



HOUSE OF LORDS

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Inquiry on

BBC CHARTER RENEWAL: PUBLIC PURPOSES AND LICENCE FEE

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Heard in Public

Questions 1 - 19

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Witnesses: Claire Enders and Steve Hewlett

Professor Des Freedman and Dr Damian Tambini

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on
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Members present

Lord Best (Chairman)
 Earl of Arran
 Baroness Benjamin
 Baroness Bonham-Carter of Yarnbury
 Bishop of Chelmsford
 Lord Hart of Chilton
 Baroness Healy of Primrose Hill
 Baroness Scotland of Asthal
 Lord Sherbourne of Didsbury

Examination of Witnesses

Claire Enders, Chief Executive, Enders Analysis, and **Steve Hewlett**, Broadcaster

Q1 The Chairman: Welcome to you both. Thank you very much for joining us. You are the first witnesses to come before us and we are hoping very much that you will be able to set the scene and get us going. We are rather mindful of the fact that in the last 24 hours there have been various excitements going on out there. These may or may not call into question whether we have chosen the right topics to look at in this run-up to charter renewal, and indeed to the renewal of the licence fee in whatever form. The second of our two questions is about the licence fee and we hope that you will still shed some light on those issues, but in the future they may be rather different for my Committee than was the case 36 hours ago.

Can we start by declaring around the table any interests we have in BBC affairs that ought to go on the record? Does anybody have any interests to declare?

Baroness Benjamin: I declare that I am a member of the BBC's Diversity Task Force, which is an unpaid advisory group, and I occasionally receive royalties and repeat fees from the BBC for past performances.

Bishop of Chelmsford: I am the co-chair of the Standing Conference on Religion and Belief, which is an independent body of bodies funded by the BBC. It meets every year or so.

The Chairman: Thank you very much. As you can gather, we are looking at the existing public purposes, possibly shorthanded as the scale and skill of the BBC, or what the BBC is for, as our primary question. We would be very grateful if you could start by introducing yourselves briefly and giving us a bit of background on where you are coming from. Claire, could I start with you?

Claire Enders: It says I am the chief executive of Enders Analysis. I have become the founder and recently appointed a chairman called Kip Meek, who is a very noted specialist and expert in our field. My company, Enders Analysis, is thought to be the leading research company in the space and it derives around 85% of its income from subscriptions and the rest from the serving of expertise, which is basically in the form of mathematical models and financial models of companies. We are not the advocates of any of the 170 organisations that support our work and which are listed on page 2 of the PowerPoint, which someone has for you. I personally am an intellectual migrant to the UK and then I became an intellectual

immigrant to the UK. I am an immigrant here of over 30 years' standing and I obviously adore the UK and its institutions and often see them much more clearly than people who are born here, and who feel entitled to them or who judge them through the prism of their political perspective. Thank you.

Steve Hewlett: I write for the *Guardian* and other newspapers. I present "The Media Show" on Radio 4, and I used to have a job. I worked in broadcasting as a journalist for most of my career. I then had a stretch at "Panorama". I had executive roles at ITV Carlton, Channel 4 and around and about. I have been around the industry for quite a long time. When Carlton and Granada merged back in 2002-03, I went back to where I started from. I started specialising, I suppose, in media journalism and so now I comment—as often as people will pay me—on media matters of one sort or another.

Q2 The Chairman: We are very lucky to have both of you to help us to get started. Could I begin with the first question, which is about the six public purposes for the BBC? Could you talk us up to the line? What was the position before we had public purposes for the BBC? I think they are 10 years old. What is the history behind the development of this process of looking at what the BBC does?

Steve Hewlett: As far as I can establish and recall, prior to the public purposes in this form, there was just the charter and agreement, and indeed there was the general view that the BBC was there. It was a public service broadcaster and was there to do public service broadcasting and, therefore, whatever the BBC did was public service broadcasting. Alasdair Milne wrote in his book that when asked which of the things that the BBC did were public service broadcasting, he said, "Everything". The BBC in its early years, in my experience, was almost a self-fulfilling prophecy: everything the BBC did was public service broadcasting and so the thing rolled on. Of course, that was in a rather simpler world.

The public purposes were introduced in about 2000. I think that came off the back of Ofcom's first public service broadcasting review, which for the first time tried to codify what public service broadcasting might reasonably be described as, other than channels making TV programmes that were broadly in the public interest. It was much more prescriptive in a sense. It developed an analytical framework for looking at public service broadcasting and my impression is—although I have not looked at this in great detail—that that is essentially how this process began.

My view, for what it is worth—perhaps we can come on to this—is that at the higher level they are pretty effective as a way of saying in broad terms what the BBC is, should be, should do, is there to achieve and so on. The way the Trust has developed them means that if you go to the website and click through the broad public purpose, you get the Trust definition and then you get all the things that it has written beneath it. At the higher strategic level, it is quite prescriptive in a way that is probably helpful. It both constrains what the BBC does, which is probably helpful and gives it some protection from the imposition of things that do not fit. We will talk about that later. As a way of codifying what the BBC is and should be and defining its broader purposes, at the operational level I do not know anyone who thinks about these things in these terms. Everyone I know at the BBC whom I have worked with thinks in terms of public purposes in the broadest sense: public service broadcasting; trying to do the right thing; aiming to be as creatively effective as they can; and all of that sort of thing. It is not that they have this very high-minded purpose and down here you have rank cynicism—far from it. You would not really want your creatives walking around with their

heads full of these things in all this detail, but at the executive level I think it is pretty effective.

The Chairman: Thank you. Claire, would you like to elaborate on that?

Claire Enders: I think Steve has moved on to the second question, which is: are they widely known and understood? I agree with him absolutely that neither at the BBC and among the staff nor in the wider public are these purposes absolutely understood, but they are very important to differentiate the BBC clearly from the commercial space. In particular, representing the UK, bringing the UK to the world, promoting education and learning, stimulating creativity and sustaining citizenship in civil society are all things that public service broadcasters in the commercial sector are not bound to do, except in a small element of their news output. So it is a very strongly differentiated group of purposes and that is valuable. I think they are there as a structure for the activities of the BBC, as opposed to the value system itself. The BBC value system itself is, as Steve says, that of UK creative: a high standard.

Q3 Lord Sherbourne of Didsbury: If I were suddenly to arrive unannounced at the BBC and say to the commissioning editor or somebody making a programme, “Can you name three of these?”, would they be able to name three of them?

Steve Hewlett: It depends who it is. Some people would and some people would not; most producers probably not; a lot of commissioning editors probably.

Lord Sherbourne of Didsbury: If these six principles were on the BBC website and all the rest but were not known specifically by the programme makers or commissioning editors, would it make much difference?

Claire Enders: I do not think that these purposes are there for the staff of the BBC. They are there for the BBC in totality. Things like representing the UK are something the Scottish Government insist should take the shape of a building in Glasgow Quay. The public purposes is also the political pact that surrounds the BBC and I think to see it as some kind of mission or culture statement around the BBC staff is not quite 100%.

Lord Sherbourne of Didsbury: But if the staff do not use it, what is the point of saying, “You are supposed to promote education and learning”? Why say it if it is not for the staff?

Steve Hewlett: It is for the BBC, so in other words it says, “Okay, if we get all this money what do we do with it? What is the point of activity X?”. Let us suppose that somebody comes up with a new idea for activity Y. They would ask, “Does it fit within the purposes? Is it something the BBC should consider doing?” and so on. So it gives you a framework for deciding what you should do and what you should not do. At the programme-making level, what people do is try to make the best programmes they possibly can. Once “Panorama” exists as a current affairs programme, everybody on it tries to make the best current affairs programmes they can. They are not thinking about citizenship, civil society or whatever. They are thinking of the best possible current affairs programme. Why is “Panorama” there? Sustaining citizenship and civil society.

Lord Sherbourne of Didsbury: If you were to go back to the Reithian three, which were “entertain, educate and inform”, would that be just as good?

Claire Enders: I think it is a very good question.

Steve Hewlett: Probably not enough.

Claire Enders: I think that is a very good question and I certainly think that they stood the test of time for many a decade. The fact that they were expanded really had to do with—well, the factor I knew the most about was the BBC's role in developing communications technologies, the whole digital switchover and so on. Obviously, expanding that role and codifying it was important in 2006 and 2007 when it happened. From the history—and my involvement with BBC issues goes back to the Peacock committee, so that is 30 years—I certainly think that the more clarity there is in the BBC's activity the clearer the demarcation between it and the commercial sector, and those demarcations are important because the BBC is publicly funded.

Q4 Baroness Bonham-Carter of Yarnbury: My question was exactly the same as Lord Sherbourne's, which was that there was the whole Reithian thing, if we go further back in history than Steve did. Having worked at the BBC, that is in the corridors, I genuinely believe.

Steve Hewlett: That is easier to put up as a kind of broad ethic, if you know what I mean, whereas these are about the specific services that you might provide, the things you might actually do rather than how you do them.

Baroness Bonham-Carter of Yarnbury: Yes, but I think there is a culture. I would suggest there is a culture that is different from other—

Steve Hewlett: If you walked into the BBC and asked them about Reith, you would probably get: educate, inform and entertain. If you asked what the public purposes are, they might not know.

Baroness Bonham-Carter of Yarnbury: Yes.

Q5 Earl of Arran: I think you have almost answered my question, or certainly part of it anyway. Do the purposes continue to be relevant and are they necessary? Do they need reforming, particularly purpose 6 in reference to digital Britain?

