

Digital, Culture, Media and Sport Committee

Oral evidence: The work of the Department for Digital, Culture, Media and Sport, HC 158

Tuesday 6 December 2022

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Members present: Julian Knight (Chair); Kevin Brennan; Julie Elliott; Damian Green; Dr Rupa Huq; Simon Jupp; John Nicolson; Jane Stevenson.

Questions 197 - 285

Witnesses

I: Rt Hon Michelle Donelan MP, Secretary of State for Digital, Culture, Media and Sport; Susannah Storey, Director General, Department for Digital, Culture, Media and Sport.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of witnesses

Witnesses: Michelle Donelan and Susannah Storey.

Q197 **Chair:** This is the Digital, Culture, Media and Sport Select Committee and this is our hearing into the running of the Department. We are joined here today by the new Secretary of State, the right hon. Michelle Donelan, and by Susannah Storey, director general at the DCMS Department. Thank you very much, Susannah and Michelle, for joining us today.

Before we go on, we have a couple of declarations to make.

Simon Jupp: I am a former BBC journalist, in the light of the questions I will be asking later.

Kevin Brennan: Similarly, I am the chair of the APPG on music, a member of the Musicians' Union and PRS for Music and PPL and the Ivors Academy.

Chair: I am a former BBC journalist. I am also the chair of the APPG on new and advanced technologies. I think that covers us for the moment.

Michelle, if someone from No. 10 came to you and came up with a really bright idea and said to you, "Let's hold a nationwide festival that has no running idea through it, which basically will have £120 million of taxpayer money spent on it and achieve less than a quarter of the target for audience engagement that it set," would you say, "That is a really good idea, let's go ahead with it," or would you say, "Frankly, get out"?

Michelle Donelan: Thank you, Chair. I am delighted to be here. I think you are referring to the programme called Unboxed. As you know, that initiative was developed and thought of as a concept years ago and it was drawing to its conclusion when I entered the Department, so it is not something that I have worked on actively.

Now we are viewing the project from the luxury of hindsight, aren't we? We know the criticism that has been waged against it, we know the shortfalls and the lessons learnt, and we are in a very different period with the economy, the cost of living crisis and the challenges that we face today. I think that the initial intention beyond Unboxed was a laudable one, spreading culture to areas of the country that have been culturally deprived. We know that there is over 100 of those areas.

Q198 **Chair:** Would you do it again?

Michelle Donelan: I never did it in the first place. This was a Government initiative, and I don't think anybody would do it exactly the same, no, because there are lessons that have to be learnt from Unboxed. I think everybody recognises that in many ways it could have been improved and built up.



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On the stat that you used about it only reaching a quarter of its intended audience, it reached over 18 million, which was the projected objective. However, the individual who was chairing the initiative was creating a kind of moonshot target, which has not helped things either when we try to assess it versus its original target.

I agree with you, Chair, there are concerns about this project and lessons that could be learnt that I implore the Government to look at. The Government will be looking at that, and I know the PAC will be reviewing some detail as well as yourselves.

Q199 Chair: There are several points that I want to pick up from that particular answer. First, let's get something straight here. The target used in front of this Select Committee was 66 million. It may be a stretch goal, but it is still a goal in many respects, and 18 million is roughly a quarter of that. That has failed massively against their own targets, so I don't think that is particularly defensible.

When you say this is from the benefit of hindsight, this Committee in its report warned against Unboxed in saying we thought it would be a failure. The reason why we thought it would be a failure is because it had no idea behind it and there was nothing that people could grasp on to. It was literally just a splurging of money rather than something that was hooked to an event and time. People still talk about things like the world war one commemoration, the 2012 Olympics, the jubilees that we had for Her late Majesty, but you have to recognise as Secretary of State coming in—and we take it that it is not your fault—that this was a monumental cock-up of gargantuan proportions and it should never have been allowed to come to fruition.

Have you been making inquiries within your own Department as to which officials are responsible for having effectively banged the drum for Unboxed throughout this? I happen to know that at least one of the previous Secretaries of State was very minded to cancel this and was persuaded not to by officials.

Michelle Donelan: I can't speak to that because no previous Secretaries of State have said that to me, but I am obviously happy to look into that in further detail. The objectives that were given to the officials working on it were met. The problem is with the concept and the issues that you have just outlined and failings around that. The target that was said to you in the Select Committee was not the official target, but I completely agree that was a voice from within the organisation sharing that target, which is mostly unhelpful at this stage. As I said, there are big lessons to learn here when future projects are designed.

Q200 Chair: Is it acceptable to spend £120 million to learn a lesson?

Michelle Donelan: I think it is more than that though; 18 million people did engage with this and there were many aspects of it that helped to spread culture around, but I am not here today to—



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Q201 **Chair:** With respect, Secretary of State, 3.8 million attended, 18 million engaged. I could include listening to a programme about what an absolutely appalling waste of money it was. That includes engagement. If 3.8 million people effectively went through the turnstiles at these events, that is virtually £40 or £35 per individual who went through. That is a monumental waste of taxpayers' money. Surely you must recognise that.

Michelle Donelan: As I have said, there were issues associated with Unboxed. There were benefits to it as well, and I think the original concept was laudable in its intentions to try to spread culture around the UK. The way it was gone about is the issue and has led us to where we are today. Many people who engaged with it are huge fans of what happened and the learning that—

Q202 **Chair:** The participants loved it because they all got paid for doing something that no one was going to see. The platinum jubilee, for instance, did not cost any money whatsoever. That was a fantastic event that brought the country together and here is something that has been designed by officials, seemingly, and sent out there. Martin Green took a hospital pass, to a degree, by accepting it despite the early curation of it being a festival of Brexit. Then what has happened is no one said "stop" at this point and £120 million— You said about the economic situation being different. Yes, it is different, but we were still in serious debt when this was decided. We were still at 75% debt to GDP.

What are you going to do within your Department to find out exactly where the failings lie and to ensure that we never go through this sort of nonsense again?

Michelle Donelan: We will be doing a review into the project, as I know independent sources like yourselves and the PAC are as well. Together all of those will hold not just the Department but Government to account. There are some positive steps around Unboxed. I think we shouldn't get around that. I don't think it all was negative. As I have said, there are lessons to be learnt. Would I have done things differently? Absolutely. Do I think things should have been done differently? Absolutely.

Q203 **Chair:** We absolutely take that you are only just in situ and also the fact that you have come and said you wish to learn lessons and so on. We absolutely take that, and I respect that entirely. However, it is not quite akin to the comments that have come from your own Department, which has gone into full hedgehog mode when it comes to this, rolling up into a ball and, if anything, rowing strongly behind Unboxed. Also, in many respects I think personally it is saying that we, as critics of the whole shebang, don't understand exactly what we are talking about. Do you think that the Department needs to learn lessons about that communication and needs to hold its hand up earlier when it sees something going as horribly wrong as Unboxed has?

Michelle Donelan: I think any Department should hold its hand up if it sees a project not running to time, not running to budget or not running to the objectives that were originally set. That is what it should be doing



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as custodians of taxpayers' money. If there are any particular sources of communication coming out of the Department that you think echo the tone that you have just characterised, please share them with me.

Chair: They are in the press.

Michelle Donelan: Yes, but I mean since my tenure and then we can—

Q204 **Chair:** It has been in your tenure as well. We have seen the responses that we have had about Unboxed that are rowing behind it, and we understand that. When there is an issue, the instinct initially is to basically defend it first, but we are concerned as a Committee that there will be no lessons learned from this and that five years down the line we will have another bright spark idea from No. 10, and we will end up with another load of money being wasted.

Michelle Donelan: I think what the Department has been trying to do is say that not everything associated with Unboxed has been negative and that is borne out by a number of the statistics. But there are massive lessons to learn, and I can assure here today that the Department will learn them and that we will be reviewing this project with a laser eye on the detail and scrutinising it properly, as I know that you will be doing as well.

Chair: We appreciate that.

