

Public Accounts Committee

Oral evidence: BBC Digital, HC 736

Thursday 12 January 2023

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[Watch the meeting](#)

Members present: Dame Meg Hillier (Chair); Olivia Blake; Sir Geoffrey CliftonBrown; Mr Jonathan Djanogly; Peter Grant; Sarah Olney.

Gareth Davies, Comptroller and Auditor General, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1 - 98

Witnesses

[I](#): Tim Davie CBE, Director-General, BBC; Storm Fagan, Chief Product Officer, BBC; and Leigh Tavaziva, Chief Operating Officer, BBC.

Report by the Comptroller and Auditor General

A digital BBC (HC 958, Session 2022-23)

Examination of witnesses

Witnesses: Tim Davie, Storm Fagan and Leigh Tavaziva.

Q1 Chair: Welcome to the Public Accounts Committee on Thursday 12 January 2023. Today we are talking to senior officials from the BBC about their ambitions to beef up their digital offering, and some of you may be aware of the speech made by director-general Tim Davie, one of our witnesses today, at the end of last year about the need to progress and achieve a digital BBC by 2030. The BBC has plans to invest an extra £50 million a year in digital project development and has aspirations, as he laid out in that speech, to become a market leader in the digital age. That £50 million sounds like a lot of money, but compared with some of the other players in the market, the BBC is actually a minnow—if that is not too rude—so we want to explore how the BBC is going to compete in that field and balance that with its universal service obligations, which of course we have recently seen exemplified in the coverage of the late Queen’s funeral, with the coronation and other events coming up. We have clear questions about the digital plan, the cost, the reality of it, and how the BBC will preserve its main public service obligations.

I would like to welcome our witnesses today. We have, of course, Tim Davie, the director-general of the BBC; welcome back to you, Mr Davie. We have Leigh Tavaziva, the chief operating officer at the BBC—welcome back to you—and, as a first-time witness at this Committee, Storm Fagan, who is the new chief product officer at the BBC. Both Leigh and Storm joined the BBC in 2021. Mr Davie, of course, had a long history at the BBC before he became director-general.

Before we go into the main session, I want to pick up on a few issues. First of all, Mr Davie, we have now seen a little bit more detail about plans for broadcasting the coronation of King Charles III, and I wonder if you would like to explain what the plans are from the BBC’s end.

Tim Davie: We are in detailed planning with BBC Studios Events. It would not be appropriate for me to go through all the ins and outs, as you can imagine, of how we are exactly going to deliver on the day the things around the event. All I would say is that we have the best team in the world; we will come to how we keep them at places like the BBC. They are the team that obviously delivered so well—I was very proud of it—the coverage of the Queen’s passing, but also the jubilee. We are in discussion with all parties to deliver flawless coronation coverage and beyond. I would say that it will be a big week for the UK and our presentation of the UK globally, because we have two very big events: the coronation and then, a week later in Liverpool, Eurovision. Our biggest concern at the

moment is actually the demands on our outside broadcast services in all of that, but we are deep in the planning and everything is going well at the moment.

Chair: So it will all be great from the BBC—you heard it here first. It seems like a time to get shares in outside broadcast units, by the sound of how busy you are going to be. Thank you for that. Obviously, more plans will come out as we go forward. Moving from the coronation to the world, I am going to ask Sarah Olney to come in.

Q2 Sarah Olney: I just want to ask a bit more about your plans to merge the BBC News channel and the BBC World Service. What is the strategy there?

What is the purpose, given that currently they are serving two very different audience groups? There have also been concerns expressed about how that is being rolled out internally. Just this morning we have heard that three of your big news presenters on the BBC News channel have announced their intention to resign rather than be part of the consolidated offer, so I wonder if you could talk a little bit more about why you are going ahead with that, given their very different audiences? Also, how are you going to overcome some of these challenges? How can you guarantee that you will still have a good-quality offering if you are not retaining some of your experienced, big-name staff?

Tim Davie: First, just for clarification at the top, it is not a merger of the news channel and the World Service, because that would be something of a different order. We can talk about the pressures on the World Service and its need for funding, by the way. We may get to that later. It is at the forefront of my mind. A very big conversation and some decisions are needed about Britain's place in the world, our services including the World Service and the ability and the appropriateness to fund it within the licence fee. That is the World Service.

We then have two channels: the world news channel and the news channel in the UK. We have a situation, which we will come to in detail, where they are important services, but in the UK only about 1% of people get their news uniquely from the news channel. By far the biggest service is digital. This is not just digital evangelism; it is just based on where the audience

is.

We believe that having two wholly different structures to run those channels without appropriate sharing—your point is debated all the time in the BBC: we need something that is relevant in Singapore and the US. The programming strands are not the same. They come in and out. We host it from different places. When we are overnight in London we host from other places. We do not think that we need two completely separate operations to run that. We do not think it is efficient. We think it is absolutely appropriate that we make the changes to close them as independent operations and run it as a more integrated operation.

Q3 **Sarah Olney:** That does not mean a single channel.

Tim Davie: That does not mean that the channel is the same. It would be absurd, if there was a big UK story, that we would not have journalists on the ground and a team who can kick in and cover that story in the UK. In my job—and that of Deborah Turness, the new director of news, who is outstanding, and has come in and looked at this as well—we have to look at how we can efficiently deliver a stream. We can talk about news on the iPlayer and all those things. There is a degree of management inefficiency in my view. It is not right, and no one in the world is running completely separate operations in this way.

Linked to that, it is obviously sad when people decide to take VR and leave, but you need less presenters. I think that is appropriate. Sorry to be blunt. We are in a position where we will make changes. Some people leave the BBC, some people stay. Actually, the so-called churn in the newsroom is very low, historically. You talk about three outstanding presenters who have chosen to move on; that gives opportunities and allows people to move through the organisation. That is where we are.

Chair: Is VR is voluntary redundancy? For those people who are listening.

Tim Davie: I'm sorry, voluntary redundancy.

Q4 **Sarah Olney:** Are you confident that you can continue to maintain the high-quality output that we see? As you say, these three presenters have decided to move on, but are you confident that, with the reorganisation and the bringing together of the operation, we will not see a drop in the quality? Indeed, when people are coming to the news channel because there is a breaking story or rolling coverage, as we have seen on a number of occasions over the last year, will that still be as people expect

to find it?

Tim Davie: The BBC will not deliver anything that is not of that quality. I would rather do less than deliver things that are not of that quality. I believe that the changes that we are proposing will allow us to deliver a channel in the UK that meets those quality standards, absolutely.

Q5 Sir Geoffrey Clifton-Brown: Good morning, Mr Davie. I am one of those in this report—most weeks, anyway—doing five hours a week across five days a week. The programme I listen to most is the “Today” programme. Notwithstanding the fact that you have devoted a great deal of time to the passing of the late Queen, and no doubt will to the coronation of Charles III, some mornings I come away with a feeling that the programme is unremittingly negative towards this country. What more can you do as a public broadcaster to promote a positive image of this country and the people and the institutions within it?

Tim Davie: It is a very interesting question. At the BBC our job, and one of the reasons we are so strong and so admired as I travel around the world, is its independence and impartiality. We can debate how well we deliver that. It is a choice that results in lots of angst, but is the right one for the UK. Our independence and not being a pure cheerleader, paradoxically, I think builds the image of the UK in a way that is stronger than we could imagine if we were not with the charter and degree of independence we have.

Within that, there is a lot of debate in the newsroom at the moment, because news is often led by stories that we do not necessarily choose, obviously. To be honest, we can come out of a bulletin, and the idea that we do not give hope or that we begin to give good-news stories is something that is worthy of consideration.

By the way, I take your feedback. I think we have always had and tried to lace into stories, “What is the more positive story here?”, or, “What are ways in which we can tell broader stories?” I take your comments; there is definitely room for us to do more in terms of telling some of the successes out there. Often, the news cycle makes it a bit difficult to get some of that through. There are lots of other things that we can do for that.

Having said that, I don’t think that we are there to cheerlead and we are in no way there to tell stories to puff up things. It is a balance.



Q6 **Peter Grant:** Good morning. Within the past day or two, Radio Scotland has announced the axing of three very highly regarded music programmes, "Classics Unwrapped", "Jazz Nights" and "Pipeline". Do you understand the anger that is causing, not only among regular listeners, but current musicians who got their big chance on those programmes?

Tim Davie: I have had some feedback. I am not close to it, but it has just been coming up in some of the feedback, so I am getting some of that. The BBC were going to come to this—the BBC is making tough choices. We cannot have everything. We have been cut by 30% in real terms in the past 10 years—30%. We have, by and large, delivered our numbers of nearly 90% of the population coming to us every week, but we have to make some hard choices.

No one feels more strongly than I do about specialist music. For piping music, the BBC is in some ways critical to airing and developing that music. In some situations, however, that does not necessarily—although it is very difficult—require a special programme; it can be put in the output. The feedback is being heard, and I will continue to have that conversation with the director of Scotland on how we make sure that provision is continued if the programmes go.

Q7 **Peter Grant:** Thank you. How damaging would it be to the development of culture across the UK if the cuts that BBC Radio Scotland are making were replicated throughout the BBC's family of stations?

Tim Davie: To be fair, I do not think this is a scenario in which BBC Scotland and the BBC as a whole are not doing something globally with regard to specialist music, classical music and different genres of music—programmes like "BBC Music Introducing". None of the changes we are making affect that, in my view. The programmes might be very sensitive and create, frankly, a lot of heat around the fact of them, and if we had more money, we could keep some more bespoke programming, but there is not a scenario in my mind where the BBC is not absolutely leading the charge and being the showcase for specialist music and different music genres. In some ways, that is our difference versus commercial, and that is where we should stay.



Q8 Sir Geoffrey Clifton-Brown: I think you have been notified of the specialist issue of "The Breakfast Show" on Radio Foyle. This was raised by our colleagues, Gregory Campbell, the Member for East Londonderry, and Colum Eastwood, the Member for Foyle. It has been the subject of a public meeting with Sandra Duffy, the Mayor of Derry City. It is an issue that is felt very strongly locally. It is a long way from Belfast, and it is a very separate community out there. This concerns the issue of "The Breakfast Show", which in December you announced that you were going to end. I gather it was all to do with redundancies, and that you have 650 staff in Belfast, whereas you only have 20 in Derry, so it seems a little disproportionate to cut off "The Breakfast Show", which a lot of local people rely on. There is also a complaint that you have not actually written to or engaged properly with the Mayor and the NUJ. I wonder whether that decision can be revisited.

Tim Davie: By the way, these are not side issues; they are my job.

Sir Geoffrey Clifton-Brown: In terms of your organisation.

Tim Davie: I understand that, but they are really important, and we take it very seriously.

Sir Geoffrey Clifton-Brown: Absolutely—they are.