Claire Enders: I put in the PowerPoint, on slide 4, the views of the public on these public purposes from the BBC Trust's research. The public are asked, at least once a year, what they think of these public purposes, and I just wanted to point out that they have been asked, and then Ofcom does a piece of research on news consumption, which clearly shows the BBC's primacy.

But on your point on the sixth public purpose, I believe that this is no longer mission-critical to us as a nation or indeed the BBC. The BBC has, since the dawn of television, played an absolutely extraordinary role in the R&D life of this nation, inventing, as you know, colour TV, HD, Freeview, YouView, iPlayer and so on. The impact of that R&D has been that the commercial broadcasters are able to adopt these innovations at some speed. In the last settlement, the Government stretched this purpose way too far, in my opinion, by topslicing the BBC to force it to pay for more broadband. As BT is an extraordinarily profitable company with £3 billion of free cash flow, it seems an extraordinary use of what is essentially the licence fee payer's money that could be spent elsewhere. So I do not think the BBC can, in effect, especially with the settlement announced yesterday, be thought of as the bedrock of technology advancement and proselytisation. I think it has fulfilled that role anyway. We are the most advanced digital nation in the world and we are so because of the wisdom of our Parliament.

Earl of Arran: Do you think the public actually care about these purposes?

Claire Enders: I do not think they care but they are asked about them.

Earl of Arran: Do they know about them?

Claire Enders: They are asked about them and I am sure that many people do care about them individually. As a licence fee payer and a British citizen, I care about all of these, except 6, which I am not so keen on, but all the others are extraordinarily important to me and I do not see, as a media expert, where they come from in the commercial sector. I do not see how any of these public purposes are satisfied by the commercial sector. It is not the purpose of the commercial sector to do all these wonderful things—education and stuff. It does not see it that way and it certainly does not do it.

Steve Hewlett: I am not sure I would agree with that. I think, for their own reasons, commercial players in TV do do some of these things.

Claire Enders: They do some but—

Steve Hewlett: They stimulate creativity and cultural excellence.

Claire Enders: Sure.

Steve Hewlett: As for ITV, Channel 4 and other people, you can argue that there is an ecology that the BBC is always there as an element and so they all compete with each other. If you imagine the world without the BBC, would they do as much of it? Probably not, but nevertheless they do quite a lot of these things. I am instinctively uncomfortable with the BBC rampaging around doing simply anything that takes its fancy, irrespective of the consequences for any other players in the game. So this is the way that one begins to establish a framework for balancing public interest and public value against what the BBC does and the impact it might have on other players or potential players in the market.

Again, what do the public think? I think it depends on the question you ask. Asked about these as a concept, I do not know what you will get back. If you put it the other way round—would you, the public, be happy with the BBC just doing whatever it fancied any time it liked, come what may?—the answer would probably be in the negative. I think this sort of notion, this sort of system, provides the basis for beginning to form a rational basis for assessing what the BBC should or should not do.

Earl of Arran: To be quite clear, are you saying that you do not think it needs reforming?

Steve Hewlett: In detail, perhaps, but in general it looks all right to me.

Claire Enders: I agree, absolutely. Also, I love the use of the word “reform”. This was an improvement on the past. It was to introduce some demarcations and the commercial sector lobbied pretty hard for there to be more structure around the BBC’s activities and I doubt we are in a different place now. I think the first five should definitely be kept and the sixth should be watered down or removed because it is no longer affordable for the BBC for sure. Certainly in the new settlement it is not affordable.

Q6 Bishop of Chelmsford: I wanted to ask about the changes since 2008, with the development of many other platforms. How do you think the public purposes are able to deliver against the challenges with the movement to online, the development of Netflix and things like that? How do you think the purposes will stand up in this rapidly developing world?

Claire Enders: I have created and prepared for you a number of PowerPoint slides, which I hope are not too onerous but which cover the question in detail, and they are between 5 and 10 listed and they are quick. The first one shows that the BBC is the core source of news in this country. It is plainly a very important source of news and obviously the BBC outspends every other organisation because there is no commercial model for news. So on the news front there will never be a change in the primacy of the BBC, both in the world and here, as the most trusted, impartial, information-rich and reliable source of news for everybody in this country and around the world, where, as you know, it is by far the most trusted news brand.

If you move to page 6, you will see immediately that I have put UK television revenues into perspective. You have the big block of pay TV representing Virgin Media and Sky. Advertising is all the commercial broadcasters and the platforms. The BBC's spend on TV is listed, and you can see it has gone down, and there is independent production. Those are the pools of revenue that create original programming that is British. Just to give you a very quick summary, the BBC originates over 40% of all the material that is British. The advertising-supported group produces another 40% in totality, with all the broadcasters together, and then the pay TV group produce "Fortitude", a couple of things, and that comes to around 10% of all independent productions. So the UK's audiences are entirely dependent for original British material on British-based players.

If you turn the page you will see that I have put a number of subscriptions to—

The Chairman: As we are being televised and our viewers do not have access to this, please say it in words if you would, Claire.

Claire Enders: I will say it in words. On page 7 I have shown the vertiginous growth in what are subscription video on-demand services, such as Netflix, Amazon Prime and NOW TV, which number around 6.9 million subscriptions. None of these phenomena are originating or making anything in the UK. The maximum you might expect is that Amazon licenses from the BBC and I believe that Netflix is now licensing from the BBC in the USA. So none of these phenomena is anything but completely incremental. They are primarily marketing American-made material, because 85% of all exports in the world are American, and these are not British materials. They are very attractive but we are, of course, the most cosmopolitan and the highest spending on culture of all nations and, therefore, we take in all these phenomena.

If you look at the next page, page 8, you will see that there is an outline of the demographics of this country and you will note that the Ofcom report last Wednesday stated that 16 to 24 year-olds spend around 50% of their time watching traditional linear television and 50% of their time is spent online or gaming or doing many other things, such as watching DVDs, catch-up and so on. In fact, one of the things I hope I can persuade you of is that 16 to 24 year-olds do not spend the majority of their time on online video. They spend a lot of time on DVD and on gaming, but I just want to point out that the rest of the population, including the 65-pluses and people in my demographic, which is 55 to 64, are really substantial groups of the population. I do not think that anybody in the older demographics is planning to leave this planet in any kind of hurry, so we really have an outlook where if you are 35 to 44 you are already spending around 70% of your time on completely conventional television phenomena and catch-up, and therefore you have an outlook of, say, 50 years. I would say that this demographic chart shows that the existing television allocation, in terms of

spectrum and the business models, is good to go for probably another 30 years, so way beyond. I think this is why the Minister, John Whittingdale, concluded in his report that the licence fee was good for another 10 years, mainly because basically we have a population who are completely devoted to very high-quality choices and are capable of finding them. Those people will continue to prefer British-made material until kingdom come, I can assure you of that.

On the next page, I have also put a lovely chart that shows you all the David and Goliath stories that I deal with as a researcher. There are so many and they are all about the death of TV stories. You may recall that when Google acquired YouTube, that was going to destroy television. When Apple launched Apple TV and when the iPlayer was launched, non-linear viewing was going to take over. We have had Netflix arrive, as you can see, over the last three years, and on and on it goes. In this period, since 2010, we have had systematic and consistent growth rates in pay television, in UK players, in net advertising revenue and in the independent production sector, and of course a decline in the BBC licence fee. So one has to say that the commercial sector is doing extraordinarily well in the UK, and that is fine but it does not truly duplicate anything that the BBC does—not in its whole. Certainly, the American players never have done, and Sky, as you know, launched in 1989 and I believe that it spent only £350 million on original programming last year, having been here for 25 years. So I would not expect Netflix to step up to the plate particularly quickly if Sky has yet to do it.

On slide 10, I have provided you with forecasts and I will email you all the slides so that you can use them in your work.

The Chairman: It would be helpful if you could provide them, yes.

Claire Enders: This provides our forecast, which is related to the demographic profile of this nation in which we have more people aged over 65 than in any other demographic group. It does show the impact of our demographics on viewing and that is that as a nation that has passed 40 last year we will continue to show the habits of a wise, intelligent and mature nation all the way through the next licence period. Therefore, the answer to your question is: those public purposes will continue to be valuable as long as I am alive, and I am certainly not planning to exit stage left. So that is many years ahead and I would see this as something that will also interest 16 to 24s in due course. We see an immediate shift when people become workers and embedded in society. They stop watching so much YouTube and pornography and they start watching more conventional choices, including news, and they shift very quickly into what you would call a more conventional group of choices, even though they watch a lot of immersive video, like one-hour dramas.

Bishop of Chelmsford: With the exception of number 6? You concluded by saying that you see the purposes as being, I think you said, good to go for the next—

Claire Enders: Many decades.

Bishop of Chelmsford: But with the exception of number 6, though?

Claire Enders: I said earlier that I think you have to remember that the BBC has spent a good deal of its income on R&D and it will not have that income to spend. I am just saying it has to go because it cannot be afforded. Is it absolutely necessary any more when we have had these 30 years of development, cable TV, satellite TV, online, the fibre project, and all these bipartisan huge infrastructure projects?

Steve Hewlett: You can see it differently, of course. It does not have to be there to haunt you. It just has to help you get the benefit of it.

The Chairman: Claire, thank you very much for that and we will put your presentation on to our own website.

Steve Hewlett: May I give you a one-line answer to the same question?

The Chairman: Yes, you may.

Steve Hewlett: It seems to me that, taking all the things Claire has said, the vast majority of viewing in total remains of traditional TV, as it is broadcast. If you include catch-up for broadcast TV, it is overwhelmingly, by a country mile, vastly the majority. For the foreseeable future I would say that the set of purposes applied to the BBC is still relevant because it will have a significant impact on the vast majority of what people do by way of consuming TV so far. In terms of new platforms and new behaviour, there is an in-built tendency, in my experience, to overestimate it, almost to get there before it has. It is coming and it is changing, but it has not changed anywhere near as fast as many people believe.