Q205 **Dr Rupa Huq:** It is good to see you and good to see someone with a relevant CV in a post like this—I think you have outlasted the Education Secretary role many times already and that is all good. DCMS is a bit of a quangocracy. It is known as a bit of a powerhouse for public appointments. Can you tell us what your priorities are for making public appointments?

Michelle Donelan: Yes, making sure that we get the right people in the right roles with the right experience and knowledge to bring to those roles so that we can always hit the ground running. A great number of arm's length bodies are appointed by the Department. There is a huge level of responsibility in making sure that we don't just fill them with the same pool of people—that we are also getting the wealth of knowledge and expertise from around the UK from all walks of life and increasing the diversity that is coming to those roles, not by positive discrimination but by removing some of the barriers that have been in place.

We are already working on a plan to ensure that that happens, such as training and mentoring and making sure that we promote these roles better around the UK and that we are reaching people who potentially have not been hearing about these opportunities in the past. That was why we had some criticism previously because of the same pool of people applying for these roles.

Q206 **Dr Rupa Huq:** We have seen comments from the Department before that it is disappointed at the lack of diversity. Are these things being



advertised widely? Social class is another factor.

Michelle Donelan: Yes, exactly. We should have individuals in these roles who are reflective of broader society but also can bring a wealth of experience and knowledge. We have a plan in place that we are executing now to rectify the situation by a multitude of different things including comms—getting that message out there to everybody—but also knocking down the barriers that are preventing some of these individuals from applying in the first place.

Q207 **Dr Rupa Huq:** The pre-appointments procedure has been a bit controversial with the Ofcom one and the Charity Commission chair. Are you looking at reforming that?

Michelle Donelan: We follow the governance code for appointments. We go through the correct procedure every time and make sure that we are comfortable that the individual is the right person for the role, and we will continue to do that as we go forward.

Q208 **Dr Rupa Huq:** On budget matters, have you had discussions with the Chancellor about changes to the budget? It is often seen as a bit of a soft touch with low-hanging fruit.

Michelle Donelan: I think that the Department punches above its weight. It is a true engine of growth, which is what I want the Department to be known as and sometimes it is not known as. It is also a Department that affects everybody's lives daily in many different ways. Proportionately that budget is smaller than others when you consider the weight from a cultural point of view and an economic point of view. Our budgets have been set, and we have a great deal of headroom to do a great deal, to fulfil the objectives that we set out and we pledged to do in the last spending review. We have a very ambitious plan, which is deliverable within our current spending review budget.

Q209 **Dr Rupa Huq:** What do you think are the most difficult decisions coming up in the in-tray—*[Interruption.]* Go on.

Michelle Donelan: I was not going to dodge the question. I was going to say everything is tricky for my Department because, as I said a moment ago, we are making decisions about everybody's lives daily. We had the debate about the Online Safety Bill yesterday and that was controversial in some aspects of the Bill, but I think we have managed to rebalance that via the common-sense amendments that we made. We have a gambling White Paper that will be going out in the coming weeks. We will also be getting out the fan-led review in the coming weeks. We have a number of things on the books. One of the challenges is making sure that we are pouring out the stuff but also that we are doing it at a high quality, we are engaging everybody, and we are taking people with us. These are things that impact people's lives, including everybody's life in this room.

Q210 **Dr Rupa Huq:** You are fighting to protect that funding for the sector.



Michelle Donelan: Yes. The funding is not being eroded. The Government fully appreciate and recognise the value of all these funding streams, particularly now more than ever. As we face the cost of living crisis, it is important that people have outlets like culture, sport and so on.

Q211 Dr Rupa Huq: The Arts Council cuts have been controversial. I am pleased that Gunnersbury Park in my patch has managed to be recognised as a national portfolio organisation and it has got a bit of dosh off that. I worry about new venues too. I asked questions about them the other day in my seat. They are never going to get the funds that go to recognised, long-standing institutions, and they have soaring bills and the general post-Covid footfall problems. What sort of assurances are there for new people?

Michelle Donelan: The greatest assurance I can give is that, if you look at this round with the Arts Council, 260 new organisations entered the portfolio and we had unprecedented levels of demand applying. That shows that organisations knew about it to apply in the first place and that these new organisations that had not ever been part the portfolio were getting through and reaching the bar to get the money. That is important because we should not be giving money to the same organisations all the time and not allowing the growth organisations to come through and get the money to help them grow even more.

Q212 Dr Rupa Huq: The Culture Recovery Fund round 2 has just been announced. Those are repayable. To differentiate yourself from what has gone before and be a bold new Secretary of State, would you consider forgoing the loans?

Michelle Donelan: As I outlined a minute ago, we have a very clear spending review settlement from the Treasury, which we cannot go over. If we were to do that, we would have to make a difficult decision in another area of the Department. I argue that while we have the room to deliver on these areas, we certainly do not have headroom to be doing something like you have just outlined, as much as we would love to.

Q213 Dr Rupa Huq: Go on! Also we know that charities played a vital role throughout Covid in sustaining communities that were struggling and they are doing the same again with the cost of living, but they can't pass on the rising energy costs that everyone is facing. Have you had any discussions with the Treasury to protect charities against these kinds of things?

Michelle Donelan: I and my Department are acutely aware of the challenges that charities are facing, and not just charities but other organisations that I represent, including sporting organisations, leisure centres and so on—the list goes on. They face challenges with the cost of living and particularly energy costs and that is why we introduced the energy bill relief scheme via the Treasury. It now reviews that and makes its decisions on what the plan is post-March. We have been sharing with



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it the picture on the ground in all of the sectors that we represent. My ministerial team has been having and will continue to have roundtable discussions with different representatives from each of the sectors that we represent as well. We will help them to the best of our ability throughout the next few months and the next year to come.

Q214 Dr Rupa Huq: The door is not completely closed.

Michelle Donelan: This is a decision for Treasury about the future of the energy bill relief scheme. Our job is to work with the Treasury and present the full picture of what is happening on the ground, the challenges that the organisations that we represent would be faced with should they not be part of phase 2, and also assess what else we can do to work with them to support them as they go through these challenges.

Q215 Dr Rupa Huq: Yes, that would be great if you were helping them after the spring.

The last one for me is about educational tourism, this area that sits sort of between the Home Office and yourselves. Before the end of the list of travellers scheme there used to be 1.2 million EU students under the age of 18—so these are kids really—visiting every year as part of a youth group tour, French exchange schemes or even language schools. But that market has reduced by 84% since 2019. Obviously, there are Covid issues as well, but we are losing these people to Ireland, Malta, and so on. The English language is a great cultural export; it is a great soft power thing. Often these kids come back and do their degrees here. It seems tragic that we are losing these people even to Israel I heard, and to other English-speaking countries, and sometimes not even those with English as the first language, and it is costing our economy billions.

Are there any discussions with the Home Office to look at loosening maybe immigration requirements? I think that most of these people have ID cards and not passports because it is easier, with the visa regime, to go somewhere else. From Ireland, you can go to all the EU countries as well. It is becoming less and less attractive to come here. They are kids. They are not going to become Uber drivers. They are not the same as people coming on dinghies.

Michelle Donelan: I am aware of this issue and recognise all the benefits of getting these young people into our country. One of my junior Ministers, the Minister responsible for tourism, is working on this with the Home Office and is in active discussions to see what is possible. I am not in a position to promise that we can shift the dial on this, but we are certainly exploring it.

Dr Rupa Huq: Okay, good. Thank you.

Q216 Chair: I want to follow up on the gambling White Paper. This was very close to publication before the fall of the Government—I can't remember which Government was falling but it was one of them. What has happened in the interim?



Michelle Donelan: First, I want to assure the Committee that we are committed to the gambling White Paper. It will be out within a matter of weeks. The approach that we have taken on this one in general is very much to focus on the area that presents the most harm to individuals. One of the problems, as we all know, is that gambling regulation and legislation has not kept pace with the online world and that is why it is particularly problematic, especially around online gambling. What it is not designed to do is curtail people's everyday lives or their enjoyment of recreational gambling, which has not presented a problem. It is about getting the balance right.