Tim Davie: Firstly, we have only just received some of those letters. People who know me know that responding and engagement is a critical factor for the BBC. We need to listen, and we are there to serve. I am going to sound a bit like a broken record, but we have to make choices in terms of where the audience impact is versus where our money is and where the future is going.

With regard to Foyle, this is a painful saving, but we believe we should be investing more in digital and doing more across the whole of Northern Ireland in terms of developing the production sector and other things. We think there are better ways of using the money. The Foyle is an opt-out from Radio Ulster. I totally take your point that there are differences in the community there, and they need to be served. What we are protecting—there will be debate about whether this is enough, and clearly many feel it is not—is three hours of opt during the weekday, including a full half-an-hour news programme for that area, which is 137,000 people. We are continuing that. We are consulting with our staff to May. I note your comments and thank you for raising them.

Q9 Sir Geoffrey Clifton-Brown: Is there a savings target for the whole of BBC Northern Ireland? I know from Radio Gloucestershire that you can run a programme at breakfast time for relatively few people. I am just wondering whether this was a proportionate move compared with what is spent.

Tim Davie: I understand the concern. We have very good senior management in Northern Ireland who care deeply about the issues you are talking about, and they are looking at where their money can be most effectively spent. Broadly speaking, we are trying to protect money in



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nations and regions, but everyone is not free from savings. We will come to this, and I know the Chair will be keen to get there, but it is not just savings; it is about the reallocation of money into online as well. Most 65 to 74-year-olds, I was reading this morning, are getting their news online more than radio now.

On the north-west of Ireland, I note your point, which is about the balance between resources in Belfast and there. Over time, the team would like to look at how we can get more Northern Ireland resources spread across the area, which is something that you know I have done in terms of the BBC more generally, and you can hear it on air and see it in our dramas. We should not be based solely in capitals. I think there is some opportunity there.

Q10 Chair: You mentioned the specific Foyle lunchtime programme. Are you committed to maintaining that?

Tim Davie: We are committed—I am trying to get this right, and we can confirm it, but we are committed to keeping the three hours of programming, which is the half-an-hour news programme and, I think, two other programmes. “The Mark Patterson Show” and the Sean Coyle show will both be kept.

Q11 Chair: And that is a long-term commitment.

Tim Davie: That is a commitment until we have to keep reviewing things. That is a commitment for the next period. We have no plans to go beyond that—absolutely not.

Chair: Thank you very much for that. I am now going to bring in Jonathan Djanogly, on our tour of the United Kingdom.

Q12 Mr Djanogly: Going back to local provision, as a Cambridgeshire Member of Parliament, I was concerned, along with many other MPs, residents and journalists, at the recent closure of Cambridgeshire “Look East” news. The general feeling is that the resulting provision can only be worse for local people. The closure happened a few weeks ago. Will you be monitoring that, to see whether the provision is negatively affected as a result?

Tim Davie: Yes, we will be monitoring it.

Q13 Mr Djanogly: And if the result was negative, would you look to change it back?

Tim Davie: I have to be honest: in the world we live in, you may not go back to exactly where you were. I have very simple objectives when it comes to local. Local is critical to the BBC. It is an absolute core, not only in the charter, but if you look at it very rationally in terms of what people value the licence fee for. Also, it ain’t something that Netflix and others are going to be doing, so it is a clear advantage for us. Our overall local budget since 2017-18 is up, I think, 9% overall and 5% in—we are continuing to keep the investment in local. If I am being provocative, our plan on local is very disruptive, but it keeps the money in local. What I am worried about is—

Q14 Mr Djanogly: What does that mean?

Tim Davie: If you take our investment in England—regions and local investment—it is broadly flat. We are going to come to all the other areas of pain that we have to take to cope with the 30% real-terms cut, but it is broadly flat. So why are we causing ourselves this trouble? The answer is: because of the numbers. You support the licence fee based on usage.

The 6.30 news is critical, by the way. It is the biggest show in the UK on many days, but the average age of linear television viewers is very, very high. I am not youth obsessed, but when I see data that shows most people get their provision from online, you have to be in the position—I have seen this around the world where public service broadcasters get trapped in traditional broadcast delivery. The issue is that some of those things that we care about—local democracy, those debates, those stories—get lost. So what have we done? We have increased the investigative journalists capability in our plan. We have ensured we keep every local radio station. We are really going to ensure that our online offer is competitive. That is what we are doing.

Q15 Mr Djanogly: I am not talking about digitalisation of the service so much as a lack of local journalists in situ to do the job.

Tim Davie: I am very interested in monitoring the level of coverage and what stories we are telling. There are two big things: that coverage and then how many people in Cambridgeshire and your constituency are using our local services. Currently, that might be one in five at best, in terms of the local element, and one in two when it comes to the regional. We need to protect those numbers. That is all I am interested in. But the answer to your question is yes, we will assess it. We are not stuck here just doing the same thing for ever. We adjust as we go.

Chair: We hear the point about local journalism, which brings me to Olivia Blake MP, who will quickly round off our tour of the United Kingdom.

Q16 Olivia Blake: Yes, with Sheffield. I have three quick questions. Recently I met some people from Sheffield. They were very clear that the radio stations there reach demographics that the rest of the BBC could only dream of reaching.

Tim Davie: Indeed.

Q17 Olivia Blake: Do you have any reflections on that, and are you planning on producing any equality impact assessments on changes to local radio?

Tim Davie: My reflections are that they are spot on. There is no doubt that local radio often reaches people who are not consuming other broad media services. It is absolutely critical that we keep those services. It is as simple as that. I haven't got a lot to add, except that I agree with my colleagues in Radio Sheffield about that.

Your point, by the way, is something that we have been engaged in as part of the consultation, and we are about to end that now. One thing we all

want to ensure is that we are not disproportionately impacting on certain communities and certain areas as we go through the changes, so I agree with you, and we need to be clear about that.

I want to keep coming back to this: no one supports our local radio services like I do in terms of editorial value and what they are. Currently, Radio Sheffield reaches 158,000 people and 12% of the population. This is not because they don't do a fantastic job: because of the structural decline in linear radio, they are down 23% in five years. I cannot, as the DG, sit there and go, "Okay, let's just not move money into areas of growth." I would love to see a fully working Radio Sheffield, but alongside it a really good online provision so that those stories about Sheffield and those areas of investigative journalism that only we can do are sustained. That's the vision. By the way, just to be clear, we are keeping the money flat in local.

Q18 Olivia Blake: My next question is about staff diversity in the regional

press teams that you have, and how it is very rare to hear accents like mine on the national news. I think that is true for many around this room. I want to understand a bit more about how you are finding talent from the regional teams, and how that will be protected if there are reductions, because those northern voices are particularly important. I will come on to my final question in a minute.

Tim Davie: It is a huge topic. I notice our political editor has a bit of a Yorkshire twang, doesn't he? I think we are making progress. I think we are changing the nature of the BBC, and I recognise your concerns. I think this has been an issue in terms of migrating people through the system. Just to be clear, the radio and local changes are a 2% reduction in the staff count, so we still have 2,000-odd people in the area. I want to be proportionate about this. I personally have protected 1,000 apprentices coming in, and we are one of the only organisations in the UK to set a socioeconomic diversity target of 25%—we are currently at 21%, I think. We are one of the only organisations in the UK to do that, so I am very bullish. I care desperately about what you are talking about. I think you are seeing changes; it will take a few years to work its way through, but there are examples now of people coming through. Certainly, the idea that you have to have one type of accent or be one type of person to succeed in the BBC would be disastrous for us, and I think we need to be clear

about that.

Q19 Olivia Blake: My final question is about the interplay between regional and national news. In Sheffield, we had a major incident in the run-up to Christmas where 3,000 properties were without gas. It did not make the 6 o'clock or 10 o'clock news nationally. I was on Sky News several times, and the local press team were amazing and were getting information out to people. When a major civil incident like that happens in the north, why isn't it making the broadcast news?

Tim Davie: I have got a twitch of defensiveness. I cannot make the judgment: if you are Paul Royall wonderfully editing the 6 and the 10, as he does, and making those choices, there is no agenda to not have the right stories based on their national importance. Sometimes they make it, sometimes they don't; we can debate whether that story made it, but I think we have a pretty good record of putting regional stories up into the 6 and the 10. I think we need to look at the data on that, and if you've got stuff, then do raise it. That is interesting.

Q20 Olivia Blake: With the cuts to regional and local news at sources—which there have been, both print and your provision—how are people locally meant to be able to access incident information when something that has been declared a major incident happens? I just wanted to understand that.

Tim Davie: With respect, I think one of the great things about having a local radio service and all that local provision is that they can access it, get the information and get the detail. It is wonderful; our teams are amazing at that.

Olivia Blake: Yes.

Tim Davie: For what it is worth, my issue is not so much the one you are talking about, if I can be blunt, because I think the 6 and the 10 are very good at selecting in a very difficult environment. What I do think there are opportunities for is adding some of that expertise and those people through to network coverage, so that you get their expertise on air, as opposed to just defaulting to network resource. In a world where we have less resource, using those people—as we have done internationally, by the way; you will see that in Brazil or others, using people who work in the

World Service—is a good idea.

Q21 **Chair:** I think we know from the regional round that the former Prime Minister did how talented local radio presenters are.

Tim Davie: It is certainly not an easy morning's work to do a local radio round.

Q22 **Chair:** As Chair of this Committee, I am often talking to regional radio, and very often their programmes are more knowledgeable and in-depth than some of the national programmes, because they care so deeply about their communities. That is a shout-out; I think you get a very clear message here as director-general, Mr Davie, of the support from local MPs.

Just going back to the issue of BBC Foyle, it is a really big issue in Derry/Londonderry. Would you be willing to meet with Colum Eastwood and Gregory Campbell to discuss that?

Tim Davie: I want to just talk to my senior colleagues, and then I will confirm it.

Chair: Or if there is someone senior in the BBC who could do that.

Tim Davie: I will confirm in the next couple of days, but we want to engage, whether it is me or a very senior colleague. I will come back and confirm that in the next day or two.

Chair: Thank you, because I think it is a really important issue in Northern Ireland.

Tim Davie: Noted.

Chair: Thank you very much indeed for that. We are now going to move on to our main session, and I think we need slightly shorter answers; as you can appreciate, people had lots of constituency issues that they wanted to raise with you. I am going to ask Jonathan Djanogly MP to kick off.



Q23 Mr Djanogly: To set the scene, if I may, I am looking at the NAO Report—the summary, paragraph 3—and it notes: “The BBC sees its digital services as essential to its long-term future.” It gives a list of recent speeches and publications: the 2020 “value for all” strategy, the October 2020 strategic technology review, and then in May 2022, there was taking a new digital-first approach. In December of last year you, Mr Davie, followed up by setting out your plans “to move to an internet future with greater urgency.” Before discussing the BBC specifically, could you please describe the market need for this urgency? What, in your view, is happening in the market on digitalisation and what is the timescale of change?