Q7 Baroness Healy of Primrose Hill: This is a question for both of you. As we are looking into the public purposes, what do you feel are the benefits and drawbacks of using a purpose system to measure performance? Do you think the right things are being measured, and are there alternative methods of measuring the BBC's performance? It is always in the spotlight and it has to justify its existence and the licence fee. I am interested in whether there is a better way of doing it or we should improve things.

Claire Enders: I believe very much in audience research and there is an awful lot of research in the UK. The UK is one of the most researched and methodical of nations. I am sure you know that. There are enormous amounts of data about the reach of the BBC radio, the website and so on. The BBC's relevance is also measured by its audience share, although that is not a universal measure. As you know, "Wolf Hall" did not get great ratings, it probably will not sell very well and there are obviously no format rights to it, but it is an extraordinarily valuable programme. I am saying that, broadly speaking, the reach of the BBC is a very important measure—how many people it reaches across the population. I believe it is still at 95% to 98% every week. Secondly, there is also its relevance. Remember, we live in a world where no one is forced to do anything. No one has to turn on the radio to Radio 4; you can always go to LBC or anywhere else. Online and television sets: all of these things are very fungible, and they are so, I must say, across all the age groups because, although we are an older nation and a mature one, we are by far the most technology-advanced nation in the world in older population adherences. So everyone in this country is making choices all the time.

Those choices are reflected in audience and listenership research and, because research is extremely expensive, it would be inappropriate for the BBC Trust to undertake this research more than once a year, and similarly Ofcom. I am not going where we could go on the relevance of such research in polls, but the size of the Ofcom research tends to be very big—15,000 people. The online polls in the election, for instance, were of about 1,000. I think this is a very good compendium of things. Also the BBC Trust research is done completely independently of the BBC. That research on public purposes and the Ofcom research on sources of news and use of news, and its recent report on public service broadcasting, has huge amounts of data and insight into the relative position.

The BBC is as fully measured as it can be, given that it is producing an absolutely enormous quantity of material across regions, in different languages, for different audiences and across the land. All of that comes as a very good package to look at. Obviously, if there is any assistance we can provide to you on how the BBC is doing, relative to other broadcasters, radio broadcasters or web operators, we would be delighted to help you.

Steve Hewlett: It stands to reason that, aside from being measured on these public purposes, if the BBC were to suffer a catastrophic drop in reach or share of viewing, or if it were to start losing in the competitive marketplace consistently over time, the rationale for funding it in the way that it is, notwithstanding that everything could tick all the public purpose boxes, would disappear—would go up in smoke in actual fact. I think it is a given in the BBC, not that winning trumps all—far from it—but that it is important when you are generating content and making programmes, that you make them as accessible, visible and impactful as you can. That sits underneath all these. When you ask whether there are other ways in which it should be measured, I think it is perfectly appropriate, as Claire says, that its share of consumption, the attractiveness of its programmes, how it competes in the marketplace are all perfectly valid measures of the BBC's activity, because you could have a BBC that was more or less moribund but ticked every one of these boxes.

Baroness Bonham-Carter of Yarnbury: A quick supplementary: you mentioned the Ofcom report and, as I understand it, what it sees is that as younger people get older—unlike me, who moved from Radio 1 to Radio 4—they are sticking with the new forms of viewing things. Alongside what you are saying, which is that we are all going to be here a long time, the way in which people are viewing things, or consuming the contents, is not changing as people get older, so the younger ways of doing so are continuing.

Claire Enders: I hate to disagree with you but I think that is looking at things on too short a timeframe, as someone who has been a forecaster for over 30 years. I do not know if anybody remembers something called MTV. It used to be a big deal for people my age; it is not a big deal anymore. Things come and go; platforms come and go. What we have lived through here—I think I showed it in the slide—is a constant development of platforms offering incremental choices to people who want to pay for that. What we see very quickly is that when people become communal dwellers they start to watch TV with other people and they are no longer on the solo laptop hunched like a gorilla, so there are some real lifestyle changes that happen. Also, may I just point out that there are an awful lot of older people who have clocked on to Netflix now and they are also going to be subscribers. That is not going to cut.

To Steve's point, if you were to re-roll the BBC's performance over the last three years and, instead of the BBC's audience share performance you had ITV's, I can tell you you would be jumping up and down on Tony Hall's neck by now because it has lost about 15% of its audience share. So you would be saying, "You are completely not doing the right thing. You need to sack your chief executives". As you know, that happened when Channel 4 lost "Big Brother". It had a massive drop in audience share and it was of extraordinary concern to the regulator that the company should pull up its socks and get its audience share back up: "It is a public service broadcaster. It has got to do well".

So I think the requirements on the BBC are much higher than the requirements that are ever placed on any commercial organisation, and any yardstick is much more demanding and it should be. Anyway, it has done fine and it is an extraordinary thing to say that it has done so

much better than ITV, Channel 4 and the commercial sector as a whole, despite its extraordinary drop in income. That is possibly because people in this country are not so keen on adverts anymore, hence the Netflix issue.

Q8 Lord Hart of Chilton: We know that the six public purposes are enshrined in the charter and we know that the charter also says that ancillary activities can be carried out as well as long as they are subordinated to the main principal six purposes. So I would like you to answer this question: what does the ancillary power mean in terms of adding to public purposes? What do you think it could do additionally within that remit? I would like to comment on one thing: does last night's announcement of the BBC being responsible for over-75s licence fees mean that it is now carrying out or going to carry out a social public policy purpose that is additional to the six purposes? Obviously, if it is responsible for it, it could reduce the fee or it could remove that subsidy altogether, which might mean that it is not helping to deliver its purposes.

Steve Hewlett: It might view it as stimulating creativity and cultural excellence among over-75s.

Claire Enders: Absolutely, and as stimulating its economic activity as well, no doubt, because we have a lot of people working who are quite old and continuing to be educated.

Going back to your first question, which is about the public purposes, how the BBC interprets them and whether it should be a soft interpretation, I have been really thrilled by the re-evocation of the BBC's fundamental cultural purpose and the announcement made by Tony Hall very early to promote the cultural experiences of the UK, which are provided by museums and theatres and so on, and to put a lot more effort into that. I think that is a classic example of stretching a public purpose to give us more back and to use the other elements of what we pay for, particularly the museums and cultural activities of this country, basically to bring them to a wider public.

I think the BBC always is trying to hit some level of accuracy in these public purposes at some level, and we can clearly tell the distinction between—and I am saying it again because I loved it so much—"Wolf Hall" and "The X Factor". You can clearly distinguish between these programmes and they have completely different experiences attached to them. I think that is one point.

In relation to the arrangement announced last night, I am clearly of the opinion that the BBC should be planning to diminish and eliminate some level—maybe a couple of million of those 4.5 million licences. Obviously they will be rising ever faster because of the ageing of the population, but I do not think the BBC needs to—it is obviously a fix. The Government wanted to dump £650 million on the BBC and found a way to do it. That is all. I am completely in a state of wonderment that over 75s—

The Chairman: I think, Claire, I am going to stop you. We are moving on to the licence fee.

Claire Enders: Sorry.

Q9 The Chairman: Just stay for this part of our discussion with those public purposes and sort of round it off, I think a supplementary to Lord Hart's question is whether there might be additional public purposes to add to the list or substitute for one that is there. Is it complete, too? Is this the lot or should we be thinking—because we have to turn our minds to this quite carefully—of any further public purposes there might be?

Steve Hewlett: I struggle to think, because they are written in a general form and I think that is quite right too, because you do not want them to become so prescriptive that you cannot adapt, change or do new things. So you want to be able to hold up new things against these and say, “Broadly speaking, are they consistent with—” but you do not want to be so prescriptive that you stop that process. You do not want it to turn into box-ticking.

As to ancillary purposes, I am assuming this means—and I am not quite sure that I do know what it means—the BBC Worldwide and commercial activities might be regarded as ancillary to these purposes. The key point here is that such activities should be, “peripheral, subordinate or ancillary to the main activities and bear a proper sense of proportion to the BBC’s main activities and be appropriate to be carried on by the BBC alongside its main activities”. You may recall—I do not know if you have been following this—that, going back a little while to before Lord Patten became chair, there were aspects of BBC Worldwide that were getting slightly out of hand. It was starting to make its own programmes under the BBC banner but never touched the UK public service base. It was making programmes in a factory in Los Angeles that were going on to TV in Asia and, of course, the risk then was that something would pop out that the public service commissioners in the UK, and people like you, would think an absolute outrage. So the reputational risk to the BBC of that ancillary activity is quite significant if it gets it wrong. Under Lord Patten, I think it is fair to say that BBC Worldwide was reined in. It was brought back into mainstream BBC and BBC Worldwide’s activities were reassessed according, in part at least, to their consistency with the core BBC purposes.

Lord Hart of Chilton: But “ancillary” does not mean creating a new purpose. It means supportive of one of the six.

Steve Hewlett: It means supporting the ones you have, yes.

Lord Hart of Chilton: What you said, Claire, would fall within that.

Steve Hewlett: Generating commercial revenues from content that you have created or services that you are doing new things with it, seems to me to be entirely proper, provided it is consistent with the brand, the purpose and the overall standing of the BBC. Obviously, those three letters and the reputation that they have are enormously valuable—in commercial terms, more valuable than you can quite imagine. You would have to be very careful about letting those letters come under the control of anyone else.