There are some areas that the ministerial team and I felt could be stronger and some areas where we felt that there was more outdated, antiquated legislation or rules that did not quite fit the modern world that we are operating in. That is one of the reasons why it has taken a little bit longer than initially it might have seemed that it would and combined with, as you point out, the changes in Government and Prime Minister, which have certainly not helped get it out.

We are committed to this, it will be coming forward and the sector itself has been working on some of these areas and coming forward with changes, like on the VIP scheme that is now down considerably. There will be statistics coming out on that soon that are not in the public domain, and I think you will be quite taken aback by the scale of change there. Some action is being taken but obviously it needs the White Paper to move it further forward.

Q217 **Chair:** To clarify, what has happened in the interim during this hiatus that we have had between when the initial gambling White Paper was close to publication and now when we are in imminent publication once again? When it comes to gambling harms online, there has been a toughening, a strengthening, whereas in the physical gambling there has been a more realistic approach—that is probably the way in which I would term it.

Michelle Donelan: I can't pre-empt the White Paper, but in broad terms we are trying to take a common-sense approach to this. Most people enjoy a bit of gambling here and there—the lottery, the grand national or whatever. That is not what we are trying to tackle by this White Paper. What we are trying to tackle is the root of the problem, which is particularly seen online in the unregulated and unlegislated space for individuals who are suffering from great addiction. I think that it is our job to particularly home in with this White Paper on helping with the core problem. It is not the case that since the leak that we saw with this White Paper and now that the Department has been doing nothing—far from it. The Digital Minister Paul Scully and I have been doing a great deal of engagement, with those impacted by gambling and also those in the sector. I am more than happy to meet with anybody over the coming weeks as we get closer to the publication to make sure that we get this right.



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Q218 **Chair:** You did say though that there would be a strengthening for online gambling. I am going to take it that what has happened in the interim is effectively that you have revisited that and that further safeguards have been put in place for online gambling. That is basically what you said when you first answered the question.

Michelle Donelan: I said, yes, we tried to rebalance it. Obviously, you are only privy to a slight bit of a leak. You are not privy to the whole picture of where it was before.

Chair: I am not privy to a full leak; I am privy to a part leak.

Michelle Donelan: Yes. I want to caveat it with that, because you don't know the full picture of what was in it versus now.

Q219 **Chair:** Fine, okay. One other thing to follow up is an area that is of major concern to the Committee. We were promised legislation in this area in secondary form and also it has come to fruition recently with quite a few reports related to children using loot boxes. Effectively it is online gaming. One instance that I think was in the game GTA, which I have played many times. It is a fantastic game, but there is an area of it where you effectively part with physical money to have online money in a gambling casino and this can be accessed by anyone using that game. Although it has a BBFC classification of 18, we all know that kids will play it.

What is your view of the videogames industry and loot boxes? Will you commit once again to ensure that loot boxes are brought within gambling legislation?

Michelle Donelan: Yes. We did a call for evidence and 32,000 people responded, highlighting the significance of this topic. We also created a technical working group specifically around loot boxes so that we could produce industry-led measures. The approach that we have been taking as a Department is to push the industry to tackle this issue head on first. If that doesn't work, of course we will legislate. I am always of the view that we don't kneejerk jump into legislation first, we try other options before then because often—

Q220 **Chair:** With respect, obviously this is well before your time. When Caroline Dinenage was in the Department, she had already drawn up a statutory instrument that effectively would tackle loot boxes and committed to this Committee that she would do so. In addition, do you feel comfortable with the fact that you have a game out there—however great a game it is—that effectively allows children to buy money in a virtual casino and then gamble that money away for goodies within the game? That seems to me, frankly, to be almost a gateway drug when it comes to gambling as you could find.

Michelle Donelan: The industry has gone a long way on this and there are several parental controls. Other countries like Belgium and Germany have legislated in this space; the legislation has not been foolproof, so



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there are some lessons to be learnt there as well. Legislation is not always the panacea on these issues. It is also taking industry with you and that can be quicker and more deliverable. But we are looking into this. As I say, we have the technical working group. That will report back at the beginning of next year and we can take it from there. I am happy to send the Committee further information at that point.

Chair: Yes, we will want a regular update on this because we were much further along the road to this before, but now we appear to have gone backwards in many respects. The Committee produced quite a major report into this area, and it seemed to be making an impact. I urge you to look at the potential harm here of loot boxes. It is not right that kids are using money to basically gamble through a videogame, in many respects.

Q221 **John Nicolson:** Good afternoon, welcome and congratulations. I think you have got the best job in Government without doubt. However, as you know, Culture Secretaries have quite a high turnover. I think I am right in saying you are the 10th since 2010. That is an average of 13 months per Culture Secretary. What are your priorities for your year in office—your first year in office?

Michelle Donelan: I was going to say that you have already written me off! As I said before, this Department impacts people's lives daily and there is a great deal of legislation and reform that we are leading on. First, it is about delivery and getting things out of the door and making good on the promises that we have made, including to this Committee. If I have to summarise it, it is about creating, connecting and protecting. What I mean by that is creating opportunities. We are the Department of jobs for the future. We should be the Department that is the engine of growth and also we are the Department that should be connecting people, whether that is broadband, telecoms. Then it is protecting children, including with the Online Safety Bill as we said before, but also protecting our culture and our heritage. I see that very much as the role of the Department.

Q222 **John Nicolson:** We spent yesterday with the Online Safety Bill. It was a very long day. We disagreed on a few things, and we agreed on lots of things. It showed parliamentarians working co-operatively in a good way. Like many Members, I met with bereaved parents during the course of the day, and I discovered that many of them were worried about the Government's good faith. They were worried about whether this Bill was going to reach the statute book. As you know, for them it is a passionately important thing, given their terrible experiences. I don't want to revisit the arguments about it, but can you guarantee that the Bill will be passed in the course of this Parliament?

Michelle Donelan: I can, absolutely, and that is something that I have personally discussed with the Prime Minister and the Chief Whip. I am comfortable in giving a fully fledged assurance on this, because it matters too much. I too met with those bereaved families, and I had met with



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some of them before, including Ian Russell. I can completely understand why they are at the end of their tether and they are concerned as to whether this Bill will go through. I want to give them and give all of you the full assurance that it certainly will because, as I say, it matters too much. We have to try to stop other families going through the horrendous pain that they went through.

Q223 **John Nicolson:** Okay. The Prime Minister and your Minister of State yesterday stressed the importance of a good relationship with the Scottish Government. As we know, culture is devolved. I take it you agree that a good relationship with the Scottish Government, and the other devolved Administrations, is a good thing.

Michelle Donelan: Yes.

Q224 **John Nicolson:** When was the last time you or your immediate predecessor met the Scottish Culture Secretary?

Michelle Donelan: I can't speak for my predecessor. We will double check that and I can write to the Committee with that. It is something that I have been meaning to do and I hold my hands up here that we have not quite got round to it. I will make sure it is a priority because you have called me out on it, and I will do it next week.

Q225 **John Nicolson:** Okay, that is good to know. You don't have to write; I can tell you that your predecessor did not meet at any point with the Scottish Culture Secretary despite everybody saying how important it was. We know all the areas that you should be working on together because you have a shared interest in the arts. The arts are crying out on the issue of funding and cuts. She did not meet him at all, and you have not yet, but I am sure that will be welcome.

Michelle Donelan: I will rectify that. I should point out that my junior Ministers do regularly, but I will rectify that.

Q226 **John Nicolson:** Out of interest, can you name Scotland's Culture Secretary?

Michelle Donelan: Not off the top of my head.

Q227 **John Nicolson:** It is Angus Robertson. He is a pretty good thing. He led the SNP group here for many years and is known by many people. He is known by all of us, and he is your opposite number in Edinburgh.

Moving on, looking ahead to the Media Bill, Channel 4 privatisation has been dropped. Have you abandoned your plans to privatise Channel 4?

Michelle Donelan: The media Bill is still in existence. I just want to reassure you of that. I know that there has been speculation and rumours around the media Bill but obviously it is very important that we complete it.