Tim Davie: I think the need for urgency is—what my speech was around is very simple. If you look at any forecast of the future—we can talk about a broadcast backbone or whatever—the vast majority of media consumption will be via the internet, whether it is on this device, a phone, or whether it is on your screen through Netflix or through Disney+. My speech said, very simply, that there are some major choices for the UK in terms of what our position in that global game is. Who is in control of those services? What is the creative industries’ strength for the UK within that game? And, critically, what access do people have to those services? Coverage and affordability—that is the point I was making.

Q24 Mr Djanogly: On that last point, about access, I have seen independent research that shows that, in 2034, 46% of broadcast TV use will still come from DTT homes—that’s terrestrial. Actually, that is very slightly more than we have now and is because of the ageing population, so can you see why I am questioning your strategic approach?

Tim Davie: Sorry, I am lost on why you are questioning my strategic approach. Just to be clear, my speech has been somewhat misreported on that. If you read the words, it doesn’t say we are going to switch over at 2030. What it does say is we don’t want to defend broadcast to a point where we are not—it does say we want to actively try to harness the benefits of broadband. Let me give you an example very specifically from a BBC point of view. If you watch a football match and you are given a perfect service on a broadband service, you can get better functionality: you can go back and see the goals—you can do this; you can do that. I think we should be running towards that rather than solely digging in on broadcast.

The second thing is that I think there are societal questions, whether it be around health or other areas. Do we want most households to be actively encouraged to have a good internet connection? There’s a whole load of reasons—in terms of levelling up and the ability for a society to have information provision equality—why I think, as the UK, we should have an aggressive plan to move towards a situation in which broadband is accessible. That is not a plan to remove things that are used by lots of people too soon, because that would be absurd. The BBC has a fantastic record of not leaving people behind, whether it’s in terms of Freeview or DAB—that is not the proposal.

Q25 Mr Djanogly: That is an important clarification that you have made to start with, but I have to say that the appearance of the policy statements and the speech that you gave—from my reading of them—is that they are long on strategy and vision and rather shorter on delivery methods. If we accept the strategy for the moment, how realistic is your new aim of going fully digital by the early 2030s and what will be your overarching approach to going fully digital?

Tim Davie: To be clear, I didn't say we are going fully digital by the 2030s, but I did say we wanted to get—

Mr Djanogly: You did say—

Tim Davie: No, this is really important. I understand your interpretation—

Chair: You need to be really clear about this.

Mr Djanogly: It is important.

Tim Davie: And I want to be clear. I was definitely being provocative in the speech, but what I think is clear is that you need to set a course. There is no public service broadcaster in the world that isn't now being left under significant pressure. We are in a wonderful position; we are going to talk about the problems we have and the very, very significant budgetary challenges that this brings. But if you just ringfence us to public service broadcasting, to a type of media, to DTT, rather than pushing it into online, you will find yourself in a very small place in terms of UK IP and the creative industries. That is what concerns me.

Q26 Mr Djanogly: Is the impact of that that you are basically saying, "Well, we see where things are going fully digital. We're not sure exactly when it's going to happen. We appreciate that it's not going to be everyone. But it's up to you, Government, to make sure everyone is digital"?

Tim Davie: No. I was with you until the last sentence. The Government clearly has a big role to play, as does business. If you look at the speech, he talks about a partnership of people.

I think the BBC's role is to provide brilliant services—iPlayer, Sounds, all the things we are doing that enable people to say, "Actually, I do see the benefits of digital". My case is that we should be making that benefit and we should be actively investing when it comes to that, to make sure the UK has world-class digital services.

The BBC's role in this game is creating demand, because on iPlayer we can put more of the archive, and we can do things that make it wonderful and attractive to audiences and increase the value you get from the licence fee. That's what I am about.



Q27 Mr Djanogly: Okay. I note, looking at the Government's position—the latest I could find was from August 2021, which said that the view of the DCMS was that currently the most appropriate method of meeting the objective of delivering universal free-to-air access to PSB channels is via DTT terrestrial spectrum and that "there is unlikely to be a credible alternative to the DTT platform which would reach full migration and consumer adoption before 2034." What discussions have you had with Government on internet-only broadcasting and are they supportive, and are they still—

Tim Davie: We are just beginning those discussions. There are a number of phases in my mind, but I will be quick. One is, "How do we get match fit in this current construct?", which we are going to talk about in terms of all the changes we are making to ensure our digital services are fit in the current construct, and I am sure Storm and Leigh will talk about that.

When you look to any kind of transition, where you are pushing more and more people into digital, that is a conversation that I think in some ways is just starting. In that, as I say, the BBC's role, in my view, is to ensure that we editorially, as an organisation, and in terms of our products are absolutely match fit for a digital age. To be clear: it is coming. It is coming. If you look at the behaviour of—

Q28 Mr Djanogly: I could agree with you, Mr Davie, but just to say, "It's coming" is, as far as this Committee is concerned, not adequate. We need to know, in terms of planning and preparing the population—

Tim Davie: Where I bristled slightly was the BBC's lack of, you know—"It's great strategy, Mr Davie, but what about the meat?" We can talk in detail in a minute about our next three years and what we want to do in terms of our digital plans—in detail; rigorous detail.

Beyond that period, by the way, we have a view that we want a BBC service that has got the right level of IP and that has the right level of investment to be in that game. Our role—this Committee has a broader set of questions, I am sure, beyond the BBC—is to provide outstanding content and services that are unmissable and advantaged in the digital age. One of the things that is really interesting when we are looking at local news is that if we could serve that up—if we knew where you live, as such—we could serve up information that is much more relevant.

One of the frustrations of the system is that it is reductive. So, if I talk to a team in the BBC in Lagos or in Sheffield, they will say, "Why can't we get on the 6 and the 10?" If you've got an interest, the digital environment could get you much more of our work surfaced, if we got it working right. That is what we need to move to.

Mr Djanogly: Thank you.

Q29 Sarah Olney: I want to ask quickly about the roll-out of broadband, because that will obviously be key, both in terms of making sure that people can access your digital content but also because if it is a switch to



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digital that you are looking at, a universal service obligation can't be serviced, as it were, by the current broadband provision. What are you doing, either with the Government or with other providers of broadband, to match your ambition for digital with broadband availability at the moment, to push forward a broadband roll-out?

Tim Davie: We need to have those discussions. We are beginning to have discussions, in terms of the forward planning of how you get adoption. I use the word "adoption" rather than "availability", because coverage is one thing, but if you look at technical change, it has largely not been about coverage; it has largely been about affordability.

Q30 **Sarah Olney:** When you say "affordability", you mean individual households purchasing broadband contracts.

Tim Davie: Yes. As I understand it, with the numbers I was shown, we have only got 80,000 households that cannot get at least 10 meg. Whether they want 1 gigabyte is another issue, but I am talking about the minimum provision. You are going to get to some level of coverage. That question has to be addressed, and I am sure it is a bigger one than the BBC—much bigger.

Chair: We are challenging the Department on this again on the 23rd of this month.

Tim Davie: That is a discussion in which we are one member of the party, as it were. Our role, to be clear, is not to build out or any of that. I am very strong on that, actually: I think we should not be doing that.

Chair: We are clear that that is for the Department.

Tim Davie: The BBC should not be doing that.

Chair: We know that.

Tim Davie: What we should be doing is creating incredible demand and saying, "Look, it's amazing; "Have you seen what they've got on the iPlayer?"; "If you watch that, you get more information"; and "Your news bulletin can do this." That is what our role is—simple.

Q31 **Sarah Olney:** But the other side of affordability is perhaps in the broadband contract. It is also about having the equipment in the home to receive digital, and there will be a lot of households, even in areas with good broadband coverage, that still have an old television that is not capable of accessing digital and do not plan to change that. Do you see that as a barrier to achieving greater digital coverage?

Tim Davie: Inevitably it is a barrier. But I think the biggest thing is whether the device is affordable. The question will come for the UK. I do not think it negates in any way the BBC being much more future-focused in terms of building for the future, as opposed to entrenching in broadcast. That is what this is about—it is as simple as that. That is what we are trying to do. Your questions are valid. I think they stretch beyond the BBC,



and they will need to be answered in rigorous fashion before we engage in anything like a switchover.

- Q32 **Chair:** You say it is going to happen, but we still have 88% of people getting access to the BBC via traditional media—radio and terrestrial television—although the NAO highlights that, for the younger generation, a higher percentage access things online. But there is a very big drag there—a big change that needs to take place.

Perhaps I will turn to Ms Fagan here. The products that the BBC can produce could well be outstripped by other providers, because your £50 million is trounced by over £1 billion from Netflix, for example. Ms Fagan, you are new to the BBC—a new role. You have come from an interesting background—not from broadcasting. How can you convince people that the BBC products will be able to back up this digital plan?

Storm Fagan: Perhaps I can start with your point around the 80%. That is true at the moment, but what we are seeing is a trend, year on year, of people moving to digital. You are right to say that it is affecting younger people in a larger proportion, but, actually, we are seeing this across all demographics in the population. For 42% of people over the age of 65, their primary way of accessing television is now through streaming. For over-75s, one in three—

- Q33 **Chair:** Is that watching BBC television through streaming?

Storm Fagan: No, just streaming generally. For over-75s, one in three of them now—

- Q34 **Chair:** I want to ask about the BBC particularly. Certain providers—I mentioned Netflix—are only streaming services, so if you want to watch something on there, you can only see it through streaming. With the BBC, you have a choice of listening on radio, watching terrestrial TV or, potentially, streaming. Do you know what percentage of people are watching the BBC through streaming and watching it through the traditional channels?

Storm Fagan: Yes, absolutely. The reason I started there, though, is because it is part of that broader change. Because there are such good providers, we are seeing this trend year on year, and we are seeing it at the BBC as well. On your question around whether we can compete with them, we have to compete with them, because that is where our audiences are going, and the NAO Report talks about how well we are performing, despite the budget differences that we have with competitors. In terms of market share, we are second for video on demand versus Netflix. We are vying for second place in audio; Spotify is No. 1. For news and sport, we lead the market. So despite the difference in budgets, we are still able to perform really effectively.

- Q35 **Chair:** What new products are you cooking up that people can look forward to? This is a moment to advertise what might be coming that will entice people down this digital channel.

Storm Fagan: So many. I think that point around football and sports is a really good one. That was something that we did at the end of last year

with the World cup, where you could dive into so much more detail online versus what you were able to do on broadcast. You could jump to different pieces, and you could get different camera angles. That ability to get into the content that we create is something that people really engage with.

Over the course of this year, we will be working on some of the things that were called out in the NAO Report around search and recommendations. But particularly from a user experience point of view, it is about making those journeys across the BBC just a little bit less high friction, so you find it easier to get to the content you want, whether that is audio or television.