Interestingly, in one part of the Worldwide field it has done a deal with AMC, the American Movie Channel, to partner BBC America and AMC now has operational control of BBC America. For my money, that is a worry, not because there is anything wrong with AMC—it is a perfectly good company that is very commercial, very effective, and so on—but you would be careful, I think. The BBC ought to be careful about letting anybody else get their hands on those three letters.

Lord Hart of Chilton: Do you think “ancillary” would also include training people?

Steve Hewlett: Yes.

Claire Enders: Definitely. This is one of the absolutely most important tasks of the BBC and it undertakes this task, as I know, across the land: Glasgow, Edinburgh, Halifax, right, left and centre, in the regions, in languages and, obviously, in its range of activities. It trains journalists like no other business does and so on. Again, the commercial sector does not see its role at all in this and in fact subcontracts almost anything that it can. I am giving a speech

soon at BBC Scotland and it is linked up with Glasgow University and a vast array of very important training initiatives, without which we just would not be producing the high-quality people. That is a very important role of the BBC and it should definitely be doing that, as it does, across the land. It is very important.

The Chairman: That role that you are describing might even be a further public purpose.

Claire Enders: It does do that. I think it does hit it, in representing the UK, its nations, regions and communities, stimulating creativity and cultural excellence, and promoting education and learning. It fits nicely in those three.

The Chairman: Thank you very much. In the modest amount of time left available to us, we will move to the licence fee and issues around that with a couple of questions.

Q10 Baroness Benjamin: Claire, it was interesting to hear your statement at the beginning about being an immigrant and seeing things from a different perspective, so I would like to hear your views on the licence fee settlement. Some believe that the 2010 settlement demonstrated that the BBC's independence can be compromised by negotiations with the Government of the day because of the lack of transparency and public consultation. In your view, what do you think of the mechanism by which the licence fee settlement has been reached in the past, and what could or should be done differently for the licence fee settlement this time round?

Claire Enders: It has already been done the same way as in 2010, so I think this is a bit academic, but let us hope for the future. The CMS Committee report said that the settlement in 2010 was done in a completely non-transparent way and that it should be done differently, the CMS Committee obviously took a view that the public [should be consulted]—after all we are often told that we are the BBC shareholders. I have never been consulted on anything about the BBC. The public are not consulted about the BBC. Their views are researched but they are never asked what they want of the BBC. Obviously they manifest and step up to the plate and turns on the dial and do all that, but I find it absolutely extraordinary that the licence fee was set yesterday, not in relation to what the public wish of the BBC, or what they want to pay for, which I can assure you is more good stuff every year. They are paying for more good stuff on Sky, on Virgin Media, on TalkTalk Group, on BT and Uncle Tom Cobbleigh, so they will happily pay more for the BBC.

Baroness Benjamin: How should public consultation be carried out, then?

Claire Enders: It's obviously completely different than has occurred yesterday and what occurred in 2010, which was completely Treasury-led. I think the money side is, bizarrely, completely divorced from the purposes and mission side. There is not a business that would say, "I am just going to come up with a number over here and decide that that is my annual revenue and then I am going to cut my cloth to fit it". That is not the way you run a business. You run a business by meeting the needs of your customers and competing in a commercial marketplace, which I assure you is growing at over 3% compound annual growth rate every year. That is the context. The BBC is working within a complex environment. I have been called both a citizen and a shareholder of the BBC and I am always interested in seeing how this is manifested. I am afraid that most of the public would be very surprised if they really understood that they never have any say at all in the BBC licence fee and barely have a say in what it does, because you cannot divorce the two. I wish that you would take a lead and change it, but it is too late this time.

Baroness Benjamin: How do you feel that we can engage young people who feel disaffected from the BBC and unconnected about the licence fee and why they should pay it? Do you feel that they should have a voice, too?

Claire Enders: I think everyone should have a voice and I think older people should have a voice. I am an older person and I am a woman. I think everybody in this country should have a voice about these matters because 98% of the population is consuming the BBC. The people who least consume it, and who have the most bizarre ideas about it, tend to be politicians. They are too busy.

Steve Hewlett: If you go back to 2007, the DCMS established the Burns committee, which took lots of evidence from interested parties, held public hearings in various parts of the country, and it opened up lots of questions about the licence fee and the funding of the BBC. It was set up by the Secretary of State to advise. It seems to me that, looked at historically, in the end the deal for the licence fee has always been done in private and has not been subject to public consultation. You might argue there are reasons for that. The Burns committee model was not half bad, in the way it opened up the issues, spread knowledge about them, began to move towards a different sort of consensus on aspects of the licence fee and so on.

I would distinguish that, and all that had gone before, from 2010 and yesterday. It seems to me that, in both cases, the Treasury phone up on Monday and by the following Monday have got what it wants, which is just cash. The consequences for the independence of the BBC, which is protected by filament-thin conventions—a 10-year charter, a 10-year licence fee deal with a five-year break point and not to be reopened in between—are really important. That is the thing that underpins the BBC's independence. In 2010, there was new Government, a financial crisis—needs must—and a comprehensive spending review. What is that really about? It is not about the BBC at all. It is really about the Government offloading financial obligations. I understand why they are trying to do it but it is playing with fire if you care about the long-term future and independence of the BBC.

If you recall, in 2010, the director-general, the chairman of the BBC Trust—I know this has not perhaps been disclosed in public but I am sure it is true—and several of the trustees threatened to resign over the suggestion that the BBC should take responsibility for over-75s licence fees because they said, “This is a red line that simply should not be crossed”. The licence fee is paid; it is a flat tax and everybody pays it—rich and poor pay the same. It is paid to the BBC. The idea that that should be used to fund government welfare policy is wrong in almost every conceivable way. So they said they would resign, the proposal was withdrawn and another package of things happened—the frozen licence fee and all the rest of it.

I think I saw Michael Lyons on TV last night saying that he was really quite upset that the Government had come back and done it again because he thought that the arguments had been seen off at the time. More fool him, you may say. Then what happens? A week ago, on Monday, there was a phone call from DCMS, followed by a phone call from Treasury, saying, “Give us the cash”. A week later, that is what has happened. Now, it is not the worst of all imaginable deals for the BBC. In the circumstances, it has negotiated a variety of things, which we can talk about if you like, that enable the BBC management to say, “We may have been had but at least we have got something out of it”: a commitment to change legislation to deal with the so-called iPlayer loophole; the removal of the obligation to keep £150

million for broadband rollout; and an approach to decriminalisation, which is all in code but I read to be the Government reassuring the BBC that they will back off on decriminalisation of non-payment, insofar as they are prepared, first, to take account of the Perry committee and, secondly, critically, take account of any financial consequences for the BBC of whatever action they choose to take.

So there is a kind of deal here and the BBC has been very public in saying that the deal is cash-flat. Of course, in reality that amounts to a 12% cut by 2020. If you look at it between 2010 and 2020, that amounts to a BBC budget cut of about 30%-plus, which is, when you think about it, an awful lot. Leave aside the numbers, for the Government to be able to get on the phone to the BBC and demand the cash and have it within a week I think is deeply worrying. Not because I do not understand why the Government need it or want it, not because I do not think the deficit should be reduced, or any of those things, but because by doing that to the BBC, at some point it stands to reason that that kind of government power will infect the body corporate. At the very least, it begins to provide the context for decision-making, editorial and all the rest of it, and it is really unhealthy. If anything comes out of all of this in terms of the way the licence fee is agreed and settled, something needs to happen in the charter process that absolutely underpins the BBC's independence, because I think it is definitely at risk.

Baroness Benjamin: Do you feel it is too late for now but for the future we should have some sort of mechanism in place whereby the Government cannot do a deal with the BBC without consulting the public? Is that what you are saying?

Claire Enders: Yes.

Steve Hewlett: Yesterday in the Commons, the Secretary of State, when Paul Farrelly, the Labour MP, got up and read his own CMS Select Committee report, could barely look at him. The CMS Committee report says, as Claire says, "We believe that the current means of setting the licence fee is unsatisfactory. The 2010 settlement demonstrated that the BBC's independence can be compromised", and so on. "No future licence fee negotiations must be conducted in the way of the 2010 settlement: the process must be open and transparent, licence fee payers must be consulted and Parliament should have an opportunity to debate the level of funding being set and any significant changes to funding responsibilities." Absolutely none of that has happened and he had the unfortunate obligation to stand there and announce it to the House when his own report said the opposite. So, is there a consensual view? I am not sure quite how far you can get to transparency in the end, but as a process it clearly needs to be more open and it is also back to front. This has been done before the charter review has even started. To all intents and purposes, the cart has obviously preceded the horse.

Baroness Benjamin: But how would you get public consultation? If we are going to go down that route—the public consultation especially—I think there needs to be some sort of mechanism in place to say, "This is how we are going to almost vote for the BBC".

Steve Hewlett: The Burns committee version, back in 2007—or 2006-07 it was going on for—was pretty effective. I am not saying it was perfect but anybody who wanted to could engage. It was taken around the country and opened up for questions. It was being done in tandem with discussion of the purposes, the service licences, scope and scale, so these things were kind of progressing, and for the sake of the rest of the industry because the whole thing was progressing in just a slightly more progressive way. It was all progressing to

the same kind of point, so that decisions when they are made have some public basis, even if the decision itself is taken in private. What happened this week, over the last seven days, and what happened in 2010 is the polar opposite to that.

The Chairman: Just for completeness, Steve, you mention the list of concessions that have been negotiated. There is also the annual increase in the licence fee based on the CPI index.