On Channel 4, when I entered the role what I wanted to do, as somebody who focuses very much on the evidence, is review the business case



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myself. I can understand why there were concerns around Channel 4 in the long term from a sustainability point of view. In addition to reviewing the business case specifically for selling Channel 4, I have also been reviewing the other options for providing long-term sustainability for Channel 4. We will announce our decision on that in due course.

Q228 **John Nicolson:** I am guessing that you are not going to privatise Channel 4.

Michelle Donelan: When I said "in due course", I didn't mean right now. We will announce it in due course.

Q229 **John Nicolson:** Are you more or less likely to privatise Channel 4?

Michelle Donelan: I can see what you are trying to do here but, as I said, we will announce this in due course. I am an evidence-based politician who has been reviewing the facts on this and looking at this in the round, also looking at the other options for sustainability and discussing those with Channel 4 as to how feasible they are. If we were to go down one of those roads, we would need them to fully sign up and agree to that.

Q230 **John Nicolson:** That is interesting, because Channel 4 is very hostile to the idea of being privatised. Channel 4 thinks it is doing pretty well, which it is in profits and its viewing figures. Your predecessor did not feel that it was necessary to secure Channel 4's agreement to its own future, but you have just said, helpfully, that you need its agreement to sell.

Michelle Donelan: No, I didn't say we needed its agreement to sell. I said if we were going to do other options for sustainability that did not involve selling, of course then we would need their agreement on that. As I have been doing it, I have not just been looking at one option. I have been looking at all of the options, which I think is the best approach, so that we get this right. Channel 4 is a great success story.

Q231 **John Nicolson:** That is quite curious. If you decide to privatise Channel 4, it does not have to agree, but if you decide on any other option for Channel 4's future, it should agree.

Michelle Donelan: I think if you were going to privatise, naturally they wouldn't agree, would they?

Q232 **John Nicolson:** If it is a great thing for the future of the channel, if it was going to free up the channel and all the other things we were told previously, you would have thought Channel 4 would be crying out for all these new freedoms that you were going to offer.

Michelle Donelan: It wasn't me who was going to offer them. I have been reviewing the evidence base on this. You point out, the profits and I have them in front of me. In 2021 it made £101 million in profits. Its growth is comparable to Netflix and Amazon Prime for video on demand. I think the problem was more associated with the long-term potential, because a great deal of their business model was based on linear



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advertising. That was the crux of the concern, but I have been reviewing this. I will report back as soon as I can, but rest assured that I have been doing this with an evidence focus.

John Nicolson: I think that is absolutely the key. You are absolutely right that it should be based on evidence. One of your predecessors, Karen Bradley, told us that she decided, when she looked at it, that it was too much grief, too unpopular and had too little financial return. That was the evidence that she had obtained after looking at this. I hope you come to the same conclusions. Thank you.

Q233 **Kevin Brennan:** Welcome, Secretary of State, and congratulations on your appointment as this is your first appearance before us. You will know that the Committee did a groundbreaking and very extensive report on the economics of music streaming. I also introduced a private Member's Bill, which unfortunately was not successful, to try to bring some of its recommendations into law. Would you like to see some more progress from the industry on the work that has been undertaken? The Government were very supportive of many of the recommendations we made.

Michelle Donelan: Yes, absolutely. I think that the work that the Committee did was very valued by the Department, as well as the work that you have done personally. I know that you have been passionate about this for a long time, and I would be keen to meet with you separately to the Committee to hear your views on this, because we need to push ahead with this.

There is, of course, a balance to be struck because while we want to support the creatives and our fantastic musical talent and up and coming musical talent, at the same time we don't want to damage the industry that they rely on. It is about getting that balance but getting the industry to do more of this themselves and recognise that. I am very keen to take the report that you did and make sure that we are delivering in many ways.

Q234 **Kevin Brennan:** I very much welcome that commitment to continue on with the work that the Government had previously agreed to do. I am glad you have been able to put that on the record. Our report has had impact outside the UK, across the Atlantic but also in Europe. In France recently, the industry concluded an agreement for a minimum guaranteed remuneration for musicians when their music is exploited through streaming. That was done through an industry agreement and yet it seems in the UK we are not at a stage, from the recent evidence we took, where that is happening. Would you welcome that kind of agreement being reached within the industry, rather than the Government having to legislate around this area, which previously the Government said they would do if the industry could not come to some sort of sensible conclusion on all this?



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Michelle Donelan: I always welcome, whatever industry it is, them trying to fix the issues themselves first. I think that is far better—the experts in the area working together to progress change rather than the Government having to come in with legislation that we know can take a great deal of time and not always have the same results and as quickly as the industry coalescing around something. I will look at the French example and see exactly how that is working.

Q235 **Kevin Brennan:** Thanks, and I think it is happening in other jurisdictions as well. I would be glad to send on some details to you.

When we recently checked on the progress of our report, a lot of the evidence we received said that the thing that was missing from the working groups that the Government kicked off as a result of our report, in conjunction with the BEIS Department and the Intellectual Property Office, was a working group on remuneration itself, which is the big central issue in all of this. They also said that perhaps progress was slow in those working groups because initially there had not been enough ministerial engagement. Would you be willing to encourage Ministers from your team, perhaps in conjunction with those from BEIS, to take a closer interest in the progress of work that has been made in those working groups? I think originally George Freeman, who has now returned to the Government, said that they hoped by last September to have come to some sort of conclusion. A lot has happened obviously. There has been quite a lot going on, I appreciate, and turmoil in Government, but would you be willing to look at that and ask the Ministers to engage a bit more directly in overseeing that work or at least taking an interest in it?

Michelle Donelan: Yes, we can do that.

Q236 **Kevin Brennan:** I am very pleased. Thanks. You have made quite encouraging noises about resisting the decision around the use of data mining and artificial intelligence for facsimiles of creative works, including music and so on, without a licence or without the permission of rights holders like songwriters and composers. When can we expect to hear from you exactly what your conclusions are on that subject and what route the Government are going to take forward on that?

Michelle Donelan: That will be next year. We hope it will be first quarter.

Kevin Brennan: In the first quarter of next year?

Michelle Donelan: We hope it to be.

Kevin Brennan: By the end of March?

Michelle Donelan: I will reiterate the “we hope”.

Kevin Brennan: That was a very specific answer, and I was quite surprised to receive it but I am glad—



Michelle Donelan: I always try to say things straight when I can.

Q237 **Kevin Brennan:** You are hoping that you will be able to give clarity to everybody about all this and the direction of travel. Is it fair to say from what you said in front of the Lords Committee and what you said in the House that your direction of travel is probably away from the original conclusion that the Intellectual Property Office and BEIS reached on this subject?

Michelle Donelan: I don't want to pre-empt that at this stage, I think. We will have to wait until we come forward with that.

Q238 **Kevin Brennan:** All I can say is that people listening to what you have said up until now have certainly been under that impression anyway, so I am hoping that we are reading you right on it.

One of the pieces of work that has been undertaken in the music industry working groups that we were talking about is about industry codes of conduct. I recently met with the Black Lives in Music group, headed by Charisse Beaumont, along with Shingai Shoniwa, who used to be the bass player and lead singer in the Noisettes. They made a very compelling presentation with lots of statistics about racism in the music industry, and they are producing a code of conduct on that. Would you be willing to engage with that and to see if that could be incorporated in some of the codes of conduct work that is being undertaken in the working groups?

Michelle Donelan: I am certainly interested to meet and to look at it. Obviously, I would need to read the specifics before making any commitment.

Q239 **Kevin Brennan:** Thank you. Two more brief things from me. One is that the BBC has just put on the market the Maida Vale recording studio, which has an incredible history and heritage as well as being a fantastic facility. Its plan is to sell it off for flats, perhaps with a little bit of heritage lipstick applied to the front to make it look like they are interested in preserving the cultural heritage of the building. There are genuine and credible interests from people within the creative industries to continue running the Maida Vale studio as a going concern, as a recording studio.

Do you think that the BBC ought to, in considering this, remember their cultural soul and not turn down an application like that for the want of a relatively small amount of money if the offer is not as great as it might be for flats? It did try to object to the listing of the building originally, which I thought was outrageous. Let me put it another way. If it were possible, wouldn't it be the best outcome for Maida Vale to remain as a going concern as a recording studio for the cultural heritage of our country and for the creative industries?

