch. If you go on to Netflix today, the programmes it recommends for you are related to your previous buying habits. That is just an illustration of where the world is going. The broadcasters will aggregate to present what you want to watch. To make an analogy, in the future if you go to marksandspencer.com you will see what we know you like buying; it will be M&S for you. There should be a BBC for you. If you take that thought further—I say this only to provoke thinking—there could well be a time when Twitter or Netflix is aggregating content from other broadcasters and paying for it. Would there ever be a time when the BBC would appear on Netflix? There are BBC programmes sold to Netflix, but could I go to Netflix and get the BBC news?

Baroness Featherstone: That is why I am asking about the principles, in a sense, because you are saying that ultimately there is no different role for the BBC, that it will have to complete and therefore innovate to give people what they want, and that there is no room for the universality of the BBC. Is that what you are saying?

Archie Norman: It depends. I am not sure I can answer that. There is a distinction between being available and accessible for everyone and producing programmes watched and liked by everyone, which will be an impossible task in tomorrow's world.

Baroness Featherstone: I suppose I was talking more about the common good as opposed to a commercial good.

Archie Norman: I am probably struggling to answer your question. I am saying that you can pursue the common good through multiple platforms; you do not have to own the platform any more.

Q120 **Baroness Bull:** I am very taken with the comment you have made twice that you need to allow a space where the BBC can take risks and fail, because that is essential to making the transition. I come from the opera house, and it was very difficult to do that because of the number of stakeholders and eyeballs. Magnify that by a million with the BBC. As somebody who has done it with other businesses, how can you create that space? How can you possibly create a space for the BBC to take risks and fail when the eyes of the world are always on it?

Archie Norman: With great difficulty. We sort of sanctify the BBC—for good reason, because we all believe in it—but in the process of sanctifying it, we fossilise it too. That is an unfair comment, but you know what I am saying. You have to create a moment in time when you are prepared to say that the future BBC is not going to be like the past, and that we need to change to survive. Nobody has a divine right to exist, just because they are publicly funded. It is not a business, but if you look at businesses that have transformed, the genesis of recovery is almost invariably the moment of truth when they face the unvarnished facts that if they do not change, they will not exist.

The point is that when you get a leader, be it a director-general of the BBC or in a company, who is able to speak truth to the organisation and to say, "If we don't change, we aren't going to exist in our current form", it releases the energy in the whole organisation. You are saying what everybody already knows. But at the moment the director-general cannot say that, because he would be seen to be criticising his own organisation and his own funding, and putting in peril the future funding and support for the BBC. It will not happen without a combination of strong political and governmental support, together with a leadership in the BBC with an appetite to take it on.

Baroness Bull: And a burning platform.

Archie Norman: And a burning platform. The platform is not burning, but it is simmering already.

Sir Peter Bazalgette: Somebody mentioned the BBC spending a bit more money on audience research. As we have learned from this conversation, knowing your audience and having the data that informs you in that way are completely fundamental, and the moment it was announced that the BBC was spending a bit more money on programme research—which, by the way, it has always done—a couple of the

tabloids went along to the TaxPayers' Alliance and got a quote condemning the expenditure on audience research: "Absolute waste of money. People watch it—what more do they need to know?". That is just an example of the way the BBC is a political football, kicked around in this way even when it is doing something completely fundamental.

To back up what Archie has said, the next charter has to define the BBC's freedom. It is not an easy thing to do, because we know that the last Government gave the BBC the freedom to decide whether to fund old-age pensioners' licence fees. When the BBC chose to exercise that freedom, the same political party, though now a new Government, then turned on it and said it was absolutely outrageous that it was doing this—but it actually gave it the permission and freedom to do it.

Both those things show the dreadful political football that the BBC is. You can only get around that by crystal-clearly defining in a new charter the areas of freedom the BBC has in which to experiment.

Q121 Bishop of Worcester: Thank you both very much indeed for a really helpful session. In a sense, this leads us on. I really want to ask you about the urgency. Mr Norman mentioned a few moments ago that there needs to be a point in time at which the future has to be faced and the turnaround has to begin. Just how urgent is this for the BBC? You have said something about what is required, but how do you see things from here on in?

Archie Norman: It is easy for me to say that it is very urgent. We all feel that there should be urgency. The difficulty is: when is the moment in time? If you want to transform a company, you have to start with a crisis and, if you do not have a crisis, create a crisis. It is tough for the BBC to do that. In the public sphere, with the comments you are going to get, it is very difficult. However I do think it is here and now, and the next three years will see an excruciating funding squeeze—so that should be an invitation to change—being realistic, the moment is probably more likely to be when a decision is made about a new charter, a new remit and a new funding arrangement. My worry for the BBC is that time is passing, and the world is moving on dramatically, even in news.