Steve Hewlett: Yes, of course, which is certainly worth having.

Claire Enders: Lord Best, I have put on slide 11 the view we take that if the CPI is zero, the licence fee settlement will end up in a different place. Obviously, the CPI exists. We put in a comparative line so that you can see quite how much has been taken out of the BBC.

Steve Hewlett: Conceptually, what CPI does is linking. It says that if the licence fee is worth zero here, or say it is worth 10 here, it is worth 10 in five years' time. It has been index-linked. So CPI means no new money; it simply protects you against inflation. What you really should do, rather than factoring in new cash arising because of CPI inflation or increases on account of that, is discount that from the calculation because by the time you get there you are exactly where you were when you started. What you really should do is take the licence fee, whatever it is in 2020, and take off £650 million for over-75s licence fees, and add back in £150 million for broadband rollout, add back in some number—nobody knows what—for new licence fees generated by changing the law to capture on-demand viewing, closing the iPlayer loophole. That is why, it is reasonable to say, in normal accounting terms this settlement represents another 12% reduction in BBC funding.

Q11 Baroness Scotland of Asthal: I think we have had a really interesting discussion about how the licence fee could be structured to make it open and frank, and clearly most commentators think this current situation is a very poor one. It has the structure and it has the framework, but the way in which it has been done is poor. Do you have any comparators, from an international standpoint, that would help us to better manage this, so when we are looking forward we can say, "There is an international norm with which we should concur or a framework within which we should express a view that that would be the path to follow"?

Claire Enders: I have looked into this, because you kindly offered the question, and I could certainly deliver a very detailed briefing about how each of the nations in Europe sets the funding for public service broadcasting. What I would point out is that in every nation it is an entirely political process. In some nations with more complex political compositions, there is a more independent public service broadcaster. In those nations where there is basically bipolar political activity you tend to see public service broadcasters—for instance, in Italy, France and Spain—as a political football and their funding is a political football and, therefore, you see enormous alterations from year to year, from decade to decade. Some decide to kill the commercial broadcasters by putting a lot of ads on the PSB. Sometimes the PSB is cut back completely, as has occurred in Spain. I have to say that there is no country in the world that is responsible for the second position in exports and in cultural range that the UK has. The UK has a unique position in the world that France and Australia and the Nordics just do not have, so our impact is much greater.

I would say only that, in every case, phenomena such as we saw yesterday are very frequent. In the north, that is much less common because public service broadcasting is a universal given. You tend to see a very broad agreement in the Nordics around the quality of public

service broadcasting and that is why those countries have seen an increase in public service broadcasting income and other countries have seen a completely different outcome. I am afraid I think that, imperfect though the system may be, we already have the best broadcasting system in the world. The question is: how could we make it that much better?

Baroness Scotland of Asthal: Do you think what the Government has just done makes it easier for us to deliver good public broadcasting or more difficult?

Claire Enders: It is going to be much harder because, as I put on slide 11, you can see the drop in income. No matter what happens, you have already seen in the past five years—to the Ofcom report cited by Baroness Bonham-Carter—that the impact of the financial crisis and of the decline in the licence fee has been that £450 million less was spent on original material last year than was spent in 2008. That is half the BBC and half the commercial sector. We are going in the same direction. I am very happy that the BBC is doing the best it can with the limited funds it has, but any decline in income goes directly into programme-making. That is obvious. I am not pretending for one moment that the BBC can get rid of any of the beautiful facilities that it has over the land, but it has fixed overheads. This decline will hit programme-making, journalism, the number of people who can be trained and all kinds of things. That is the way it is.

Steve Hewlett: The best you can say about this settlement is that it could have been an awful lot worse. If the Government had simply said, “Okay, we are taking £650 million and we are taking it now and, by the way, we are decriminalising with no thought to anything else you put in place”, you could have been looking at £1 billion off the BBC without too much difficulty. So it could have been much worse. However, the process that sits behind it, the fact the Government appear to have the right to phone up on Monday and by the following Monday have £650 million out of the licence fee does not seem to me to be essentially correct.

The Chairman: That was a terrific session. Thank you both very much indeed. We have started our inquiry on absolutely the right note. Thank you both very much for joining us.

Examination of Witnesses

Professor Des Freedman, Professor of Media and Communications, Goldsmiths, University of London, and **Dr Damian Tambini**, Associate Professor, Department of Media and Communications, London School of Economics

The Chairman: I am sorry to keep you in the wings, Des and Damian, but welcome now. Thank you very much for joining us. We will be moving to the second part of our afternoon’s inquiry. We are on television, so bear that in mind, if you would. I am going to ask Lord Sherbourne if he would get the ball rolling. Let us get into the heart of this.

Q12 Lord Sherbourne of Didsbury: I am trying to understand in my own mind the context in which BBC public service broadcasting operates. Is the BBC fulfilling its role as a PSB broadcaster? Does it really matter whether or not the other television channels that have that obligation have it or not whether the BBC are doing their bit? Given that they have obligations to some of the ITV licensees, Channel 4, Channel 5, to what extent does the BBC’s performance shape the way those other broadcasters fulfil their PSB obligations?

The Chairman: Could I ask you, in responding, to just very briefly introduce yourselves and say where you are coming from on these many issues, please?

Dr Tambini: I am Damian Tambini. I run the media policy project at the London School of Economics. I have spent my career researching and advising in this country and others about media policy and media regulation issues.

On the role of the BBC and how it relates to what you might call the wider ecology, which I think you are asking about, the BBC, in television terms, has perhaps just less than 30% of share of audience; radio around half. Online, depending on what you are measuring, in some ways is quite dominant, for example in terms of sources of news online, particularly mobile. It occupies a position that the whole of the rest of the market has to take account of. In this sense it can be seen to be raising a bar and requiring the other providers of media services online and in broadcasting to compete not only for audience but for quality standards, so raising the overall threshold of quality in the market as a whole in a way that I think others cannot ignore. Broadly, I think the BBC is responsible for raising standards and it is in that position as a result of its market position.

Lord Sherbourne of Didsbury: If they are doing their job on PSB, would it be a serious loss to the viewing public, who have access to the BBC of course, if the other broadcasters did not have the obligation?

Dr Tambini: I think there is an argument for plurality in itself, and choice. Let us not forget—we were discussing public purposes earlier—all the other PSB broadcasters have their public purposes and they are written into the Communications Act, and they are held to a similar kind of standard. The purposes themselves are very similar, so we are not talking about purposes versus no purposes; we are talking about a regulated system in which we apply disciplines other than the market to the providers of broadcasting and other media services.

Professor Freedman: I am Des Freedman. I am a researcher at Goldsmiths, University of London, and I have written on broadcast history. It is useful to be able to go back to some of these debates and think about the licence fee and how there is something frighteningly similar about today and 50 years ago. Maybe we will get on to that. I am also the chair of the Media Reform Coalition. I gave evidence to this Committee's previous incarnation on media plurality, a year ago I think.

I also wanted to say that I welcome the timing of this Committee. You must have been scratching your heads slightly, but turn the story round and you could not be meeting at a better time, not least because of the story that Steve was giving of the private meetings that have been taking place. I think the more discussion we have about the issues the better—not just to do with public purposes but with the licence fee, both in its mechanics and its wider purposes—because the worry is that we will be returning to these kinds of situations again and again. If you are able to make informed recommendations that by some miracle happen to be taken up, this is what we need. So that is the silver lining.

Going back to your question, if you asked our students what they understand by public service broadcasting they might still say, "It is the BBC". We have to constantly remind them that we are not talking about a conception of public service that is about one channel or one programme, but that it is a set of ideas, practices and values that has dominated, and continues to dominate, all aspects of British broadcasting. The relationships between the public service broadcasters and the non-PSBs may be changing, but in terms of finance, in

terms, as Claire was arguing, of the domination by PSBs of original UK production, it is overwhelmingly a public-service oriented system. To think that you could just—like a surgeon, although it would be a very bad surgeon because I think you would be in danger of killing the patient—dig in and remove some arteries in the hope that the others will do the job, seems to me not to be a good way of approaching the subject. If you think about the other biggest public service broadcaster, ITV, it has played a phenomenally important role over the last 60 years this September. Damian is quite right that often the BBC is seen as the institution that keeps everyone straight. You sort of said that. There are all these metaphors about it: it is the cornerstone, it incentivises everyone else to raise standards, it is the beating heart of the public service system. All that is very true, but 60 years ago—or more like 55 years ago—there were arguments that it was the other way round, that it was the energy and innovation of ITV, with many public service obligations placed on it, that started to drag the BBC away from a culture of deference and kowtowing to the establishment and so on.

The different institutions that make up public service broadcasting have a very complicated set of relationships—clearly it is changing at the moment—but I do not think you will do justice to the system as it has emerged if you start to remove single parts of it. Would it matter? Yes, it would matter enormously.

Q13 Bishop of Chelmsford: Des, this might be a question for you initially. I need to apologise before I ask it that once I have heard your answer I am out of here. I have to be somewhere else, so I apologise if that seems rather rude.

Professor Freedman: Whatever I say, you are out of here?

Bishop of Chelmsford: Whatever. Apologies if that seems rather rude. I wanted to ask you about the purposes in particular, which are relatively new—from, I think, 2000—to hear you reflect a little on, as you understand it, the history behind the development of these purposes, what you think they are designed to do, and possibly, if you wish, to reflect on how they might change.