Michelle Donelan: In principle I would welcome that but obviously it would depend on the definition that you have outlined as a small differential in price and the exact—

Q240 **Kevin Brennan:** If you were hoping to get £10.5 million, if they were



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able to get £10 million and keep it going, surely it would be worth that.

Michelle Donelan: This would ultimately be a decision for the BBC and not for Government, but I think in principle, yes, of course, we would welcome that.

Q241 **Kevin Brennan:** We have got the Arts Council England in front of us on Thursday, and I know that Jane Stevenson might ask some questions of you about this later in our session. There has been quite a lot of lobbying and understandable concern about the decision on the English National Opera, but I want to raise with you the issue of the Welsh National Opera because it receives funding—people may not realise this—from the Arts Council England for the work that it does in touring opera around different parts of England, including Liverpool, Southampton, Bristol, Birmingham and Oxford. Yet, because of the decision taken by the Arts Council England, they have taken away the money that would enable it to tour in Liverpool. It seems to be an extraordinary outcome from a levelling-up direction, which was given from the Secretary of State to the Arts Council to look again at these sorts of things, that the outcome is to take culture away from somewhere like Liverpool and do something that seems to mitigate against the Government's professed position on wanting to promote the Union and culture across Britain.

Do you share my puzzlement that that is something that the Arts Council England thinks is a good idea when they have been charged with trying to spread culture around the country?

Michelle Donelan: As you know, the Arts Council is an arm's length body and it made the decisions over the individual bids that went in on who remains in the portfolio and the sums that they got. That is a question to direct at them and the rationale behind that decision. It may have been due to the bid that they submitted.

Opera in general received in aggregate 40% of all the funding for music and there were new joiners—Opera Up Close, Pegasus Opera Company—and there are 13 opera organisations funded in this round. In aggregate, there is a great deal of money going into opera under the settlement. I think that is a question that you should direct specifically at the Arts Council about the rationale for individual decisions.

Kevin Brennan: Down the line it will mean job losses in my constituency as well, I should mention.

Q242 **Damian Green:** Good afternoon and welcome to the job. One of the themes that has emerged already is that of unfinished business. The Department has a lot on its plate and a lot of decisions have landed on your desk. Even if you take all the decisions that we have promised from the Department for ages, that would be quite a considerable body of work, which I am sure this Committee would welcome.

Picking up on music, I will introduce another of those, which is the problem of musicians touring in the EU. As you know, this was a failure of



the TCA that was signed post Brexit, which did not include this. As a country, we have been scrambling to catch up ever since and 21 out of 27 countries now have some kind of rules that allow musicians to travel visa and work permit free, but they have different sets of rules, so it is really difficult and complicated. In the end, of course, for small bands up to musicals that want to do a tour, it would be much better to have one set of rules. Are talks still continuing about this?

Michelle Donelan: Yes, and we have got it up to 24 now from 21, so there are only three countries left now, which is the good news. But obviously, as you point out, it does not get around some of the challenges that musicians face, the different rules but also the 90 days out of 180 days rule, which can be very limiting. It is not as bad as some assume in movement of goods and movement of trucks, which is why we have worked very hard as the Department to make sure that the guidance and information is out there to try to enable people to navigate through the changing dynamic. Of course, we remain open and engaged in live conversations with member states. This is not the situation and scenario that we wanted to be in. It is not what we set out to achieve via that agreement, but it is a reality of where we are. We will continue to try to support the music sector and touring musicians.

Q243 **Damian Green:** Who is doing the negotiations, your Department?

Michelle Donelan: We still have live conversations with member states and some of that will be across Government obviously when individual representatives of the Government are meeting their counterparts and so on. That is how we have got it up to 24 out of the 27, which is certainly progress in this area.

Damian Green: I am asking a specific question on whose desk does it land because—

Michelle Donelan: Ultimately, as the Department, we are responsible for music but that said, if there was a Minister in the Department for Trade or a Minister in the Foreign Office who was having a conversation where they could get this into that conversation, I would expect—and in fact it does happen—that this will be brought up. Ultimately, we are responsible, absolutely.

Damian Green: Ultimately, it is you. Okay, fine.

Michelle Donelan: It is one of Susannah's team.

Susannah Storey: It is one of my teams at official level who is responsible.

Q244 **Damian Green:** That has not been clear in the past where, frankly, Departments have been batting it back and forward and saying, "Not our problem," in front of this Committee.

Michelle Donelan: All right, no, it is our problem.



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Damian Green: That in itself is a step forward.

Q245 **Chair:** Does that include cabotage?

Susannah Storey: Basically over the last couple of—

Chair: A simple yes or no helps.

Susannah Storey: I think we have been looking at absolutely everything to try to make all of the issues around—

Chair: Does it include cabotage? Are you responsible for cabotage, yes or no?

Susannah Storey: We are responsible for everything to do with touring.

Chair: Cabotage, yes or no?

Susannah Storey: Yes, within the—

Chair: The DfT is no longer responsible for cabotage; is that correct?

Susannah Storey: What happened in the beginning was we worked with a number of different Departments, including DfT and a whole range of them. They had their sector responsibilities. We are responsible for the issues that might affect our sectors when they are trying to move their musicians around or move their—

Chair: I am actually less clear now than I was a moment ago. Is it DfT?

Susannah Storey: DfT is responsible for cabotage. Within DCMS, I have a team who is responsible for the music side.

Chair: Is it you who negotiate with the EU cabotage or is that DfT?

Susannah Storey: No, that is DfT.

Q246 **Chair:** Right, so you are not responsible for cabotage; is that correct?

Michelle Donelan: Some of the issues related to this—

Chair: This has not changed.

Michelle Donelan: We have the umbrella responsibility when it comes to music.

Chair: You did before, so nothing has changed.

Michelle Donelan: I didn't dispute whether anything has changed. I said ultimately it is our problem and our responsibility. Some of the tools are the responsibility of other Departments, like the Department for Transport, but we work very closely with them.

Chair: I think that my right hon. Friend is nodding at this point. The impression is very clear. We thought you had taken full responsibility for



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every aspect of this, and it is clear from drilling down that that is not the case. Although you may have a team in place with more gumption, so to speak, but it looks to me, frankly—from your words it is very clear—that on the crucial issue of cabotage it is still the DfT that is responsible and not yourselves. That is correct, yes? Okay.

Q247 Damian Green: One of the groups that has tried to help is the all-party parliamentary group on music, which produced a report in the summer called “Let the Music Move”. Have you considered that report?

Michelle Donelan: I know that the team are considering that report.

Damian Green: Has the team reached any preliminary conclusions?

Susannah Storey: Not at this stage.

Q248 Damian Green: We have six months or so since it was produced, so that is slightly disappointing. One of the flagship proposals was that precisely because of the blurred responsibilities—that may be wrong, but certainly differential responsibilities—of different Departments is that there should be a touring tsar appointed to pull all this together. Does that appeal?

Michelle Donelan: I will look at it. If it makes a difference and we think that it will shift the dial on this, I would not be opposed to it. I would be opposed to creating layers of bureaucracy that will not make a difference, so let me take it away and look at it with my ministerial team.

Q249 Damian Green: It does feel sitting here that there are already layers of bureaucracy.

Michelle Donelan: Yes, that is right. We have to be a bit careful we don’t add to them.

Q250 Damian Green: Yes, but you can take it away, if it would mean that getting the answer to the question of who is actually responsible for gripping this would be easier than what we have just heard over the last 10 minutes, which is that you, as Secretary of State, say, “It is my responsibility except for this key area that is somebody else’s responsibility.” It has always felt like the government machinery is militating against a settlement in what is a hugely important industry. You made the point earlier that you want your Department to be an engine for economic growth. Music is something we are world class at, live music in particular, and that industry is hobbled in one of our biggest markets. It seems to me that this ought to be quite a high priority.

We asked your predecessor for regular updates on this, which never emerged. Can you promise to keep us regularly updated on progress on this? Thank you.