Sir Peter Bazalgette: In one sense there is a timetable, because there is the remaining period of the current charter. From memory I think it may have seven years to run, but it might be slightly less. No doubt Lord Hall will inform us if I am wrong. If the BBC is to continue, it will need a new charter that will define what it does. Therefore, there is a period of five years to talk about this.

It is not right to lead that conversation with its funding mechanism, because that really is putting the cart before the horse, as I argued earlier. But in other respects the time is now, as Archie says, and it is very pressing. The BBC has to innovate all the time and to feel able to do that.

Archie is a veteran of confronting what I might call conservatism with a small C in different organisations where he has changed things. Do not underestimate the conservatism of the broadcasting arena. The people

who work for the BBC and would understandably be alarmed at big change, the independent producers who have programmes commissioned by it, and so on and so forth—all the different elements—are opposing change, just as lots of people are opposing change with other broadcasters, without properly considering what these huge changes that are taking place to the broadcasting and media market entail. There is a massive battle to take on the conservatism of the broadcasting industry itself.

Q122 **Baroness Buscombe:** That brings me to the question I wanted to ask. First of all, I was very excited when Archie said at the beginning that now is perhaps the time for the BBC to realise that it needs permission to change and to disappoint people. In a way, perversely, that sounds incredibly positive. Are we saying that we could see something change for the better that is radical and could really help to maintain, improve and enhance the BBC for the much longer term, but that maybe it is not possible for people in the broadcasting industry, particularly the BBC, to do that? Who should undertake this review of the future of the BBC? In other words, not the executives or the politicians. Who should do it?

Archie Norman: It is strongly preferable that the leadership of the BBC does it. I can understand that people are a bit sceptical because they are not sure whether it will happen, but if it comes from within—from the board and chief executive—it has a much higher likelihood of success. Otherwise, you will get the usual thing of an external party that will essentially create a threatening effect to the BBC. The wagons will be drawn around the circle, all the reasons why we cannot change will be wheeled out and it will not happen. Change has to come from within, and typically it comes from a new leader; we have a relatively new leader. It is very difficult to make some external review effective.

As I say, we have to start moving on a little from what the BBC does or does not do, how much it is financed and the licence fee. That is all really important, but we have to think of the modern broadcast system as very disassembled and decentralised. In the old world, the BBC produced and broadcast only its own channel; it was a closed loop. That moved on quite a while ago—BBC Studios is producing for other people, and increasingly now we have more content produced by third parties on the BBC—but the new world will be even more decentralised. The BBC could be producing for other people, producing for itself, broadcasting for itself or broadcasting through other people. It might produce BBC programmes broadcast through Netflix. It might own a programme that sits on another broadcaster platform. In the digital ecosystem, that will be the way it works. That requires the BBC centre to think of itself as something very different from the integrated operating entity it has been in the past.

Sir Peter Bazalgette: I will add to that point of difference just to say how radically things are changing. One member of your panel, Baroness Rebuck, knows more about this than I do, but in different European countries at the moment domestic broadcasters are beginning and seeking to merge. To survive at a time when Disney+, Netflix, Amazon

Prime, HBO Warner and so on are all making their services available in their countries, their future survival depends on having an effective streaming service—it does not matter whether it is supported by advertising, subscription or a mixture of the two—with a big enough library and a big enough programme budget to commission original programmes to compete with those international services. Arguably, the individual broadcasters in each European country are not big enough to do that. TF1 and M6 are currently seeking permission to merge in France, and similar mergers are going on in the Netherlands and Belgium. My prediction is that there will be similar mergers when the German competition authorities, which are quite slow to act, allow it in Germany.

The question is: what does that look like here? It underlines that the modern iteration of the BBC, which Archie is so clearly articulating the opportunity for, is not even just that single thing called the BBC: “We are the BBC, it says it above the door and nobody else is coming in”. It is much more porous. It is a whole series of collaborations and mergers of elements of it. In that way you will get something much more exciting in future, but we have not begun to think in that way and nobody has been given permission so to do.

The Chair: On that note, I will draw this session to a conclusion, but before I do I thank you both very much. I hope Sir Peter’s recovery continues to progress speedily, and I thank Mr Norman very much. It has been a fascinating session and really valuable testimony.

Archie Norman: Thank you for having us. Now I see that I am going to give way to somebody who really knows what they are talking about.