Q36 Chair: Mr Davie, you came from the commercial side of the BBC. One of your broadcast colleagues did say they thought you were the director general for the moment—maybe I will tell you privately who they are afterwards. That means you have that commercial side but you have to play this huge role doing all the universal service stuff. You talked about the jubilee, the late Queen’s funeral, the coronation, Eurovision and all the live football. That is creating great content, but it uses a lot of journalistic resources. In our earlier conversation, you were talking about the need to save money. How are you going to mesh that universal service obligation, and the expense of doing all that live news and broadcasting, with delivering a digital programme that competes against companies that have deeper pockets and are not dragged back, if you like, by having to provide that day-to-day highly intensive journalistic information?

Tim Davie: Exactly; well put. What I mean by that is, that is exactly the trick we have to pull off in terms of the balance we have to make. To be clear, our vision for the BBC is universality. We believe in universality—

Chair: Well, it is in your charter—

Tim Davie: But that is misrepresented sometimes. I understand the Committee’s concern and your questioning around, “Well, don’t you understand how many people are using DTT?” Of course, we do. We are not going to do anything. It would be an act of self-harm to cut people off for the BBC.

Chair: We have gone through that already. You have all this work you are doing—

Tim Davie: Now we come to the—

Q37 Chair: —with intense outside broadcast, people, all the technical stuff. These are things you do not have if you are producing a film for a streamer. You have to pay for that once and then you have the product. You are having to do these big live broadcasts and these intensely expensive operations all the time, and this last year has shown how you do that and how expensive that is.

Tim Davie: Indeed. To be clear, this is an extremely difficult challenge for us. With the budget settlement and the tough licence fee settlement being two years flat, we have real challenges in terms of pulling off what you are talking about. How do we do it? By focusing. I think we just have to focus

on where we differentiate. We stop things that are less effective. People are always saying, "What do you stop?" Actually, we make 12,000 hours of originated content. We made 13,000 hours—I am just answering directly—a few years ago. We will do less.

In terms of the news channel, we are looking at savings. Leigh and others can talk about the rigorous way in which we have set a target of £500 million, which actually with inflation and everything we have got to cope with gets much tougher, to try to pull off the trick that you have described. All I can say is the following: the data suggests that to date we have done a decent job, as per the NAO's Report, of delivering competitive products, and Storm comes from a world-class background in terms of product delivery. We have rigorous KPIs on how people perceive the iPlayer, their assessment of it, how it works and its functionality, and we benchmark those against Netflix. We are in the game.

I want to pick up on one thing you said, Chair, which was the £50 million. The £50 million is the incremental money per year we want to build to to add to Storm's budget, but the overall tech investment is, I think, £587 million. That includes technology and broadcast ops, but we move £116 million, I think, into pure product, and we are going to build £50 million over that. My final point is I think those budgets are going to be extremely stretched, to answer you directly. We are going to need to attract brilliant people at a massive discount to the market. We have a purpose-led operation; people care about the BBC. We need to be rigorously focused on where we are different and rip out any duplication.

Q38 Chair: That isn't a challenge because one of your USPs, which is a sales point for you, is that you have a strong journalistic background and good journalists across the nations and regions. If you cut that back too much, you perhaps have less to offer in your digital offer. You have the particular products that Ms Fagan will be working up, but the content of those products is what you can deliver differently from some of your rivals, surely. How are you ensuring that you get that balance—maybe Ms Tavaziva will come in as well—to ensure you are not cutting off your nose to spite your face?

Tim Davie: By focusing wholly on how we deliver to audiences in terms of what services get the level of journalism. The first thing, and this is essential by the way, is not to copy Netflix. We are not trying to beat Netflix. We do 32 dramas a year, not hundreds, and by the way we do pretty well with that. "Happy Valley" is quite— **Chair:** We are getting lots of adverts, Mr Davie.

Tim Davie: But I am trying to give you the answer, which is focus. You play to your strengths. The fact that we have the world-leading news brand—that is our biggest franchise, in US terms. We have to protect the investment. Now, do we need to find ways of attracting more capital into our technology investment? I think we will do, to answer your question.

Q39 **Chair:** So that will be subscription services.

Tim Davie: Well, international commercial business. How does that help our tech aims? We have talked about developing business—

Q40 **Chair:** Will there be more paid-for subscription services for some of the products Ms Fagan is developing?

Tim Davie: Are you talking about internationally?

Q41 **Chair:** In the UK.

Tim Davie: Not in the UK. There is no plan in the UK to add subscription services. You have paid. It is £159.

Q42 **Chair:** That is what I am saying: the licence fee pays. But for the addons?

Tim Davie: We have got commercial business in the UK on advertising, but there is no plan at all for the BBC to go to subscription.

Q43 **Chair:** Okay. That is very clear.

Can I just come to Ms Tavaziva about the digital investment plan? You have had the licence fee settlement, but you still do not yet have a fully worked up digital investment plan. Why not?

Leigh Tavaziva: As the NAO said, we did declare in May 2022 that we would have £500 million savings in the investment plan—£200 million of that was direct savings, so that is contributing partly towards that gap in the income that we saw as the result of the licence fee settlement—and that we would deliver £300 million of savings and reinvestment towards our digital-first strategy. That included £50 million of additional investment into product. We are very clear about that ambition.

I think where the NAO recognises and makes a recommendation that we need to deliver further planning, that is absolutely correct. The reason why that is right is because, of course, the ambition is set, and we are very carefully designing how we will deliver that and much of that impacts employees, of course, so it needs to be thoughtful and planned very carefully. We are in a current budget process as well. Our financial year ends at the end of March. We have an annual plan that is announced in a similar time period and that absolutely sets out how we will deliver over the next few years those investments in more detail.

Where we have had that detail to move towards digital-first in that £300 million plan, we have already made a number of those announcements. We have talked about the new news channel already. We mentioned briefly world services and the changes that we are making in the shift to digital in the World Service, and our local plans, which we have had a long conversation about as well, reflect that.



Where the detail exists, we are absolutely pacing through and making those announcements. The budget process that we are currently in will refine the detail over the next few years.

Q44 Sir Geoffrey Clifton-Brown: In many ways, we the consumer have the best choice we have ever had, and the best quality. Look at DAB, look at HD. I watch my television in absolute amazement at the quality. We have talked about the digital switch-off, which I am very interested in because I have a very high cohort of over-65s and over 85-year-olds. With the best will in the world, we can make all of this available—all the broadband available and all these devices available—but at the end of the day, it is about education for those people who are not yet into that world. What can we do about that?

Leigh Tavaiva: Specifically, we have talked already about the future plans and what that means, and about the BBC's role in protecting our broadcast audience, but also understanding that much of our audience is moving on to digital platforms. We have an obligation in that universality to ensure that we are making content that is accessible and that all those audiences reach. I think in the future plans around what needs to happen—we have been discussing the BBC's role in education—the BBC is one part of that future story, which I think is a UK obligation for a digital Britain in the future. When that happens, we have had that conversation.

In the next few years, it is absolutely critical, particularly, as Tim has articulated, as we are challenged in terms of resources at the BBC and we certainly do not have the deep pockets that we have talked about that other tech providers have, that there is the focus and prioritisation of our resources to ensure that we continue to serve all our audiences—young and older audiences, audiences that see portrayal and that the BBC represents them. That is absolutely critical.

We have a very clear set of metrics—they are talked about in the NAO Report—about how we measure the reach of our services to all our audiences, but also the daily habits. You talked about your daily habit. Those measures are essential. The conversations that we have with all our teams, whether with a local radio station or our network stations, are about, "How are you delivering that value for audiences?" Return on investment, and the prioritisation of choices that we make about our overall capital based on that return, is something we have developed very strongly in the organisation over the past few years. I think that is critical to ensuring we can continue to deliver.

Q45 Sir Geoffrey Clifton-Brown: May I follow that up? That is a great answer. Young people get that education at school and middle-aged people get it through their workplace—most people now have to engage in the digital age in their workplace—but how are you going to start to educate my older cohort? I have constituents who have old televisions and no smartphone, and they don't even want a computer. How are you going to educate them that this great new world is out there, and they should participate in it?

Leigh Tavaziva: That is part of the planning for that digital Britain and that IP-only future. I suspect the BBC will actually be one of the last to turn off broadcast provision to those audiences that are unable to use it. The education aspect you are querying is absolutely right—it will have to be part of that transition through the 2030s and for as long as it takes. What we cannot do, though, is sit here and assume that we will continue to only provide a broadcast DTT service, because for everybody else who doesn't want to watch television in a traditional way and wants to access digital in the ways they can, we will no longer service them and that is the challenge we have to meet.

Tim Davie: Very quickly, I think we have a huge role to play in education, whether that is Freeview or otherwise. For all our joys, people trust the BBC. I am replying to the public all the time on some of the issues you are talking about. Secondly, just to be clear, our strategic desire is to maintain universality, not to create some kind of gated environment. That is important to note, because it is misrepresented. That is my strategic intent—

Chair: You have made that very clear.

Tim Davie: It is really important. If we are talking about the commercial BBC, this is only a sense of how that could bring capital to help to guarantee universality in the UK, it is not— **Chair:** Yes, as we have covered in previous Reports.

Tim Davie: This is really important. This has been misrepresented—not in this room—and it is very important. The other thing is that we are not actively putting a date for switchover or doing anything stupid. My metric is whether your constituents get value for their licence fee. It is as simple as that. That is our strategy. It is their choice on how they consume.

One of our roles, however—this is a broader conversation for the UK—is because we know that when people go across to digital, the experience can be good for a whole load of reasons. They save money on data, information and so on. So, we are going to have a lot of services talking about digital and getting older populations to engage. This is a broader conversation that we need to have as the UK. The BBC can say, "Are you interested in old programming?", like I am, "Are you interested in the old radio comedies?" Digital can provide more—

Chair: Yes, we will come on to that.

Tim Davie: —than broadcast can. By the way, we are finding that when people over 55 and over 65 move across, large numbers—the majority—do not come back.

Sir Geoffrey Clifton-Brown: I am not sure that is true.

Tim Davie: We have to work together. That is all we are trying to do here.

Q46 Peter Grant: Mr Davie, in an earlier answer, you mentioned the effectiveness of the BBC. Can you briefly describe what you mean by effectiveness and how you measure it? If you were ITV, it would be dead easy—it would be how much advertising you sell.

Tim Davie: Welcome to the joys of public broadcasting. There are two major metrics in the UK. One is engagement with the BBC, so how much time people spend with it. The BBC is not an organisation that can be justified, in the way we fund it, just by being a good thing for society—it has to be used. You can see some of the metrics in the NAO Report, such as the 5/5/2—excuse the jargon; five days a week—which we measure religiously. It is very data led.