A couple of other questions on answers you have given. You mentioned the media Bill, and I am glad to hear that it is still alive and, of course, I hope the Channel 4 privatisation will not be in it. It has always been a bad idea, but the rest of it is absolutely essential. Will radio prominence



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be part of that Bill?

Michelle Donelan: What I have been trying to do with my ministerial team is use this time to make sure that we can ensure that we have listened to all the different sectors, including radio. I met with Global, for instance, the other day. We are looking to get radio prominence into the Bill while we have this opportunity as a legislative vehicle.

Q251 **Damian Green:** That is encouraging. Are we expecting an announcement before Christmas?

Michelle Donelan: We will announce as soon as we can. I can't give you a fixed date.

Damian Green: Not even the first quarter of next year?

Michelle Donelan: As soon as we possibly can, we will make an announcement.

Q252 **Jane Stevenson:** Welcome, Secretary of State. I want to turn to levelling up and the Government's direction in the arts and culture. How will you judge that policy to have succeeded? What will your priorities be?

Michelle Donelan: The remit that was given to the Arts Council was very much to particularly support those cold spots of arts and culture that were identified, and that was in the levelling-up White Paper. We know that there are areas of the country where people don't have the same opportunities to access culture and arts and don't have the same career opportunities in those sectors and are having to leave those areas to pursue a career, which I don't think is the right thing by any stretch of the imagination.

Success would obviously be making sure that it is spread across the land more so that we are turning back the tide around what we have seen in the past. That does not mean that you would take it all out of the areas that have had it before. London, for instance, is still getting the lion's share of all of the money but we are now seeing from statistics that East Midlands and Yorkshire and Humber have received over 30% more, the west of England is up by 34%. These are areas of the country that did not have as much investment going into them from an arts and culture point of view before.

Q253 **Jane Stevenson:** Is that too simple an answer to say you move money from point A to point B? The arts is such a complex environment. I grew up as a state-educated kid in Wolverhampton. I had a career in classical music. It didn't stop me or hold me back, but by the nature of something like an orchestra or an opera company, you can't have multiple of those. Not every person in Britain will have access to an immediate facility because you can have only two or three or maybe half a dozen.

Michelle Donelan: Absolutely, but I think that everybody in the UK should have access to something in arts and culture but—100%—you can't have an orchestra in every town, can you? We have to be realistic



about these things and that is not what levelling up is about. Levelling up is about those areas that have been underinvested, Government after Government from successive political parties, and making sure that we rectify that and that we don't write off areas and communities and we don't say, "Just because you live in a certain area you are not entitled to any taxpayers' money going into arts and culture in your area or your region." I think that is what success looks like. As I said, you still need hubs, you still need a great deal of investment in places like London, and that is certainly what the Arts Council has done.

Q254 **Jane Stevenson:** Among these funky young people, I consider myself the old lady on this Committee because most cultural things are the old thing: the classical music, British Museum. All of those sorts of things were my culture.

John Nicolson: I like those things.

Jane Stevenson: John likes them. We will be the old couple on the Committee. Do you think things like opera, which is the most expensive thing to put on the stage because of the complexity, the number of people in the orchestra, the number of people on the stage, and lighting and costumes—everything about it is expensive—are an easy target for funding? Half of the cuts to London have been the slashing of the ENO budget. Is it an easy, simple thing for the Arts Council to say, "It is a bit posh, and it is old fashioned"? Why such a heavy hand?

Michelle Donelan: No, I don't think so. To fulfil the objective of getting more money out and around the country, obviously some difficult decisions had to be made because so much of the money went into London. The Royal Opera House is still getting more money than the whole of the East Midlands combined, so that just shows the amount of investment that is going into opera.¹ As I said before, 40% of all of the Arts Council funding for music is going into opera, so it is still heavily invested in.

It was not the case of, "Just because it is opera, let's take the money out." These are questions that should be directed at the Arts Council, and I ask you to ask them, because it has made these individual decisions and looked at the bids and decided who to take money from and who to give it to.

Q255 **Jane Stevenson:** Do you not think, as I do, that when you have these national companies of excellence, the solution would not be to try to move the company? It is to require the company to do more in the regions, to require the company to have a national footprint rather than—I am going to talk about ENO because I think most of us have had lots of correspondence about the decision to put the "national" back into

¹ Correction by witness: The Royal Opera House is still getting nearly as much money as the whole of the East Midlands combined, so that just shows the amount of investment that is going into opera.



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“English National”. Opera North in 1977 was English National Opera North. It already happened that ENO was required to outreach and relocate and then Opera North has gone in a slightly different way, but lots of people don’t realise that was a satellite of English National Opera. Is it not better to do a similar thing again or to have more education projects rather than—

Michelle Donelan: A lot of these organisations already have great reach around the UK and do a great deal of work supporting communities that do not have the same access as others. I think we should note the work they do already. There is a limit to how much expectation you can place on these organisations, especially now with the economic challenges as well. I think it would be better to interrogate the Arts Council around the ENO decision because they made that decision, although the broader objectives were set by the Government.

Q256 **Jane Stevenson:** Do you think arts education is part of your responsibility as well, and do you have an oversight of how children’s state schools versus private schools have access to culture and arts? Is that within your scope?

Michelle Donelan: We work very closely with the Department for Education. They own the policy around curriculum and the spend they receive from the Treasury in relation to the money spent in schools. Yes, we work very closely with them, and it is important we do that because we must teach the next generation about arts and culture.

Q257 **Jane Stevenson:** Is this a case of silo thinking? Should the culture sector and the education sector be more linked?

Michelle Donelan: From a Government point of view, we certainly are very well linked. I spent three years in the Department for Education and on the Committee before then, and I worked very closely with the Secretary of State for Education. My ministerial team have regular meetings, not just in relation to art but also sport, and there is a lot of synergy. If we look at digital skills gap and the creative skills gap, we need to work together to fix some of these problems.

Q258 **Jane Stevenson:** Is your levelling-up agenda more linked to education opportunities in arts, media and tech that my state school kids in Wolverhampton receive, versus a private school kid in Surrey? Is that not where money would be better directed from DCMS?

Michelle Donelan: In relation to the Arts Council, we are talking about a specific pot of money that is dedicated to go to organisations, so there is a clear remit about what that can be spent on. The Arts Council then use the overarching objectives set by the Government as the framework for how they then allocate it, and they make the individual decisions. There is not an either/or. This work needs to be done in conjunction with our work with the Department for Education on the broader agenda as well as this.



Q259 **Jane Stevenson:** Forgive me because I am quite recent to this politics gig, but what if the Arts Council is doing something horrifically wrong? Where does their accountability lie ultimately?

Michelle Donelan: It would depend on what they were doing that was horrifically wrong. It would depend on if they were breaching the clear objectives that we had set them as the Government. Then there would be a line of accountability because they have to work within the framework through which we are allocating that money. It is taxpayers' money at the end of the day.

What I was concerned about when I took office was these objectives had been set before the challenges that we now find ourselves in economically. I worked to encourage the Arts Council to ensure the transition funding was much more generous than they had planned. Now it is up to a year of funding for those organisations that lead the portfolio, so we work together on some of this.

Q260 **Jane Stevenson:** I will turn to something slightly different about statues and our cultural heritage objects. Is "retain and explain" the right approach to some of our sensitive cultural objects now?

Michelle Donelan: I believe it is absolutely essential that it is our approach. Our history and culture are things we should always stand up for and protect. As a history graduate myself, I believe very strongly that you do not educate the next generation by eradicating bits of history or trying to rewrite it. You add in those stories that have potentially been neglected over the years and add to the story of history, but you do not remove aspects of it. Removing statues does not have the goal of informing anybody about anything, but it does if you retain it and explain the context in which that person made the decision and what they decided.

Q261 **Jane Stevenson:** If a local community overwhelmingly wants something gone, where do we go then? Who has the ultimate decision?