Professor Freedman: I think they have a very interesting history. Steve gave you the 70 years' history encapsulated by public services and what effectively the BBC or the self-defined public service broadcasters did, organised around informing, entertaining and educating. But we should remember that there were other values that have been around for an awful long time and are still incredibly important in just allowing us to understand what public service might be in terms of things like universality. I say this because it is very important for our contemporary debate, particularly when we talk about emerging technologies and platforms. Universality, fairness, accountability, transparency and so on are a set of values that are seen to distinguish what we understand as public service from other environments. They have been around for quite a long time. It is true that these are vague but important principles, and I think that, like many things from the 1990s and 2000 onwards, there was a fashion for using a kind of managerialist discourse to make things stick a bit more. Some people might say that it is a more instrumentalist account of running the world but it was, "We do not want just abstract principles. We need mechanisms to ensure that we are doing the job and preferably quantitative ones".

So what you had in 2004 was a very interesting and important document—we are still living with it today—written by the BBC called *Building Public Value*. As far as I understand it, the

public purposes really emerged out of that 2004 document. Why was it written then? This was two years, effectively, before the charter was started in 2007. I think it was based partly on all sorts of theories about new public management that were well beyond broadcasting. This was about running cities in the US. I think it was also a way of saying to the Government, “We are going to lobby you for more money but we promise to talk about efficiency and to talk about value”. It is a clever way of doing it, because there are all sorts of different values and the document went through all these different sorts of values. Public value is quite distinct, but at the heart of it is still the idea that value can be quantified and enumerated and that we can have mechanisms to check that we are delivering. So from that document—I know that Damian can talk about some episodes of this—came a series of particular ways of assessing and measuring public value through public purposes, not least through the service licences and the public value tests, which all come out of that same document and that same era. They are all at the same time about saying, “Please give us more money in the licence fee settlement. We promise to be extremely vigilant about our impact on the wider market that we are part of”.

So I think it was a sort of clever trick—not one that I particularly agree with, for reasons that we may get into—because it made it harder for Government to marginalise it as a blow to bureaucracy when all the time it was talking about delivering mechanisms of efficiency and accountability.

Dr Tambini: Can I add some more context to that? We cannot really understand the history and origin of the public purposes without going into a bit of technical and legal detail as well. What was happening in the late 1990s and the 2000s was because of the internet and shift to digital and the BBC was launching a lot of new services. We had Curriculum Online, Bitesize, BBC Choice, and the procedure for approving new services was that the Secretary of State would approve them and this would be advised by officials in DCMS. This was seen to be a problem: if you have a near-permanent review of new services, that in itself could compromise BBC independence. Also it is very politicised and difficult, given that there were lot of commercial complaints that this 800-pound gorilla, the BBC, was stumbling around into all sorts of markets without permitting a great deal of certainty for competition, investment and so forth. Added to that, this raises state-aid rules under the European competition framework. So not only in the UK but around the EU there were a series of cases and several ongoing complaints that public service broadcasters were receiving funding in a way that distorted markets and trade within Europe.

One of the things that comes out of that is the need to have a system where you can approve new services, evaluate them and show that they are indeed public service-oriented interventions, and that was reflected in a series of—two, I think—communications from the European Commission clarifying when these kinds of state aid can be paid to public service broadcasters to enter whichever markets only if they meet the public purposes. At the same time you have, as Des mentioned, a dialogue with the Treasury about BBC funding on a new kind of footing—the Treasury demanding a lot more evidence and accounts of where the market failure is and how it is measured, and so forth. So the BBC’s bright idea was to come up with this notion of public value. We can come on to the detail of where you get to with these kinds of public value test.

Rather than the Secretary of State approving a new service just on the basis of a series of commissioned expert reports, a tighter framework is what you need. The public purposes enable you to have some kind of list of criteria for evaluating a new service and in particular

for assessing whether it is genuinely public service or whether it is just the BBC entering a market willy nilly, and so enable you to inject more certainty into the system and to bring public service broadcasters—in the UK it is the BBC—into a tighter framework, and give more certainty to the competition. That is where the public value assessments that the trust does come in.

Bishop of Chelmsford: Thank you. I do not want to anticipate the next question, but, briefly, would you argue that looking ahead the public purposes are going to be even more important?

Dr Tambini: The need does not go away. We are in the middle of this process of digital change and innovation. If you look around the world you can see instances of where this has gone wrong. For example, in Germany and Japan the public service broadcasters were not allowed to innovate and launch new digital services because of the regulatory framework, and they were very much left behind compared to what the BBC has been able to do. It is very difficult to have the freedom to innovate and to launch new services, because at the same time you need to have some kind of accountability and rein in public service broadcasters according to a set of agreed principles. It is difficult to measure these things—and this is, I think, why public purposes and the public value framework in general is very often accused of being vague—because ultimately they are qualitative. Ultimately you cannot put a load of numbers into a machine, turn the handle and come out with a value or a ranking that tells you public value, yes or no. You have indicators and you reach a judgment, and that is what the trust has to do.

Q14 Baroness Healy of Primrose Hill: I am going to talk now about the international situation and the impact of the EU. How important are the purposes in determining the scope and scale of the BBC, perhaps on a global scale, and does this have an impact on the BBC's global position in terms of competition and so on?

Professor Freedman: I would honestly say that it is very hard to judge because it is not that the purposes produce the scope and the scale, because, as we try to argue, they do come out of particular political and historical contexts. I should say there is a very obvious point that there were public purposes before there were public purposes. The formalised document of 2004 and then in the charter does not mean that, historically, there were no public purposes around before. We have formalised them and they will shape what is possible, and they will certainly shape what is not possible. So if a service licence is shredded, if the trust decides that a new service is not possible, of course that may well have impact on global reach, but I do not think there is a mechanical relationship between the two and not even the most fantastic algorithm would be able to give you the short answer.

Coming back to what Damian said about many of these assessments being subjective, they certainly are, but if you read some of the documents, such as the research that is commissioned by the trust, you would not think that they are just subjective because they are wrapped up in all sorts of things. There is a lot of econometrics at the heart of some of these things, trying to link the success or not of particular public purposes to people's willingness to pay a licence fee, and therefore there is a financial relationship that is theorised. That does not mean that I do not agree with you. They are very subjective, but not everyone may understand them to be like that.

Q15 Lord Hart of Chilton: Dr Tambini, you have carried out this 56-country comparator study looking at problems with public service broadcasting. Can I just for the record read you something that you said: “Most public service and state media organisations have experienced a decline in revenue and audience and a tendency to weaken the programme remit, but the overall direction of change is not one of uniform, marked or irreversible decline. Although successful models of public service for the digital age have emerged, recent evidence suggests that neither the weakening of state broadcasters nor their reform into independent public service media are inevitable results of digitisation”. The first thing I would like to ask you is whether you would elaborate on that paragraph, give a little more detail and explain how the BBC fits into the pattern that you have identified. Then, if there are international public service broadcasting examples that you have come across in your work, which would be useful comparisons for the Committee in terms of performance measurement, could we hear what you have to say about that?

Dr Tambini: Thank you. I have to say that as an academic it is always very difficult to talk about your research in a succinct way, but I will try to cut to the chase.

Audiences for public service broadcasting are going down everywhere. In some cases it is quite precipitous and tipping points are reached where the political sustainability of public funding is ended, effectively. It is very difficult to compare these things with robustness, because the data are very different in different markets, but the BBC has in many ways maintained its share. In particular, where television audiences are slowly declining, the BBC is compensating successfully with its new innovative services, particularly in news, for example. So the BBC seems to be managing the transition more or less well in comparison with other countries.

I am just reflecting on the research rather than trying to present the results of a 56-country study. I was struck by the extent to which, looking at these different policy environments, there is a lack of public debate and public responsibility-taking for the long-term development of media systems. We have been blessed in this country with the benefits of a mixed system of broadcasting. We have different forms of accountability: accountability through the market, accountability indirectly to Parliament and through licensing with Ofcom, and through the trust. If we look at the overall media system, that mixed system is in the public interest, broadly. That is where I am coming from.

I am struck by the difficulty and inability in all these different markets of articulating those long-term objectives. There is a big question in relation to the future of public service broadcasting that is prior to funding settlements, remits and so on, which is whether public service intervention is just for broadcasting or something that we expect to continue into the long-term future. That is to say, are we transitioning to public service media? I think that is a question that we are not finding any forum to discuss. Ofcom is doing a public service broadcasting review. It has a duty to do that and to have a view to maintain and strengthen public service media. The licence fee settlement has been made in a very rapid and shocking way, but in that sense the UK is no different from any other country in that it is not having a long-term debate about where the system is going. That was my reflection, having done the research.

On your second question about looking around the world, we are where we are with a relatively healthy BBC Online offer and successful innovation in iPlayer, partly through neglect. Through the 1990s, BBC Online was able to grow very rapidly because it was not

subject to any of the new services' frameworks, because it was not a channel, as I described before. As I have already mentioned, in many other countries that was not the case. In terms of public purposes, remits and performance review, I am sorry to report that there is no silver bullet. There are a number of different ways of defining remits, and what the trust has done to articulate the six purposes reflects well if we compare it to other public service broadcasters around the world. It is not going to be possible to come up with a set of criteria that are measurable and that deliver a quantitative answer that can then be used to reach uncontroversial decisions about continuing or starting new BBC services.

Lord Hart of Chilton: What are the common denominators in all the 56 countries that you have looked at, and what are the ones that are so widely across the spectrum?

