



HOUSE OF LORDS

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The Select Committee on Communications

Inquiry on

BBC CHARTER RENEWAL: PUBLIC PURPOSES AND LICENCE FEE

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Questions 55 - 73

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3.45 pm

Witnesses: Professor Steven Barnett

Mr David Elstein and Mr Luke Johnson

USE OF THE TRANSCRIPT

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Members present

Lord Best (Chairman)
 Baroness Benjamin
 Bishop of Chelmsford
 Lord Goodlad
 Lord Hart of Chiltern
 Baroness Healy of Primrose Hill
 Baroness Jay of Paddington
 Baroness Kidron
 Lord Sherbourne of Didsbury

Examination of Witness

Professor Steven Barnett, Professor of Communications, University of Westminster

Q55 The Chairman: Professor Barnett, thank you very much for joining us. We are on the record—we are being streamed for the various cameras—so everything you say is a public statement. You will gather what we are looking at. We started out looking at what the BBC is for, its public purposes, the funding arrangements and whether the process of setting the funding could be improved. We have now supplemented that somewhat by looking at the middle question about scale and scope. This takes us to that debate between universality and market failure, with which I know you are extremely familiar. Would you like to make an opening statement first of all?

Professor Barnett: Thank you for the invitation. I am very pleased to be here. It feels like coming home. I have a three-paragraph opening statement, because I did not want to go on for too long. My apologies for not making a written submission yet, but I hope to before the deadline expires. I know this inquiry is divided into two, and now possibly three, discrete and very important areas of how the BBC operates, but I suggest that it is the second of these questions that requires urgent remedial action. The funding settlements imposed on the BBC by the coalition Government in 2010 and by the current Government two months ago were nothing less than a constitutional outrage, bypassing Parliament, the BBC Trust and licence payers. Six weeks ago I was in Australia, where I had been invited to lecture on the future of the BBC. After a period of relative stability, its ABC had been pummelled by the then Abbott Government, with funding cuts imposed and accusations of left-wing bias. I talked to a senior ABC executive who said to me, “We used to look to the BBC as a model of political independence, with no political interference in its funding arrangements; we can’t do that any more”. We urgently need a wholly independent mechanism for setting the BBC licence fee, which might also investigate other universal options to replace the licence fee such as a household tax. If we are to preserve the BBC’s worldwide reputation for independence from government, indeed if we are to preserve the BBC, the time may have come to place it entirely on a statutory footing. I hope I can expand on that in answer to your questions.

The Chairman: We are going to give you every opportunity to expand on that.

Q56 Lord Sherbourne of Didsbury: Can I begin by asking you about the six public purposes of the BBC? I keep looking at these every time we have a session, and the more I look at them the more sceptical I become about them, because it seems to me that if you were to look at any effective broadcaster or national newspaper, in varying degrees it might almost say that it achieves some of these objectives. Has this become a bit of a shield for the BBC rather than a great motivator? In your view, do they serve any purpose at all?

Professor Barnett: I think they do serve a purpose. I entirely take your point that they are fairly abstract and high level. I am not absolutely convinced that if you measured every other media outlet against those purposes they would succeed—or perhaps they would in very varying degrees. They establish a sort of—I hate the phrase, but mission statement, which more importantly can then be filtered down into more detail. Although they are very broad and general, at the next level down the public purposes are expanded by the Agreement with the BBC. They do not just sit on their own. The Agreement itself goes into more detail, and then the BBC Trust takes the Charter and the Agreement and goes into more detail still by elaborating what those purposes ought to mean for the BBC—to what it should be aspiring and how its ambitions should be articulated in accordance with those purposes. At the final, most detailed, level it helps to inform the service licences—I think there are 27 of them now—for each of the BBC services. That did not exist before 2006. It was put in place partly to assuage the perfectly legitimate objections of commercial competitors who felt that the BBC was expanding without any kind of accountability or transparency. In that sense, I think it does a very valuable, albeit at the highest level fairly abstract, job.

Lord Sherbourne of Didsbury: If you could be as precise as possible in this answer it would be very helpful to the Committee. Are the current purposes relevant to today's world and, if not, where would you like them changed?

Professor Barnett: I can see how purpose number six could be changed. Clearly digital switchover has happened, so that particular detail is not relevant.

Lord Sherbourne of Didsbury: Elsewhere? The other five?