The second element is whether we are delivering on our purposes, which means trust and fair and balanced coverage. We have a set of metrics. The tension in the online world, by the way, is that if I just wanted to drive usage, there may be ways in which clickbait and other things could drive more usage and reach. The critical thing in running the BBC, which is a joy, is to balance the ability to drive reach—currently we are pulling that off at 88% a week, and pretty much everyone in a month—with quality and distinctiveness. That is what we are trying to pull off. We have a set of metrics and clear KPIs at the board. The board hold me to account on that. It is a very rigorous process.

Q47 Mr Djanogly: Mr Davie, can I take you back to your speech on 7 December? You said: “Digital offers a huge opportunity to unlock more audience value but it requires big organisational change: a radical overhaul of how we use data, a heavyweight world-class tech team, new operating models, new creative solutions and ideas.”

Why, having implemented a strategic technological review in 2021, did you say in your recent speech that you need new operating models?

Tim Davie: Because it will keep evolving. I do not think that what is in my head is that the strategic technology review will be rewound. It may be worth Storm talking a little bit about how we operate, but getting ourselves organised with product, tech and distribution was the right thing to do—full stop. What I mean by operating model is that, currently, if you run television or content—this will be interesting—you have to create new operating models where, editorially, you are making sure that you are doing the right thing for the iPlayer as well as all the technical things. By the way, that cuts across traditional silos.

Q48 Mr Djanogly: So the 2021 model is defunct?

Tim Davie: Sorry, that is the opposite of what I said.

Chair: Shall we go to Ms Fagan?

Storm Fagan: We have just come to the end of the strategic technology review of 2021, so we have implemented the changes. That has set us up for everything that Tim talked about in his speech. The next phase that he



talked about is broader across the organisation, so there is no rolling back or changing from that implementation.

Q49 Mr Djanogly: Is there a point at which the general public will get news of your new model?

Leigh Tavaziva: I will talk a little bit more about the strategic technology review. Storm is right: it is about setting ourselves up for the future. In particular, it delivered on a number of areas: it split not only what we used to call the design and engineering function into product areas but, specifically, teams specifically designed to deliver our digital products and services into technology teams that look after our broadcast and our underlying enterprise infrastructure; so, the running and delivery of that underlying technology—cyber-security and those more traditional areas. Then there is the distribution—how the content we make reaches our audiences. That enabled us to develop the leadership, to build the capability, which Tim was talking about in his speech, and to really focus on not general technology capability, but real focused technology. That is the way that product teams work, which is very much in an agile way—lots of test and learn, development, and quick movement activity for digital services. That was entirely essential for us to compete against the product delivery that comes from a Netflix or a Spotify and those other competitors, compared with the larger, more capital-intensive, bigger enterprise-type investments and the delivery of our broadcast. STR was all about setting ourselves up for the future. We have just completed that. We have just delivered the teams building that capability. It is all about that future delivery. It is certainly not something that we are now changing to. The future operating model work, which Tim then references also in his speech, is about how the organisation as a whole works. It is one thing to get our tech teams and the capability right, and another for all the content creators to start to understand the changing audience habits and to think about how the audience receives the BBC, not just through broadcast, but also through digital. We have to optimise the capabilities and resources of our teams—

Q50 Chair: The multi-channel stuff, and reporters also doing vlogs and blogs—

Leigh Tavaziva: And you would see that at the heart of our local strategy announcements—the changes that we are making. We continue to maintain the same level of investment in local—Tim talked about that. That is really important. That is part of our prioritisation and our focus, but we are moving some money out of the broadcast in that investment to enable more multi-media teams and our ability to have a stronger digital offer at the same time.

Q51 Mr Djanogly: Just being a bit more specific, will the £500 million investment plan, which predates your speech, be enough under the new model?

Chair: Mr Davie? “Never enough”, I think is probably what I could see going through your head then.



Tim Davie: I think that we are going to have to box very clever. I hope you understand that there will not be a dramatic moment when someone on the BBC says, "And this is the operating model for the next 10 years." Every organisation is looking at its traditional structures and trying to work things out—so, the commercial arm is another question. How does that relate to this? To the question of going forward, Storm might want to talk about this, but we are having to box very clever. The pressure on the £500 million has increased, and the risk profile of the BBC is high in that. We have had to cope with inflation—I will not list the usual suspects. That puts strain on us; from 285 savings to nearly 400. To be clear, if you look at the management team, we get some savings, plus £300 million, by moving money around the BBC. That is very painful in and of itself. That is about 10% of our budget, so not radical you could argue, but it is beginning that digital transition. That is extremely fraught and extremely tough. I am not looking for sympathy in this job, because people care about everything. We think we made some tough decisions, rather than just trimming everything by 5% or 6%—that is the first thing. We have done that in the past.

Q52 **Chair:** So not salami-slice cuts.

Tim Davie: No salami slicing. Take 1,000 hours of content out—we have done that. We have made some tough decisions that were sometimes very unpopular. We have worked our way through that and tried to be sensible. The answer to your question is: we do not know if it is enough. My sense with the £50 million plan that we are going to invest in product—I think Storm should talk about her assessment of the competitiveness of that—is that overall we are going to have to find ways of attracting more capital in from the commercial arm. We will look at other solutions to ensure our tech budgets. The Chair's point is spot on; you do not want to do that at the expense of closing lots of radio stations or doing things that would be acts of idiocy or self-harm. So we are going to have to spin both plates, but it is incredibly difficult. I think there are chances that we have missed to invest in the BBC—I am going to be blunt—in terms of licence fee settlement and funding of the World Service. We have a choice to make about whether we are going to be effective digitally. That was the challenge I made in the speech.

Q53 **Mr Djanogly:** Right. I will address my next question to Ms Fagan. Paragraph 2.3 of the NAO Report says: "The BBC's spending on its technology, products and distribution covering broadcast and digital has been steadily declining, falling from £638 million in 2018-19 to £524 million in 2021-22, an 8% decrease". The basic question is, how will the BBC have enough money to carry out this digital strategy?

Storm Fagan: That is the question that we are wrestling with every single day. The key part of that was the strategic technology review. What that enabled us to do was organise ourselves in a slightly different way. As Leigh said, we moved from design and engineering—which was a big department, and had iPlayer set up as a different department to news, for example—and pulled everything together. That means we now have teams



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that can work across all our products. We are making use of economies of scale, for example. We are therefore getting greater return on the investment we are making into our products. That means we are able to move faster and create more value for our users. That has been a huge change over the last year. It has required a lot of organisational change, as well as a lot of change to the way we use our technology, the way our teams are set up and the way in which we have processes and culture. That has been a really big shift.

We can see the benefit of that now coming through, for example, in our sign-in rates, which are a key indicator of performance, because they tell us how many people are coming to the BBC every week. From that 5/5/2 piece, which is the macro metric that we look at in terms of people using us for five hours a week, and so on, that is the digital proxy—



Q54 Chair: Because you have mentioned that again, while we all know what 5/5/2 means, could you lay it out simply for anyone who is watching?

Storm Fagan: It is five hours, across five days a week, across two of our products. What that shows is high engagement in the BBC. Online, we look at that in terms of our signed-in users and how frequently they are coming back. We can see that the result of the strategic technology review and the changes that we have made are now starting to come through in those sign-in rates. That is a really positive indication of progress, which was called out in the NAO Report.

To answer your question about whether that is appropriate for the future, you have to take a step back at that point and look at the market. We operate in a number of markets. Some of the markets are incredibly competitive. With the video on demand and the video streaming market, for example, there are new market entrants all the time and a huge amount of investment going in. It is really difficult to compete in that market effectively without big budgets. However, we are No. 2 in the UK in market share, so in the work that we are doing we are providing really good value. But that jeopardy and risk exist as we look to the future. As Tim said, that is a really active conversation.

Tim Davie: The answer to the Chair's question is that we have just enough to be in the game at this point. I'll be honest: we will have to monitor the KPIs. This is a very difficult conversation, without getting into the real detail of how what is the acceptability of Netflix service—it is not just Netflix—and how people rate it. All I would say is that we have a level of a team here that is world class in deploying 1,000 tech people against 4,000 or whatever it is in Spotify. We are in the game, but we need to invest while keeping our editorial strength. Those are the facts.

Chair: As I said at the beginning, a minnow in a world with very big fish. Perhaps a bit bigger than a minnow

Tim Davie: Perhaps a bit bigger. I won't play fish guessing games.

Chair: I think I may be straying into territory where I am not the most expert. I would need to bring in Sir Geoffrey.

Q55 Mr Djanogly: My next question is for Ms Tavaziva. I am looking at paragraph 2.7 of the NAO Report. This Committee recommended in 2021 that the BBC should "produce a long-term financial plan setting out how it would fund its new strategic priorities. The BBC has subsequently developed a high-level internal plan supporting its investment plan announced in May 2022. However, this currently lacks sufficient detail around various points necessary for its implementation. These include: how new savings will be achieved and the potential implications of not making savings targets; whether additional borrowing is required; and whether additional investment will be sufficient for the BBC to fulfil its digital ambitions."

That is a pretty long list of omissions. Are you addressing those?



Leigh Tavaiva: It is really helpful for us to get that recommendation. I would not say they were omissions. I think they are part of the stage of the process that we are currently in. We announced those ambitions in May 2022. Where we are going through the planning and detailed design of that, we are making announcements. We have talked about a number of those already—I referred to them as the news channel, World Service and local radio. We will continue to do that as we go through that process. We are working very clearly on the operating model. The current challenging economic environment that we are operating in, with two years flat, is also requiring us through this budgeting process to be very thoughtful about the changes we are making, the costs that we have and the ability for us to continue to be financially sustainable as an organisation. Cash is obviously king at times like this. Every organisation is doing that. We have just £200 million of debt limit in the BBC public service. That was extended by DCMS through the settlement agreement for our commercial business. We do not have the ability, like a Netflix, a Spotify or others, to raise debt to then drive our digital ambitions. We are operating in a tight set of boundaries.

The benefit, despite this tight environment, is that we do have the licence fee. Nine out of 10 people pay the licence fee in the UK. We know that we have that licence fee through to the end of the charter period. That is based on our current settlement agreement. While it is an incredibly challenging environment, we have more stability and more ability to understand what our remit will be. As long as we continue to deliver that value for audiences and audiences continue to pay for the licence fee, that gives us an ability to do that planning.

I think what the NAO is really referencing for us is just, through the budget process, they would like to see those detailed plans. We do not budget for five years in detail, but I think anyone would probably be crazy to assume that would give you some certainty. But certainly, in the short term, we are building detailed budget plans. Before any announcement of any changes, those have gone through rigorous planning and detailed exercises, which is what the NAO is saying it expects to see.

Q56 Mr Djanogly: You mentioned the inability to raise capital in the way that your competitors can. Is there room for more creativity in that area? I am thinking of joint ventures, for instance. You have your BritBox JV with ITV in nine countries or something. Is that a way of bringing in capital?

Tim Davie: Absolutely. With regard to the commercial arm, we have aggressive and detailed plans. We have grown that business rapidly, as you know. That move to put production to commercial has been very successful. That enables us to forge big partnerships. You saw something in “Doctor Who” with Disney. That is material to us.