Michelle Donelan: On this hypothetical example, it would depend on what exactly the artefact was, who owned the artefact, where the artefact was and so on. The general principle is, I believe, we should always stand up for our history and culture and not be afraid to defend it. It is part of the fabric of our nation, and we can learn from it, as we do from the great atrocities of the world. Holocaust Memorial Day is there not just to commemorate but to reinforce to the next generation that we cannot as a society ever allow these ills to happen once again.

Q262 **Jane Stevenson:** I saw an article saying George Osborne is considering whether the Elgin Marbles may have a new home in sunnier climes. Do you think that would be the thin end of the wedge and leave our museums fairly depleted in a few years' time?

Michelle Donelan: George Osborne's position on this is a little bit different to what has been portrayed, but some people are strongly



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advocating to return some of these items permanently. The current law does not allow that, it should be acknowledged. I can completely understand the position they are taking, and I can sympathise with some of the argument, but I think that is a very dangerous and slippery road to embark down.

Our museums and cultural centres are hubs that people not just in this country but also tourists can visit. They enable them to be transported to a different part of the world and a different period of time. These are objects we have taken great care over for decades if not longer, that we have researched into considerably, that we have been custodians of. Once you give one back, where does that end? It is also very difficult to know who to give these things back to. We are talking about ancient items in many respects and there are certain examples where it is not clear who the owners are and others where it is clearer that we have a direct link to ownership. I think the current status quo is working and we should protect it.

Q263 Jane Stevenson: As you mentioned tourism, our Committee suggested that tax-free shopping is a massive boost for tourism. Will you lobby Treasury to bring that back?

Michelle Donelan: This was in the mini-Budget under Liz Truss as Prime Minister and was later removed due to economic necessity to achieve a balancing situation. Of course, we see the value in this initiative but also, we recognise the economic challenges we are facing and the tough decisions made by the Treasury to put people first throughout this period. I am sure the Treasury will look at it again in future spending rounds.

Q264 Jane Stevenson: Our evidence suggested the damage to the tourism industry will last a lot longer than our financial problems hopefully. Would you like it to return as soon as it can feasibly do so?

Michelle Donelan: The Treasury will look at this. It is a decision for them. Can we see the merits in this? Absolutely. Do we want to back the tourism sector? Yes, of course we do, and the various areas within the UK that in turn supports and the job creation that enables. But we are facing economic challenges at the moment that are undeniable, and I support the Treasury's decision to make some tough decisions in that latest financial statement.

Q265 Simon Jupp: Good afternoon, Secretary of State and thank you very much for joining us. Do you still feel the BBC licence fee is, and I quote, "an unfair tax and should be scrapped altogether", as you stated in 2019?

Michelle Donelan: I think the BBC is a fantastic institution, and one that we should seek to work together to protect. It is part of our cultural fabric and society, and we saw at first hand when Her late Majesty the Queen passed how much people relied on the BBC to allow them to mourn and come together. I do not think we would have that quality of footage had it not been for the BBC and the national broadcaster we have.



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It is undeniable that the licence fee is not a long-term sustainable model in its own right and we know that because subscription figures are going down. There was a blip because of the change around over 75s, but it is not a long-term sustainable model. If we want to make the BBC sustainable, we need to be honest about that and work together to make sure we safeguard it into the future, and I want to work constructively with the BBC over that.

We cannot deny the modern media landscape we face and that the way people consume media has changed dramatically over the last few decades. Their appetite for choice has been enhanced incredibly with many platforms on offer as well. I believe we should make sure the BBC is sustainable, we have a long-term plan worked out with the BBC to address this and we keep choice at the heart of that, and fairness. That is what people want. That is how you take people with you when you invoke change. All that needs to be done from an evidence-based point of view. There is no point in politicians or anybody picking random ideas as the magic solution to this conundrum around the sustainability of the BBC, and that is why we have already committed as a Government to a licence fee review where we need to get the right people round the table to provide the evidence to progress this.

Q266 **Simon Jupp:** If the review comes back and says the licence fee is the only way to keep BBC services as they are, because I cannot think of any other solution to keep radio, television, online, all these services together—maybe you have an idea yourself and I am sure you have discussed it—what will you do? You say it is unsustainable and not what you want to see in the future, and a lot of people will agree with that. But what is the solution?

Michelle Donelan: It would be impossible for the review to come back with that analysis because unless you were increasing the licence fee to a great deal per household, which would further drive down subscribers, I cannot see how you would get to the figures that are required without topping up that funding somehow with another initiative. The answer cannot simply be to continue with the licence fee if we want to protect the BBC, which I think we should. We should work together to ensure the BBC lasts for the next generation and the generation after that.

I do not think it is helpful just to discuss what we think, although that is the purpose of today. We should be taking an evidence-based approach where we have that thorough review, we interrogate the figures, interrogate where the market is potentially going, what the opportunities are, what the other revenue streams are and so on. Then we build our decision-making based on that evidence rather than our assumptions. I want to work constructively with the BBC on this, but I think there needs to be fairness at the heart of any decision-making too.

Q267 **Simon Jupp:** How much is this review costing?



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Michelle Donelan: We have not commissioned the review yet, so it costs nothing at the moment. It is a very cheap review. I am sure it will cost something once we commission it and set out the terms of reference.

Q268 **Simon Jupp:** Bearing in mind your view about the licence fee previously—an unfair tax that should be taxed altogether—does that come to a point where you have concerns over editorial bias in the BBC?

Michelle Donelan: I fundamentally believe as a politician and an individual in choice and fairness in life. I also think that is how you take people with you. But on this, as I said, it is not just about choice and fairness, it is about sustainability and pragmatism as well. If you really care about something, you are honest with people and tell them we need to get the experts round the table and we need to look at this in detail so we can have a plan that is workable in the future.

Q269 **Simon Jupp:** My question was about editorial bias.

Michelle Donelan: My point was the two are separate, different, distinct things. Are there concerns around BBC impartiality? That is a totally different issue to the future funding model of the BBC and how we make it sustainable. I do not think it is right to—

Q270 **Simon Jupp:** The person who previously sat in the chair you are sitting in had quite a different view and seemed to connect both the impartiality issue with the future of the licence fee.

Michelle Donelan: I do not connect it at all.

Q271 **Simon Jupp:** I am glad you are distancing yourself from that sort of rhetoric, but do you as a licence fee payer, not just the Secretary of State, have any concerns about impartiality within the BBC?

Michelle Donelan: I do on impartiality, but I reiterate that has nothing to do with the future funding model and how we make the BBC sustainable. I raised impartiality in my first meeting with the director-general and chair, and they raised it with me as well because they are focused on it with their 10-point plan following the Serota review. This is something they have considerable attention to detail on. However, it is one thing having a plan and one thing solving a problem.

We have seen many examples, including over the last few months, of questions around BBC impartiality. If we look at specific examples like the Gary Lineker incident, the antisemitism issue in relation to that and the result concluded by Ofcom, there are concerns about BBC impartiality. They have a plan to deal with it but there is a way to go to solve the problem.

We are also looking at this in the mid-term review and, without pre-judging that, one thing that concerns me is the BBC First strategy, because that allows the marking of one's own homework. That does not do the BBC any favours either because having a strong sense of



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impartiality also helps the BBC, in the short term and the long term. There is a need for change in many respects. They are on the right journey—but we need to see more action.

Q272 Simon Jupp: Moving on to a different subject, you will have seen the fallout over quite drastic cuts announced to BBC local radio. Were you briefed about this before they made the announcement and told staff?

Michelle Donelan: This was disappointing because we were not briefed about it in advance. There are two things that are disappointing about this. The decision, and we know that many Members of Parliament have aired their concerns on behalf of their local residents in relation to this decision and the subsequent decision in Northern Ireland. Also, the way it was handled, because it would have been better for them to have approached us first and talked it through with us. They are fully editorially independent, and we would not override their decision, but working constructively and together is always the best approach and the one I want to take. I have written to the BBC on this matter, and they have recognised that in future they will adopt that approach.

Q273 Simon Jupp: Do you think these cuts go too far? I know clearly you are editorially distant, and it is not your job to interfere with what the BBC plan to do. On Radio Wiltshire—your local BBC radio station—at drive time you will hear travel news for Yeovil and the Forest of Dean. That is not local radio, is it?