Dr Tambini: I said at the beginning that I wanted to resist the urge to present the 56 countries. The remit of the research took in China, the Netherlands, Turkey. We were interested in pressures for change in the continuum, and it is a continuum, between state-controlled and public service media. One of the things—and the quote you kindly read out touches on this—that we were surprised by, or I was surprised by, is the fact that the age of digital abundance does not seem to bring with it an automatic or necessary shift towards more independent broadcasters, and I think we have seen that this week. Broadcaster independence is incredibly important, and we should do everything that we can to protect it. Maybe we will come on to this when we talk about the licence fee, but I am worried about that right now.

Lord Hart of Chilton: Is the decline to be seen more noticeably in state-organised broadcasting?

Dr Tambini: No, quite clearly not. That was one of the interesting findings.

Lord Hart of Chilton: That is interesting.

Professor Freedman: Could I just very quickly add to Damian's picture about challenging the notion there would just be irreversible decline by bringing it home? It is very useful to reflect on what has happened in the last 10 years because we all—maybe not you but many of us—predicted that there would be some kind of irreversible decline, yet every time I look at the figures I have to pinch myself to see that they are true. In terms of the UK, do you think that the share across all the public service channels has declined or increased in the last 10 years? Logic will tell you that it has decreased; it has increased. The share of the pay TV has decreased. It is something like 75% if you include all the portfolio channels. So public service across all its iterations is in very rude health. What is important—and this is certainly the European picture—is that the money, the cash, attached to this is not flowing in the same direction. There are European Broadcasting Union figures that are very interesting, which show that across something like 28 EBU members there is roughly an 8% decline in the money going towards public service broadcasters and exactly the same increase going towards the commercial broadcasters. There is no irreversible decline in public service consumption, but there does seem to be quite a significant redistribution of the money attached to broadcasting going from the public to the private, and that to me is a big policy puzzle.

Q16 Baroness Benjamin: It is widely known and accepted that the new services and platforms such as BBC iPlayer, Netflix and NOW TV are giving audiences a much greater choice of what they watch, when they watch it and how they watch it. Interestingly from

what you were just saying, Ofcom's latest public service broadcasting review shows that overall viewing of PSB channels has fallen, particularly among younger viewers. With all that in mind, what do you believe is the impact of new technology and viewing habits on the BBC, and how can the six public purposes work to safeguard the future position of the BBC?

Dr Tambini: This is why it is very difficult, because it is very volatile and patchy. For example—we have discussed this already—there is a slight decline if you look at audience share figures for the main public service broadcasting television channels. However, radio is holding up very well. If you pull out the figures on news, for example, I think the big story this year with the shift and the rise of online mobile consumption of news is that on that particular platform, which is most used by the younger demographics that are leaving the BBC more rapidly than others, the BBC is doing very well. So it is very patchy. The difficulty is providing certainty for investment by people other than the BBC, including other public service broadcasters, purely commercial organisations that deliver news or other public purposes as well. It is necessary to have some sort of framework that provides certainty for them in the face of the 800-pound gorilla I mentioned earlier, but it is also necessary to enable the BBC to innovate and develop new kinds of services that reflect very different, new ways of consuming content.

So I asked a couple of my students and interns to make suggestions and they asked: why does the BBC not do Spotify? Why does the BBC not do something like Netflix? That was their response, and these are the people in the younger demographics that the BBC is failing to reach. You had a brief discussion in the last panel about the old adage and the old question: is it a cohort effect? When these younger people get older, have kids, do they collapse on the sofa with the rest of us and watch telly? The jury is still out on that one, and in any case the question is becoming less important. With smart TVs, they are on the sofa watching Netflix, watching these new kinds of on-demand services.

I would argue that if we believe in having a mixed system and we believe in public service and the form of non-market accountability that comes with it, we need somehow to find a way of permitting the BBC to innovate and think of new big ideas. I have to say it is for Parliament and Government to create that space, and I am a little worried that it is simply not happening.

Baroness Benjamin: When they took children's programmes off the main channels and put them online, a lot of adults complained. Do you think it is because young people are wanting to view things differently? The BBC said, "We are putting it on different platforms, because that is how children are now viewing programmes". Do you think it is the adults who do not understand and the children want to view things differently through the new technology?

Dr Tambini: It is true that children view more on-demand. In the current review that the trust is doing, which includes the BBC3 services and the question about whether they should come off the digital terrestrial frequencies, I think they accept that audiences will decline if it is online only, but there is a cost-benefit analysis for the BBC to do around to what extent the public value they can deliver using digital terrestrial frequencies, using those slots, with other services—I think they are promoting a BBC One +1—whether more people watching the news if they are coming to it late is worth the public value that is lost by not having a channel for younger people. I do think there is an issue for the BBC, which may not be within the remit of this discussion: forgetting about those younger demographics. They are difficult

to reach, but they are the future licence-fee or household taxpayers and future citizens, so the BBC should be investing in them.

Professor Freedman: Can I come in on the second part of the question, if I have time? Just to clarify that the core free-to-air channels may have had a decline but the increase has been with the portfolio channels, so it is still remarkably high. We speak as if young people—the 16 to 24s—are lost to television. They still, according to Ofcom, spend two and a half hours a day watching television, from memory. While they are watching television in whatever format, through whatever device it is, they are not lost to television-like content in any way.

But in terms of what the public purposes could do to deal with this question, this is probably jumping ahead but it is relevant now, I hope. I think I disagree with Claire from the last session about the sixth public purpose. That is the one about technology, which has been so controversial because it has saddled the BBC with paying for other developments. I would like to see that rewritten so that it becomes absolutely enshrined, not as the BBC having to pay to finance broadband but that the benefits of any emerging and new technologies—all the ones that we have not yet thought of, that the people who are eight years old now have not even dreamt about—will be made available with public service principles, that they should be universal, accessible, fair and so on. I think that is absolutely essential. I know why she said, “Get rid of the sixth”, because it has saddled the BBC with enormous debt, but I think there is another way of dealing with that. That would help to answer your question about young people.

Q17 Earl of Arran: We have touched on this particular subject already, but you are probably aware that at the CMS inquiry David Elstein said that, “As the purposes stood they were too wide and could catch most programme types and were not useful in focusing the BBC on core PSB activity”. What do you feel are the pros and cons of using a purpose system to measure performance? We have already touched on this. Secondly, do you think the purposes as they are currently written are too vague? Could they be tightened up?

Dr Tambini: I think we need to unpack this a little in terms of the way the purposes are used in the context of the trust’s assessment of existing services and decisions about whether new services deliver public value in a way that justifies their market impact. The purposes, as Des and others have mentioned, work very well as a mission statement. They encapsulate things. Elstein’s point is that they do not work in terms of bright-line regulation that can be used to justify cutting this service or funding that service with a degree of robustness and certainty.

I hate to disappoint David, but the objective of having such a system is simply not possible. As I mentioned before, it requires us to make qualitative judgments about very complex things, and the Trust does that by dividing up the performance of any service into reach, quality, impact and value for money. As Steve mentioned, it is all very well having a service that delivers lots of education, promotes citizenship and brings the UK to the world and the world to the UK and all the rest of, but if nobody watches it, it is not delivering public value. So the trust brings together a number of different forms of evidence.

I say I think that we need to unpack it because there have been a number of discussions and recommendations. The chair of the Trust herself has said that the structure of the trust should be reformed, and I agree that it should be reformed. One of the ways in which it may be productive to do this is that the aspects of the assessment of the service that are less

qualitative, more based on data about audience and impact but also value for money, could be taken by another body external to the BBC. On the more qualitative aspects, where you are only ever going to get the judgment of a ranking—the trust currently says high, medium or low public value for a given service—those kinds of decisions, and I do not have a set view on this, may be taken more appropriately by a body that, like the trust, is external but closer to the BBC. The current way of thinking about reforming BBC governance, where you take it away from the trust and put it in Ofcom or you have an “OfBeeb” is, I think, simplistic.

Professor Freedman: There has been academic research, across Europe in particular, looking at attempts to have slightly more restrictive criteria for the remit or for the public purposes. Academic research showed that this would in no way help the ecology of any of those countries. For me, the question is to a certain extent less to do with the nature of the public purposes and more to do with what we do with the very interesting results that are gathered from the research. Of course, I imagine that you will spend many months thinking through what the ideal public purposes are, but let us say that these ones just carried on. The key question then is: what do we do about the conclusions? There are two conclusions, which I never read about, from the most recent remit report—is that the right phrase?—which is where they identified the two biggest performance gaps, as they are called: the gap between audience satisfaction and importance. If something is completely unimportant to them, they are not as bothered, understandably, but there are two substantial areas. One is independent journalism, where there is a 13% gap. In other words, they are falling short of what the perceived importance is by 13%.

The incredible one for me is a 30% performance gap in its statutory obligation to represent minority communities. What is it planning to do to address this? There are certain things that are going on, and you will be familiar with Lenny Henry’s campaign that deals with one aspect of that. For me, that is how we start to work with the data that we have. The biggest gaps are with minority ethnic communities and working class communities, who are pretty essential for the future of the licence fee. If you start to not deal with these people, having said that there is a problem, you are storing up future problems.

Earl of Arran: It does strike me that there are so many varying opinions on what the PSB should set out to achieve, you will never get universal agreement. We will just go on waffling about it for a long time, and here we are with a reasonable set of values. There may be a huge wish to change them, but if you put it out to too many other people to have their say, you get even more confusion. That is just a passing comment. There is an awful lot of disagreement that you will never resolve.

Professor Freedman: You have six months of the Committee, one purpose of which is to look at public purposes. You are going to get hundreds of suggestions.

Earl of Arran: I know. Too many.

Professor Freedman: It may be that you will come back to day one and think, “These pretty much work”. I am sure we have a couple of other suggestions, but in a way you will never realise the perfect set of—

Earl of Arran: I agree.