Q57 Mr Djanogly: I raised that because the implication from Ms Tavaziva was that you cannot raise money from the market. But you are saying that you can.

Tim Davie: No, the point being made is, within the public—you set a different set of thresholds when you go to the commercial world. Obviously, we have public money, and we are very privileged to have a licence fee and certainty of income. By the way, that is a significant—

Chair: As Ms Tavaziva has laid out.

Tim Davie: Yes. That is a significant thing in the balances of how we can get success in this, faced up against these huge— **Chair:** Yes, you have certainty of funding on that one.

Tim Davie: So, that is important, but the point on the public—we have low public service debt facility. The commercial debt is most welcome, and extremely helpful, and allows you to do partnership, but whatever partnership you do, it has to make a commercial return. We have a target EBITDA margin at Ofcom, so it is not like—you can't just—it is a different set of thresholds. Can that be useful to supporting the aims we have discussed in this sitting? Of course it can. But even with the borrowing that we have, which is most welcome, we are under pretty tight constraints.

The other thing is that if we go with partnership, the question is about what the partner gets and what you are ceding, as the UK, if you go into an international partnership, so there is no free lunch. If we do a deal with Disney, which we are really excited by, they will have international rights with Doctor Who—we keep IP—so you are trading that. But there are opportunities there.

Mr Djanogly: Good. Thank you.

Q58 Sarah Olney: Ms Fagan, can we talk a bit about how the digital products kind of present themselves to the viewers? We have touched on this a little bit, but in your world of creating and developing the digital products, what do you think the BBC's competitive advantages are, compared to Netflix, Amazon or any of the others?

Storm Fagan: There are two things. The first is the breadth of content that we have. We do not have a direct competitor; we compete in different markets against different competitors. So we are unique in terms of the offering that we give to our audiences. The second is the type of content that we create, which includes our live coverage. We do not have a competitor that creates live coverage to the same quality that we do.

That presents us with an advantage and a challenge. The advantage is that there is nowhere else that you can get that content. The challenge is then: how do you make that simple enough when you present it to the audiences? That is because there are so many different devices. Technology is changing all the time, and those devices are now talking to



each other in ways that they were not before, so the sort of underlying technology, and the hard work needed to make a journey feel simple, is increasing over time. So I think the content is the most important thing.

In terms of the advantage that we give, we are on all devices. We are on more devices than our competitors because of our universality. We try to stay on older products for longer, for example, so that we have greater coverage, and we try to make our experiences as simple as possible. That is a continuous piece of work that needs to happen.

Q59 Sarah Olney: Can you tell me a bit more about the challenges and what you are doing in digital product development to overcome those?

Storm Fagan: One of the big challenges is data, in that there is a big shift globally in the ability to access data and use it. You can see that in the NAO Report, where it talks about the three key challenges that we have around search, recommendations and metadata. Those were all actually data-led.

Chair: This is in paragraph 3.8, for anyone who is following.

Storm Fagan: Correct, thanks. Those are all stemming from how much data is changing. It is about how we use our data in our products and how we use the data to make the experience simpler. What I mean by that is that, when you move from broadcast to digital, one of the great things, as Tim said, is that you have so much more choice in content. However, as a user, when you go to that product, it can feel overwhelming, and often if we have not quite got that experience right, you cannot find what you are looking for. That can be quite a frustrating experience, so we use data to be able to match our users who are coming in to the content and try to provide that best kind of shortcut connection.

Q60 Sarah Olney: What is your expectation when a viewer is coming to iPlayer, for example? Is it that they know what it is that they want to watch and they just need to be able to find it, or is it that you want to provide a menu of stuff that they might be interested in, because they do not know what it is they want to watch, or is it a mixture of both?

Storm Fagan: It is both. We have all been there on a Friday night—sometimes we know exactly what we want to watch, and at other times we are scrolling around and cannot decide. We need to cater for both of those. The search function, where you type in the search box, is for when you know exactly what you are looking for, and you need to get a result back that is accurate really fast.

Q61 Sarah Olney: And you think that that is one of the things you need to be developing.

Storm Fagan: Absolutely. Secondly, if you do not know what you want, we need to help you find that, and that is where recommendations come in. We can recommend you things that are based on content you have liked in the past. We can also recommend you things that might be a bit surprising.

Q62 Sarah Olney: In terms of people knowing that they want to watch something, how are you promoting your content? You mentioned “Happy Valley”, for example, which is a big new drama series starting this month. How do people know they want to watch that and then come to iPlayer to find it?

Tim Davie: We have two ways of doing that. We are getting 88% of people, including 70% of 16-to-34s, weekly, so we have opportunities within our midst to cross-promote. Having said that, it gets a bit more difficult in a modern environment. It has always been sensitive—I will be blunt—about whether the BBC should do above-the-line marketing. My personal view is that some selective work where it is needed, particularly in the digital space, is something we need, but it should be limited, because I want to spend money on making sure we get the best return on investment in terms of our public service mission.

I just want to say one other thing on what you were talking about. Storm put it perfectly: the BBC needs to build something that is different from a commercial algorithm. When you go to the news, I do not just want to surface the stories that you are most likely to click on. There is something important for our national shared story—and the BBC is in the midst of this—in what the BBC sees as the main stories. Editorially, we are trusted to lead; I do not want this to be read as arrogance, but that is our understanding from a service point of view.

Also, we want to educate and entertain in a way that is Reithian. There are many commercial models that lead you editorially to where you do not want to be. We are going to have to get a very careful balance, and this is a very interesting challenge. It is different. That is going to be a real balance for us—and no one in the world has done it, by the way; it is completely fresh. That is why Storm and the team are going to have to create something that has never been created before. It is quite exciting.

Chair: It makes us nervous on this Committee.

Tim Davie: We like that.

Q63 Sarah Olney: That is really interesting. It is a balance between an algorithm that will just churn out more of the same stuff you have seen before versus something you are not interested in—gardening, for example. I do not want necessarily to see everything you have.

Storm Fagan: There are a couple of things to say in terms of the recommendation side. One is that we have a mix of how we recommend. We have human-selected and curated stories, and that gives far more power and control to editorial, and then we have algorithmically recommended content. But even within that algorithm, we do not have to just keep showing you the things you like; we can curate and bring in different types of content. Our algorithms follow our editorial policy. Even the algorithms are different from the ones you will get in more commercial businesses.



Q64 Sarah Olney: We are going to talk a bit more about personalisation in a minute, but for people who are unpersonalised when entering iPlayer, how would you manage the curating or the algorithms? Is it more of a challenge?

Storm Fagan: It is a challenge, but it is something that every product faces, and the key is to provide a mix of things that are really popular. There may be some assumptions you can make about that person—do you understand where they have come from, for example, and does that give you some indications about what they might like? Have they come from social, for example, if they were on the web? You provide the best that you can if they are new to that product. We keep testing that. We can keep trying things out to see whether or not we have a better mix of content or a better mix of features that we can show people.

Q65 Chair: How do you measure that?

Storm Fagan: We measure it in terms of click-through rate: for people coming in, how many of them click through to a piece of content. If no one is clicking through to something, it is sort of taking up real estate. But we have a number of rails on iPlayer particularly, and we can swap content in and out; we can swap the topics and themes of those rails. We can test that all the time.

Q66 Sir Geoffrey Clifton-Brown: May I just follow this theme back to my original question about the “Today” programme and BBC Radio 4, which I listen to on Sounds? On Sounds, you have the ability to switch from one channel to another. What I would really like is a fairly precise menu on all of those different radio channels, so that I can say, “Right, I will listen to Radio 4 from 8 to 8.10 on that item, but I want to go to Radio Glos from 8.10 to 8.20 on that item.” Is that a digital world we can get to?

Storm Fagan: That is something that we hear in user research a lot, so it is great that you have brought it up. It is something we are actively looking at.

Q67 Sir Geoffrey Clifton-Brown: How far off is that sort of vision?

Storm Fagan: I am a little nervous about giving timeframes, but we have prototypes and demos that we are looking at, at the moment.

Chair: We all look forward to that. I think you are wise not to give timeframes in this Committee, as we will hold you to them, so you have learnt that lesson.

Q68 Sarah Olney: I want to quickly ask about BBC Three, which moved online and is now back again. What was the learning on that? What was the original reason for the move and then—

Tim Davie: It is an interesting conversation based on what we have been talking about earlier; it is easy to go to digital, but you can go to digital and be a lot smaller quite fast. Honestly, this is what traditional, legacy organisations can get trapped on, and we do not want to be that. The truth is that I am very pragmatic about it. The cost of the channel is



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literally just distribution, and that gives us 400,000 extra reach a week. That is a reasonable return on investment in terms of the fact that it is not the biggest channel in the market, and I would like to see a bit more volume through it, but actually we are getting 400,000 into the channel and then I can feed them back on to iPlayer.

What is often not really clocked is that this is one block of content. A lot of people would like a kill, and they say, "Mr Davie, what are you going to close? Close a service, come on, man up." But actually, the interestingly thing is about keeping most of these shop windows. Let us look at streaming services: how many streams does Spotify have? The lens we look at is really the unit of content and the question is how much volume you put into BBC Three and then it is about making sure it is exploited through linear. Over time, we have said that some of those small linear channels may migrate to digital more quickly than some of the big channels and so on and so on. That is something we will keep under review, but at the moment this is an "additional". We went a bit early, but now we have got both systems. Let us look at "Happy Valley". I will get accused of PR at this point— **Chair:** Promoting Sarah Lancashire.

Tim Davie: I am never short of promoting Sarah Lancashire; it is something I am very happy to do. In "Happy Valley" we did close to 5 million in the linear showing on BBC One and I believe we are now up over 8 million in week one. That is week one, and although I will not make a forecast, I suspect we will get to a very high number. We are in a hybrid world now and we have just got to navigate that. The cost pressure of this is just in navigating both those worlds. We have not even talked about the technical and the broadcasting—you touched on it. How we do that while investing for the future is the challenge.

Q69 **Sarah Olney:** Very quickly, on personalisation and users, one of my frustrations relates to where a household shares a channel. My children do not tend to watch the same things as I do. My personalisations and some of my different things look slightly odd, and they are not really in line with my preferences. Is it something you are developing where we can have this not down to household level but down to the individual user?

Storm Fagan: Yes, absolutely. On iPlayer, you can have different profiles. You can have one app that you are using but then you can have your children set up with a different profile, so that that does not necessarily pull through in the evenings to you when you are watching TV.

Sarah Olney: Excellent. That is very helpful.

Q70 **Peter Grant:** Ms Fagan, you mentioned that you are competing in several different markets with a different set of competitors for each one. Clearly, your competitors for drama are not the same as your competitors for live sport or news. In the longer term, is it always going to be sustainable to aim to be in the top two or three in all those different markets?