Michelle Donelan: No, I agree with you. I understand why they have made them and the transition they are making around digitisation and so on, but I am disappointed by the decisions. I think people highly regard that access to local news and their local station. It is important to many people, including my own constituents. We have raised this directly with the BBC. We are not just saying it in this room. We have also raised it with Ofcom and the Minister responsible. Minister Lopez, the Media Minister, also chaired an urgent question on the matter where she publicly aired her disappointment on this and spoke on behalf of the Government and our position has not changed in relation to that.

Q274 Simon Jupp: Do you think they will rethink their plan? During a session we had with BBC managers last week they seemed to be less confident about their decisions and about these plans, even though they have put hundreds, if not thousands of people, on risk of redundancy already.

Michelle Donelan: I am not sure it is thousands, but we can verify that statistic. I am not sure whether they will revisit it. That is a question for them. They have not given any indication to myself or my ministerial team that they are about to revisit it, but I think they recognise it could have been handled in a better way and the level of concern aired by Members of Parliament and members of the public.

Chair: One very quick one, Kevin, before Julie Elliot.

Q275 Kevin Brennan: Thank you. I apologise, Julie. I want to drill down on



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something you were saying, Secretary of State. You were referring to subscribers in your answer when talking about the BBC. Did you mean licence fee payers?

Michelle Donelan: Licence holders, that was an error of the tongue.

Q276 **Kevin Brennan:** I am glad to correct that because the key thing is it is not a subscription service and for it to remain a public service broadcaster or public service media service, it cannot be through a subscription model because that means there would no longer be universal access. When this Committee did its report into the future of public service broadcasting, we were quite clear that the Government should not talk about getting rid of the licence fee until it has a proposal for something that would be better. I thought I heard you say it is impossible in your mind that any review could conclude the licence fee has any future. Is that what you said?

Michelle Donelan: It was an error. I am delighted that you picked me up on that, and I apologise for that turn of phrase. I was saying the licence fee on its own cannot be the only answer because we know the direction of travel the numbers for licence fee holders are going in. You could have a mixed model where the licence fee is propped up by other sources of funding and we also know the BBC are exploring this already with a commercial arm that has been set up and they are developing that. We do need to be realistic that if we just carry on exactly as we are now, in a static form, that would not secure the safeguarding of the BBC.

Q277 **Kevin Brennan:** Do you not rule out a licence fee being still part of the BBC's funding in the future before the review?

Michelle Donelan: Not today, I am certainly not. I will not make policy announcements in the Select Committee.

Chair: We will wait until 4 am on Twitter.

Michelle Donelan: I agree with your sentiment, Kevin, that you must have the answers before you, and that is why a review needs to look at the evidence and not just assumptions of you can get this money from this or this. You need to delve into it.

Q278 **Julie Elliott:** Welcome to our Committee. It is nice to have you here. I want to go back to something you said in response to questions from Jane Stevenson about tax-free shopping. I think the inference of what you said was you supported the Chancellor in difficult decisions because in effect it is a cost to the country giving tax-free shopping. Is that what you meant?

Michelle Donelan: I meant I recognise the return on investment potential from these initiatives. That is true of many taxation initiatives we do. I recognise the difficult decisions that had to be made in that announcement to stabilise the markets. We all know the range of



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different things that had to be altered from the previous budget with that goal in mind.

Q279 Julie Elliott: You have not been in the role very long, but over the summer and earlier in the year we have taken substantial evidence from every person you can think of in every area of the tourism industry in this country, and the overwhelming evidence this Committee took was the removal of tax-free shopping—this was before the Liz Truss Government—costs this country and the Exchequer a lot of money in the round. Not just directly by the removal of VAT on things, but in the round in the money that high-value tourists spend in this country when they visit. A lot of evidence was taken on the number of high-value tourists not returning to this country and going to other European cities instead.

I know you have not been in the job very long, but I urge you to look at that evidence because it was overwhelming and there was no disagreement among anybody who came and gave evidence to the Committee that it is costing our country, in terms of revenue, a fortune by not having tax-free shopping. I would urge you to have a look at that if you have not already looked at it, and I would be very interested to know what your view is when you have looked at all that. It was overwhelming in what we have heard. I will leave it there.

I want to ask a couple of questions. You mentioned the fan-led review in the coming weeks. Is that the White Paper that we are expecting? Will that be weeks? Could we say by the end of January?

Michelle Donelan: In the coming weeks. It is very imminent in relation to our response to the fan-led review and a great deal of work went into that review, and it is right that we get our White Paper out as soon as possibly can.

Julie Elliott: There is no watering down of the commitment from Government to get on with it.

Michelle Donelan: I will not go into the specifics of what is in the White Paper, or I might as well publish it here today.

Julie Elliott: You are very welcome to do that.

Michelle Donelan: I will tell you that what we do will have teeth to tackle the problem we are trying to address here. It was very clear from that fan-led review that we need to act as a Government and that leaving it to the sector itself has not worked for decades. Fans have been let down by certain owners in particular coming in, taking clubs and not acting in a responsible way in prioritising the needs of their clubs and fans. That is something the fan-led review sought to tackle, and we will address with the White Paper.

Q280 Julie Elliott: When would you expect the regulator to be set up and in place?



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Michelle Donelan: I will not be drawn on the specifics of the White Paper and the timeline of implementation. I can tell you we will respond with the White Paper within a matter of weeks. We will be as clear as we possibly can in that White Paper around timelines. I get the pressing urgency on this. I get the frustration by fan organisations. I get the frustration from those that worked on the fan-led review. It is one of our top priorities as a Department, and we will come forward with it.

Q281 **Julie Elliott:** A number of months ago we had the BBC's director of sport, Barbara Slater, in front of the Committee. She is a very experienced, brilliant person in the BBC who has been behind a lot of women's sport coming to the fore on television. In response to questions around the listed events coverage, she talked about, I quote, "listed events was created in an analogue age... There is a provision for live linear coverage. That just does not feel adequate for this modern age. I would implore that there is consideration given to modernisation." Has the Department any plans to look at the modernisation of the listed events programme?

Michelle Donelan: We are looking at that in relation to whether we should bring digital into scopes. That is actively being looked at.

Q282 **Julie Elliott:** Are you looking at the provision for further women's events being covered?

Michelle Donelan: Some have already been added in. The FIFA Women's World cup, Women's Euros were added to the listed events regime and that is the direction of travel we should continue down.

Q283 **Julie Elliott:** If we look at the issue of the Olympics, the BBC cannot afford to maintain full coverage of the Olympics. We have had quite a lot of evidence on that because of the way the broadcast rights are given. What is your view on that? It is a concern that has been aired in this Committee about the limited coverage the Olympics has had this time round and, moving forward, that it might be even more limited because the BBC cannot afford to bid against these huge companies and therefore much of it is either shortened versions or replays. What is your overall view around that?

Michelle Donelan: This is why we are doing a review into this, but we want to give prominence to our public sector broadcasters. We are looking at this to make sure we have the balance right in these respects.

Q284 **Julie Elliott:** Do you think we have the balance right at the minute?

Michelle Donelan: This is the purpose of the review. We want to particularly help and support our public service broadcasters.

Q285 **Dr Rupa Huq:** We have done a smart tech inquiry and Susannah Storey may know this one. Secretary of State, you were asked in the House by shadow Minister Chi Onwurah about smart meters. In 2016 she was told the Government will not take any of this data for any purpose, but on 1



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October there was an announcement that the Government will now be collecting, processing and storing all smart meter data, despite those earlier assurances from 2016. At the time she was told, "We will get back to you," but she has not heard yet. Is there any update on that? How can citizens protect their data and what will be done with it if it will now be stored? I wondered if anyone had any news on that. It is just a conversation that came up with her.

Michelle Donelan: This was a BEIS policy. Susannah, do you have the latest information?

Susannah Storey: It is obviously a matter for BEIS. It would have to comply with all the usual data laws, but we can come back to you on any specific update because I do not have that with me now.

Chair: That concludes our session. Susannah Storey and Michelle Donelan, Secretary of State, thank you very much.