The Chairman: Let us move on from the public purposes and briefly have a look at some of the licence issues.

Q18 Baroness Bonham-Carter of Yarnbury: I want to start not by quoting from one of you but by quoting from the CMS Committee report, chaired of course by our now Secretary of State of the DCMS: “We believe that the current means of setting the licence fee is unsatisfactory. The 2010 settlement demonstrated that the BBC’s independence can be compromised by negotiations with the government of the day that lack transparency and public consultation. No future licence fee negotiations must be conducted in the way of the 2010 settlement: the process must be open and transparent, licence fee payers must be consulted and Parliament should have an opportunity to debate the level of funding being set”. Do you both feel that this is what happened just the other day? What alternative mechanisms exist for setting the fee? Are there any useful international comparisons?

Dr Tambini: I am really shocked and saddened by what happened with the licence fee settlement. I spend a lot of time speaking in international conferences, advising international organisations about how to do broadcasting regulation, among other things. This is not what you want to be talking about. This was absolutely wrong in terms of the most fundamental things that I thought we knew how to do very well in this country: how to run broadcasting regulation while respecting broadcaster independence. It is not rocket science. The perception of a lack of independence is almost as undermining of trust in the overall system as any real leaning on of broadcasters, which in any case at least you and I, mere citizens, would be unlikely to find out about. There are lots of better ways of doing this.

I agree to a certain extent with your other witness, Steve Hewlett, who suggested that ultimately the decision may be a private one, but it is the transparency of the evidence base that means that we can have some kind of robust debate about the necessary level of funding for the BBC so that licence fee payers are represented and we have some kind of link between the discussion about what the BBC is for and what we pay it to do. On the other hand, it is wrong because of this question of independence. I think Steve Hewlett was absolutely right that there are real dangers here that you have a shift in the culture—a bit more pulling of punches in the BBC. Given that the BBC is the most important news source by an enormous margin in this country and is relied on by all citizens, that is a huge problem. It was a huge mistake, and if I dare make a humble suggestion I agree with Des that it is great that this Committee has taken this on at this time, because it is really important to say something about it.

Baroness Bonham-Carter of Yarnbury: Would you also agree with Steve Hewlett that the Burns committee model was a good one, and that it brought the public in sufficiently?

Dr Tambini: Yes. You could make that argument, and I have been trying to think what the Secretary of State was thinking. It may be that you worry about pressure being brought to bear, having a long, drawn-out, wasteful period of debate, which is why—and in the case of the Burns committee it was certainly the case—that should involve widening a discussion about what the BBC is for and where we are going.

If you look back at the history, and Des knows this better than I do, of development and big decisions about the broadcasting system in this country—licensing ITV, setting up BBC2, setting up Channel 4—they were preceded by open, quite extensive commissions of inquiry that were much criticised for being pale, male and stale and paternalistic, but why have we forgotten how to do this? Why do we not have that process of opening up a debate? Why is it all rushed? What am I to advise people in other countries, emerging democracies, about the best way of doing these things if we do it so badly here?

Professor Freedman: I agree with the John Whittingdale of February 2015 and fundamentally disagree with the John Whittingdale of yesterday. Damian says there is a tradition of quite open debate around public inquiries. For some of the major issues that is true, but probably not as much with the licence fee. At one level, this is nothing new. It is curious. I was thinking about this and that it was exactly 50 years ago when Harold Wilson met his Kitchen Cabinet and had very private discussions about the licence fee at another time of austerity. It is amazing how similar some of the obligations placed on the BBC were back then. If you want to get a £1 increase, they were talking about taking advertising, and elements of the Cabinet agreed. They were talking about cutting licence-fee evasion. They thought about accepting direct funding. They discussed increased viewing hours, back in the days when it was not 24 hours. Fifty years ago to now, I cannot think of a particularly wonderful model that we can point to in this country for that particular arrangement that is consistent. There have been much better charter processes and licence fee discussions than others.

I laughed to myself when Claire said that public service broadcasting in the polarised southern European countries is a political football. What have those people in the polarised southern European countries been thinking about for the last 24 hours, if this is not a political football? I think it is good timing because you can consider a range of options so that this becomes a genuine discussion, and you can start to think of things that may have been expressed by a minority of the public. You start to put some more options on the table, because, frankly, I do not think it is working at the moment.

I do not understand why there is still a *television* licence fee. The BBC was locked in discussions in the late 1990s on very difficult issues around who was going to pay for digital developments, and the BBC did a fantastic job of bringing these technologies on. It is not as if alternative platforms for media consumption have just suddenly sprung up. Why is there still a *television* licence fee? It should be a matter of urgency. It should have been for the last charter review, let alone this one, and now it will be 2020, to talk about the kinds of things that they are doing in Norway, where it is a multimedia fee, or at least in Germany, where it is a household fee collecting. To me, this is very basic. If you can do anything to put these options on the table, although there are other things as well—

I will say it, just because I hear it said so rarely and it is slammed down so quickly: just consider this possibility. It is not exactly direct funding. What the BBC needs is licence fee increases tied to an RPI or a CPI. Why could that not be done as a fixed proportion of total government spending? At the moment it is something like 0.5% or 0.6%. You have a public debate about what it should be; it is fixed for five years; it cannot be changed; you design legislation so that it cannot be changed by any single Administration, so that gives the security to the public service broadcasters; it cannot be tampered with. The main objection to that is it is still too political. It compromises independence. My question now is: where is the general independence when we have had the last 48 hours? Now is the time to truly consider some new options. Subscription has been around for a very long time, but it has been comprehensively dismissed in terms of what will happen to the BBC. There are other things beyond subscription and advertising that we could consider.

Q19 Baroness Scotland of Asthal: Can I just take you on from that? You said “other things ... that we could consider”. Apart from the public consultation that we have been talking about, is there another way in which we could make the process more independent, more open to

scrutiny, less political? You have emphasised the whole issue about people thinking this is politicisation. How do we do that? What about third-party scrutiny of the process?

Dr Tambini: You also asked for international comparisons, and there are ways of setting a licence fee that bring in more transparency of the evidence base and independence of the decision-making. I would suggest you have a look at the German system. As you know, they have moved to a household tax recently and the previous system for setting the licence fee has simply been continued. They have KEF—I am not going to try to pronounce it—which is an independent commission that has the role of helping set the overall level of the licence fee. It does not actually set the licence fee. Technically, it is a recommendation to government, but that recommendation and the evidence base is transparent. This body is not making the qualitative judgments around public purposes, but it is making the quantitative judgments around efficiency, costs and reach, for example.

The KEF is established in law in the interstate broadcasting treaty. It is a member of each of the German Länder, it is a decentralised body, and it goes through an independent process. Following a Constitutional Court decision a few years back, I think, the Government have to give clear reasons if they do not accept the recommendation of the KEF on the overall licence fee. This is a more technical, independent process, which looks at efficiency and the less qualitative and less subjective indicators in order to come up with a suggestion of the licence fee.

Baroness Scotland of Asthal: Would that be all third-party scrutiny?

Dr Tambini: It goes through a process of consultation. One of the problems that we have is that without some kind of consultation and some kind of link between what the BBC is doing and should do in the next five to 10-year period, it is difficult to see how we can come to an agreement that has legitimacy with the public about what the overall level should be.

Baroness Benjamin: A very quick question. We talked about public consultation and the public being involved in working out what the licence fee should be and how it should be got to. Do you think that the public are educated enough about the purpose of the licence fee and how it is used? Many young people especially say, “I do not watch the BBC. Why should I pay my licence fee?”

Professor Freedman: I think they are more than capable of doing it if it is presented in a way that would engage them. First of all, most people have some connection with the BBC, no matter what age they are, whether it is CBeebies, 1Xtra or something else. Again, I just make the point that it is not that young people have been lost to the BBC; they have very different consumption patterns, and may be more volatile, but it is not as if they have a biological aversion to the corporation. What is happening is they are not being asked the questions in the right way. In fact, no one has been asked the questions over the last 48 hours. Damian’s point about the legitimacy is crucial because this is a tax, and people are in general prepared to pay taxes if it is for the health service, for example, and if they feel that there is a potential need or some benefit to them. If, however, it is just put to you, “How big do you want your tax to be?”, that is a tough question. That is why you get such utterly different opinion poll results about the licence fee. The BBC shows you definitive polls that show support and its commercial rivals show you different ones. Who knows? It is the way they ask the question.

You have to start thinking about taking a gamble. There is an old tradition that still takes place now of town hall meetings in the US, where they have had enormous town hall meetings, where Federal Communications Commissioners go when they cannot help but be forced to go to these events. The ones they have had recently, on the more technical question of net neutrality, have been enormous. They have had extremely large ones, which are then televised. You can prepare for them in the community. It is just one way of starting to engage people and say, “This is a public service broadcaster. It is representing you” — although judging by some of the statistics, some of the groups feel underrepresented—“so you should be part of that decision-making”. To me, that should be a basic democratic right. That would restore the legitimacy. It should be the public who have some say, somewhere along the line, in deciding on the structures if not on the actual cost. Of course, that can be backed up. Those can be recommendations that go to the independent organisation in Germany that Damian was talking about. The world can live with us two academics being a bit alienated by the last 48 hours. What it cannot do is live with people who feel that decisions are being made without their input and that their concerns not being addressed. I think that is very dangerous for the BBC in particular.

The Chairman: We have gone well over time. That is partly the poor chairmanship, but it is also because we have been riveted by all that you have had to share with us. Thank you both very much indeed. It has been a very topical time to come and share your thoughts. Thank you for being with us today.