Tim Davie: I think we are going to have to make choices around focus, but I do not necessarily see it as exiting sport or drama. It is about

making sure that the 31 or 32 dramas are distinctive UK dramas and very different from what the rest of the market is doing. In sport, it is often about highlights; we are not going to have the resources to compete fully in some of those areas. There are some areas where we want to remain leading. News is the obvious one, all the way from local to international. We are the leading news brand online in the world, and I see it as priority one for us to ensure that we keep that strength in news, in all that it means. That is the backbone on which the rest of the BBC is built.

To Storm's earlier points, one trap would be to narrow our genre focus too much. People say, "Just focus on news," but one of the wonders of the BBC is that we are able to operate a multi-genre operation and I want to sustain that. I think we can sustain it, although the pressure I am under from the board is that our finances are extremely stretched and it is in the balance whether we have enough digital investment to pull that off—but, boy, is it important that we do.

Q71 Peter Grant: On the question of finances—this may be a question for Ms Tavaziva—to what extent do the main output areas operate as financially self-sustaining? What level of cost subsidy is there between the things you can sell and the things you cannot?

Leigh Tavaziva: Historically, the organisation did operate in a very siloed way, so budgets were allocated in the traditional way you might expect from a public service or a hierarchical organisation and those budgets were maintained. The operating model in each of those areas end to end meant that you almost had many BBCs. Of course, in a challenged resource environment we have to continue to look for efficiency and effectiveness in the way we run as an organisation. With the £1 billionworth of savings that have been delivered over the last five years we really looked at how the organisation can be much more efficient within the way it had always operated. The Chair referred to salami-slicing; we have generally allocated cost management in that way, equally across the organisation.

What we are now saying is, "That can no longer be sustainable for us." We need to be much more focused and make choices about how we optimise the resources we have. There are opportunities for us to consolidate and bring some of our teams together, to take the benefit of scale that we have been talking about and deliver the same level of service across the organisation in a more efficient way. That means we are absolutely looking at the consolidation of resources, not leaving them entirely in a divisional spread.

In our £500 million savings and reinvestment plan, we are also making clear strategic choices about where we think we need to reinvest for a digital-first environment. That may mean making choices about taking money from one place in the organisation and giving it to another because we think it is overall of benefit to the BBC and the audience as a whole to make that choice. We are shifting capital allocation choices based on that return of investment for audiences to make choices about where we invest



money. That means we need to be clear on those choices, those priorities and that focus Tim referred to earlier.

Q72 Peter Grant: One of the big differences in doing things digitally is that the provider gets to know an awful lot more about you than they did before. Previously, the BBC knew through TV licensing that I had a licence, and that is all they knew. They would pretend they knew if I was watching TV and they would pretend they knew whether I had a TV, even when I did not. A lot of your competitors will get financial value out of that information by sharing it with others—legally, clearly, through data protection legislation. Are there any plans for the BBC to commercialise the data you hold on viewers?

Storm Fagan: No, there are no plans. We collect the least amount of personal data that we can when you sign up, then we do collect data at an aggregated level and on an anonymised basis as people use the product so that we can tell how many people are coming, what they are clicking on and everything, but we do not share that data and we do not sell that data on, and we have no plans to.

Q73 Peter Grant: Does that also mean that if you have programmes produced by someone else, you do not share with them data about who is watching it, other than on an aggregated basis?

Storm Fagan: Yes.

Tim Davie: Just to say, that is spot-on for public service broadcasting in the UK. When we are running a commercial business in the US around the BBC with a partner, whether subscription or BritBox—under any scenario, the BBC is at the top end of ethical data usage and making sure that we are transparent.

Chair: It is good to have that on record.

Q74 Peter Grant: Just to be clear, the way that you operate in the US, and I suppose how you treat your US subscribers, is something for the US Senate to question you about. Are you giving a categorical assurance that the information you hold about subscribers will not be used or sold out of the United Kingdom or to anyone else for commercial purposes?

Tim Davie: I can categorically say that we have no plans to do that. You know I am “never say never”, but we have no plans to do that. That is not what we want to do. To some of the earlier questioning, one of the advantages we have is trust. I think it will become more of a societal issue, where data is going, who is using it and what their ethics are. It is a competitive advantage for the BBC, not a restriction.

Q75 Peter Grant: Thank you. When someone is logging into any website, they are always told “We use cookies” and some of the cookies have to be used. How easy do you make it, and how easy do you intend to make it, for subscribers to opt out of non-essential cookies? There are some websites that you click one button and that is it, and there are others where you have to click through 25 or 30 stages, having to opt out of all of

them. Is there an intention in the BBC to make it as easy and as quick as possible for a subscriber to choose not to share that data with you?

Storm Fagan: That is a great question, and it is something that we take really seriously. During the sign-up process, we try to make it as simple as possible. We are really conscious of accessibility and different digital familiarity levels. When you go into your account settings, you can switch off different parts of data collection. We have tried to make that as simple as possible and not have 25 of them, while at the same time giving you control over that as a user.

Q76 **Chair:** Just a quick question from me about the competition that online news has with other outlets. The BBC funds these digital democracy reporters for local newspapers. We know that local newspapers are struggling or indeed disappearing in some areas, yet they are a very good resource to feed news into local BBC outlets. How are you navigating that in the new digital world? There is a lot of online news, but the BBC has a pretty good brand and pretty good dominance on all the search engines.

Tim Davie: I would say there are two things. We are talking very much to other providers about our role. With the local democracy reporters, we are totally committed and are keeping that budget in there, just for what it is worth.

Chair: That is useful.

Tim Davie: We see it as working, and it has been a success. It has gone beyond my personal expectations. I wondered whether we would really get the pull, but we are getting the pull and people are using the articles. There is also a question of how we ensure we are linking through to other providers, how that works and how we can ensure we are testing things in that area where we are supporting each other. Often we have this conversation as if it is a zero-sum game. The truth is that if we look at the performance of the local press in America—I am not talking about the state-wide *New York Times* level—this is a structural issue based on where advertising money is moving to digital. If you are interested in news in Bradford, it may be that you go for a couple of providers. Are there ways in which we can help each other and support each other, rather than purely viewing it as a zero-sum game? That is an interesting question.

Q77 **Chair:** So there is not a plan by BBC Online to take out local news media.

Tim Davie: That would be an unacceptable situation for the UK and our democratic process, but what I would say is that you cannot change some of the macroeconomics that sit around some of these markets. That is very difficult.

Q78 **Chair:** We are not going to get into the whole future of local newspapers—much as I would love to, as a former local newspaper reporter, but not in today's session. Ms Fagan, you talked about your products and how, compared with different competitors, you are competing second and third. We know that sports and news are good, as has been highlighted, but in which areas do you think you need to improve your reach? Where are the

weaker areas of performance across the portfolio where you are looking at new products?

Storm Fagan: The most competitive are video and audio in terms of online markets. That is where we see the challenge of staying competitive to be the hardest. You can see that in the Report, where some tables compare the feature sets, so iPlayer and Sounds. Again, it comes back to those data-driven features, such as recommendations and search. That is where our focus has been over the past year and continues to be.

Q79 **Chair:** One of the challenges is that Ofcom regulates you and, with your back catalogue, there have been some delays in it agreeing future release, more information. So, the speed of decisions is an issue there. Will you comment on that, but are there other issues where Ofcom may or may not be moving at the right pace to help you deliver your plans? Ms Tavaziva, do you want to come in, or Mr Davie?

Leigh Tavaziva: We continue to work incredibly closely with Ofcom. We have seen that speed of regulation and decision making improving all the time.

Chair: Eighteen months was a long time to let you put some more content up.

Leigh Tavaziva: Certainly if you look at the start of iPlayer in 2007 and some of the time it has taken to get some of those changes—moving iPlayer from being a catch-up service to being able to put more content on it—that did take longer than I am sure we would all have liked. It is incredibly important that that relationship continues to be thoughtful and that we work very closely with our regulator. Of course, we have obligations and accountability to them, and I think that all regulators in any industry are having to adapt to the changing digital environment and are having to make sure that regulation comes through more quickly in reaction to some of the big trends.

Q80 **Chair:** Obviously, you will not say anything too negative about Ofcom in a public session, but what areas do you think that it could improve in both to maintain your competitiveness in a digital market and, generally, to make sure that the digital market is being dealt with in the right way, so that decisions at the pace at which they are being made can be made and delivered?

Tim Davie: In my speech, I put four choices that we as the UK have to make. One was that we need to regulate at speed, because otherwise the market just gets ahead of you. It is exactly as has been described: the partnership is good—sorry to give you the fact that it is working and we are talking to Ofcom. I think it has clocked the need, absolutely, that the market is moving. There are decisions in the past—competition decisions, the legendary Kangaroo decision about the UK broadcasters coming together—where, with hindsight, we made mistakes, in that we should have moved faster.



Q81 **Chair:** When you say “we”, do you mean the UK, the BBC or—

Tim Davie: Let us just say the UK in the round, and the regulators particularly. Looking at markets too narrowly, saying, “There’s the UK”—I won’t mention it, because that wouldn’t be sensitive—and one of our media markets, news or audio, then suddenly the market is completely reshaped by international providers. The simple truth is that we have seen an increase in the speed of turning things around. With Ofcom, we are discussing how we look at service licence reform, to ensure that we have the flexibility to respond to the market. It is work in progress. It is constructive, but the proof is in the pudding, in terms of us actually getting that done.

Q82 **Chair:** Ms Fagan, you have come from a very dynamic tech world which moves very fast, and is often unregulated at the beginning, when products have first been developed. Has it been a culture shock coming to a regulated organisation like the BBC, and having to deal with the pace of change?

Storm Fagan: It is a different environment, yes.

Chair: That is very politely put, sat next to your boss.

Tim Davie: Go for it, Storm.

Chair: We love candour in this Committee.

Storm Fagan: The BBC moves incredibly fast—it does. We respond to change very quickly. The teams internally move very fast. It is not that different, actually, coming from a commercial business. As Leigh said, the relationship with Ofcom is really positive.

Q83 **Chair:** You are an example of the staff skills—Ms Tavaziva as well, in some respects—that the BBC needs to recruit. You are both recruited from outside in. Previously it was people coming up through the BBC. In fact, Mr Davie, you probably have among the least traditional routes of a director-general, if I am right in thinking through my last few directors-general. So, we are seeing a change at the top. Ms Fagan, you have been there since 2021. I am sure there are people trying to poach you, because of your niche skills. Are you going to stay?

Tim Davie: We see them as mainstream skills—just for the record.

Chair: Now mainstream. I am just thinking with my Shoreditch hat on: it is very difficult to find some of the skills that people learn in this area, in what are not necessarily defined roles in some respects, although they are becoming more solidified. The point is that you have a team to recruit as well that understands all this. You have got certain restraints on pay and so on. So are you going to hang around? I am sure there will be people wanting to compete for your talents. Also, how are you able to recruit people into your area of the business?

Storm Fagan: I really believe in this strategy, so yes. I think it is really important that we get this right.

Q84 **Chair:** So you are here for a while?

Storm Fagan: Yes. In terms of attracting talent, last year was really difficult. That was because we were coming off the back of covid, and we saw a real shift in the technology market in terms of the type of contracts that were offered. Suddenly international organisations were offering remote contracts, and therefore when we were in Salford and were competing previously against the local technology market, suddenly we were on the international stage.

Last year was difficult. That meant that salaries moved faster and recruitment was happening at a faster pace. We did a lot of work last year—maybe Leigh can talk about that more—around our salaries and the changes we put in place around the employee value proposition. We are in a much more positive position now. I would add, before I hand over to Leigh, that I think the BBC offers something really unique in terms of what you can do in your career. You are working on, as Tim said, something that does not exist anywhere else.

Q85 **Chair:** As in the range?

Storm Fagan: Exactly, and with that public service mission and purpose. For the right type of person, this is the perfect job really.

Q86 **Chair:** How much have you had to ramp up pay, Ms Tavaziva?

Leigh Tavaziva: It is a great point. We work with Willis Towers Watson to advise us on multiple industries and job family ranges, and every industry saw the competition for digital and technology.

Q87 **Chair:** How much have you have to ramp up pay?

Leigh Tavaziva: We have increased the job pay ranges in some of our digital job families more than the 4% base pay rise that we agreed for the majority of employees at the BBC last year.

Q88 **Chair:** And what percentage of your pay bill is going on people in Ms Fagan's area of work?

Leigh Tavaziva: I would need to come back to you on that.

Q89 **Chair:** Could you come back to us on that? We have obviously highlighted the issue about actual journalists in studios in different parts of the country being a critical part of the content. It is not in direct equivalence, but it would be interesting to know the amount.

Leigh Tavaziva: We spend £160 million on the product team in total. What I cannot give you is the exact amount. It is the majority of the people team, but there are some elements that will not be people-related.

Q90 Sarah Olney: Mr Davie, we have talked a lot about your competitors, including Netflix and so on, but one of the things that is striking about Netflix—I think I am right in saying this—is that it is yet to turn a profit. It is spending a lot of money but not generating the income that might be expected. In that context, what do you think about the future of the digital sector or digital broadcast as a whole? Is it looking healthy? What does that mean for the BBC?

Tim Davie: That is a big question. It is fascinating, because from a viewer's point of view, it has never been so good in terms of the amount of content out there. But I think it is clear that some of the traditional media companies, and even some of the new media companies, are yet to find wholly sustainable economics. This is a game in which there will be more consolidation. There will be some people merging with others or being owned. In this market, we also have players like Amazon, Apple and others, which are owned by bigger companies that are very well capitalised and have businesses that stretch way beyond their video businesses. This is not falling over any time soon. I think it is a market in which there will be a lot of consolidation.

What I would say is that at a local level, outside these Chinese and huge tech companies—we could talk about India and some of their bits and pieces—overall we are going to have to box very, very clever and get financially supported to sustain what is precious in the UK. That is what is at stake here. To your question, I think those big players will find a way through. Bluntly, it is not my business. Normally, the No. 1 or 2 player in the market finds a way through financially in the end, but I suspect there will be a lot of movement in the market. At the moment there are so many services now entering the market. You've got to say there will be some kind of consolidation.

I think the BBC is in a good position—with all that swirling round it—based on what the conversation has been on today: in maintaining distinctiveness and not trying to just follow the herd, we can do something different. The *Today* programme linking into a local radio station is not something that a US corporate has currently on its business plan. That is something we can deliver, and we need to be different.

Q91 Peter Grant: I have a further question on data protection, following up on the answers you gave earlier, Mr Davie. The NAO Report raised questions about the data protection regime in the BBC. Presumably, as you expand your digital output, you are going to be collecting a lot more information from a lot more people. **Tim Davie:** Absolutely.

Peter Grant: What steps are you taking to make sure that the data that you collect is held securely, not only just now but going into the future, given that the data that you have would be very valuable indeed to some other place?

Tim Davie: Thank you. I should have said that the recommendations from the NAO Report, those four things, we absolutely have been working on hard; they were extremely helpful and appropriately challenging. We have taken action in that regard on oversight and also policy. Storm, do you want to just give a flavour of what we are doing in terms of organising that?

Leigh Tavaziva: I can talk a little bit about the governance and then perhaps Storm can talk a little bit about the detail. On the governance of data, the NAO Report refers to a 2018 internal report on data and the important changes that we have made since then. We have a data protection officer and a data governance forum that we have also recently established. Those things are key parts of our organisation. They do not just sit in the functional area; they address and contain people across data protection from GDPR perspectives but also address how our product teams and our content teams are accessing data. The development of that governance is absolutely crucial for us, to make sure that we aren't ever in a position where we breach our data regulations. We take that incredibly seriously.

Also, because we are a public service, as Storm was already articulating, we actually do not collect nearly as much data as many of our commercial competitors do, so we are very clear about what data we do collect. When we do collect data to inform commissioning, it is anonymised; Storm was talking about that. So that also is important. I think that is a benefit of being a public service organisation for the BBC. We have talked about the fact that we will not—we have no intentions to sell that data. Storm, do you want to just bring to life a little bit more that data usage?

Chair: Through the Chair, please. Ms Fagan, do you want to come in?

Storm Fagan: What do you mean? Sorry.

Leigh Tavaziva: Sorry, just in answer to Mr Grant's question.

Storm Fagan: In terms of how much we collect? Sorry, I'm— **Chair:** Do you want to ask the question again, Mr Grant?

Q92 **Peter Grant:** It was really the questions that have been raised by the NAO about the data protection arrangements in the BBC. We have had an answer about what has been done so far, but will there be a need for further improvements to that regime as you collect more and more information about more and more people?

Storm Fagan: Leigh covered it really well. We have put those changes in place. Inevitably every business, over time, will be collecting more data, but the framework that we have in place means that we are in a good position to mitigate any risk.

Q93 Peter Grant: There is another issue with data. Clearly, you collect it for a reason. You need to protect yourself against the way data is being lost or corrupted in some way. Given that you are putting a lot of emphasis on the improvements in user experience that come from personalisation and so on, do you have robust contingency plans to maintain the service if there is an unintentional loss or corruption of data, and how do you test those plans to make sure they are going to work?

Leigh Tavaziva: For both data through our TV Licensing unit and through the rest of the public service, it is through those governance mechanisms that we talked about. So we monitor any data incidents that might arise. We understand what those are and we track them. We have had no data breaches that we have had to report to the ICO, so that is incredibly important. That is something that we care deeply about and we monitor and manage very, very closely as well.

Q94 Chair: When you say you have not had to report to the ICO, that sometimes can mean just that people are not 'fessing up that there has been a problem, so are you sure that it is because you are not having data breaches?

Leigh Tavaziva: I would be very, very concerned if there were data incidents that were required to be reported to the ICO and we were not doing that. That would not be acceptable for the BBC.

Q95 Chair: When we looked at Government Departments across Whitehall, with the ones that actually said that they had had data breaches—that was understandable; in big organisations, that can happen—we were far more confident in their returns than in the Departments that said they were perfect and never had a data breach. So, you have a good mechanism for making sure that there is a proper, positive reporting line-up.

Leigh Tavaziva: It is useful to hear that. I am confident that we manage and monitor our data incidents, and we are raising them when we need to. But I take that feedback and it is important, of course, that we—certainly the executive team—are continuing to make sure that that is not happening.

Q96 Chair: As Mr Davie says, trust is an important part of—

Tim Davie: To be clear, we are tracking the data incidents. And it is not zero. Sometimes emails, you know, in the life of a unit, so it is not as if—

Q97 Chair: They are just not at a level enough that needs to be—

Tim Davie: And my guidance is really clear, as this team know—if it hits the threshold, we absolutely declare it.

Q98 Sir Geoffrey Clifton-Brown: Mr Davie, you may choose to pass this question to one of your excellent team either side of you. I am taking you to paragraph 13 and building on Ms Olney's questions. Almost every organisation that comes before us has a shortage of IT and digital skills. That paragraph shows that you have had a 23% turnover in your product development team last year. I am wondering whether that explains the reluctance of Ms Fagan to give me an answer about when we will get to this brave new world of a pop-up menu and when there will be a search function so that I can watch different programmes throughout the morning.

How difficult is it for you to maintain a sufficient cadre of IT staff, and is this limiting your future digital development?

Chair: Obviously Ms Fagan touched on it a bit earlier, but we are particularly—

Tim Davie: If I may—Storm, you answer, because I am—

Storm Fagan: I will have to cover a bit of the ground that we covered before, in that last year was incredibly difficult, because of how dynamic the market was. That was because of covid and remote contracts, and wages were rising incredibly fast. And as Leigh said, we have done a lot of work to address that.

We are in a much better position and I mean that in two ways: our attrition is trending down; and our recruitment has sped up and grown. So, our population is now increasing and that has settled down.

It is a really exciting place to work, because it moves so fast and it sort of goes in cycles. But we are in a better position this year than we were last year.

Tim Davie: So, the short answer to the question is that we will see turnover go down. But I do not want to gloss it too much—we are in a real fight here. Part of the reason why the team is doing well and delivering on its KPIs is that we have got the right leadership in place around me. My job is to get those people in who can lead, because people also come to work for individuals, as well as organisations.

There is something at the moment in the air a little bit about people reconnecting with purpose and also questioning—necessarily—what culture they want to work in. That is a material consideration for a lot of up-and-coming talent, shall we say? So, what we have to do is to make sure that the BBC is not coming to a bureaucratic place where you do not get the best out of someone. That requires quite a lot of cultural reform. It also makes sure that this balance between being a progressive organisation and a traditional one—all those things. But what it really comes down to is outstanding leadership. It is another conversation, but the top 350 leaders in the BBC now are held accountable in a way they have never been before.



HOUSE OF COMMONS

Chair: I thank our witnesses very much indeed for their time. As I said at the beginning, the director-general—Tim Davie—laid down a very bold plan in May and then again in November. Actually, it is interesting—if you look in the Report, and you look at the progress made and the challenges in digital, figure 14 on page 40 rather lays out the changing landscape and how much is concentrated in more recent years, compared with the gap between the Sky box being introduced in 2001 and iPlayer in 2007. There was very little in that period and there is a lot more now, and a lot more coming.

We are particularly interested, Ms Fagan, as I think you have gathered from our questions, in some of the products that you are developing and we will be watching this very closely, because it is sucking in money at a time when there are other pressures on the BBC.

So, we recognise the challenges you face and we were interested to hear what you have had to say. We will produce our report on this in the coming couple of months—certainly before Easter. The transcript of this session will be put up on our website, uncorrected, in the next couple of days. I thank our witnesses again.