Professor Barnett: I see no reason for changing the other five at all. Despite the fact we have moved on 10 years, there are no dramatic changes in the media environment to suggest that they have outlived their time. I can think of a couple more that I would be tempted to put in.

Lord Sherbourne of Didsbury: And they would be—?

Professor Barnett: One on training. There is an argument that the BBC should have a specific purpose related to developing creative talent, although it is terribly important that the commercial sector bears its weight as well. That is probably the most important, particularly in light of the casualisation within the industry. I heard Sir Peter Bazalgette talking about that and he was very eloquent, and he is absolutely right. I have students who come out of for example a television production course, and I know that those who have come from wealthier backgrounds are more likely to be subsidised in an internship of six months or a year working for nothing. They are the ones who tend to get into the industry. That bothers me, but the BBC does that anyway. Whether it needs to be an explicit purpose I am not sure.

Q57 Baroness Kidron: Can I ask about the benefits and drawbacks of the purpose system when we are considering how we measure the BBC? Is this the right way to measure the

BBC? Can it be measured? Are we measuring it against the right set of things, because that is the offer that the purposes seem to give?

Professor Barnett: I am not sure that they are necessarily there only to allow for some kind of measurement. They are there as a means of accountability. That is how I would see them. At the next level down, or at the third or fourth level down, once you get to service licences, which are derived from the public purposes as I said, there are ways you can measure. There are obvious things such as investment. Each of the service licences quite rightly has a target or an ambition for investment in original UK content, which is absolutely critical to what the BBC should be doing. Measurement is part of the answer, but ultimately these are deliberately abstract ambitions. We have to live with the fact, despite the fact that we love measuring everything, that in the end certain subjective judgments have to be made as a society, just as they are in the NHS for example, or in our schools. I worry in all those areas that there is a risk of us measuring ourselves to death.

Baroness Kidron: You have already said what you would like to see additionally on training. How do you feel about the things that the BBC is asked to do that are outside its purposes, perhaps digital rollout or the recent decision on households over 75?

Professor Barnett: I think that was outrageous. I felt that we were coming on to that on the question of funding—

Baroness Kidron: I am asking very specifically whether you think that the public purposes should be the edge of what the BBC does and that it is being asked to do things beyond that. That is the purpose of my question.

Professor Barnett: The funding of the over-75s is basically a welfare policy. Whether you can put into the public purposes a negative: “The BBC shall not be asked to take on other areas of government policy that have nothing to do with media”—

Baroness Kidron: Perhaps I can ask the question the other way round. Does it fit into any of the public purposes of the BBC?

Professor Barnett: Absolutely none. One thing that does worry me, and I am thinking now about the sixth public purpose, which I know is the one that has some ambiguity around it, is that we ignore the issue of universality at our peril. We used to take it for granted in the analogue age. As we move towards digital, as subscription and interactivity become the norm, I think we lose one of the most fundamental principles of the BBC, which is that it is available to everyone at the push of a button or at the click of a computer mouse. It seems to me that that might fit quite nicely into the sixth public purpose, because it is about digital and about moving forward. I see nothing wrong in the BBC having a purpose that embraces both making sure that it is available to the whole population, to the whole of the British public, and at the same time allowing it the space that it has always had to be leading edge of new technologies.

Baroness Jay of Paddington: You have mentioned the issue of universality and its relevance to the previous analogue age, as it were. Do you think it is legitimate to somehow set up a tension between the concept of universality and the failure of the market, which seems to be being done very widely in public discussion about the BBC? How do you see those two relating, if at all?

Professor Barnett: There are two different definitions of universality. I think that what you are talking about essentially is universality of approach, of content.

Baroness Jay of Paddington: I am talking about universality as you defined it.

Professor Barnett: They are two different issues, and I think the BBC needs to do both. Universality in terms of being available to the whole population is not necessarily a content issue. It should be free at the point of use to anyone who has paid the licence fee.

Baroness Jay of Paddington: That is how we have always understood it in relation to the BBC. As I understood from what you said in answer to the previous question, there is no reason why we should not continue to apply that in a different technical age?

Professor Barnett: Absolutely. All I am asking is whether it needs to be made explicit, because there are those who argue that the BBC would be better off as a subscription service, or perhaps part of it should be turned into a subscription service, so you have would have a kind of two-tier BBC. If there could be an explicit expression from Parliament that it is for everyone at every level, I think that would be quite helpful.

There is a second part of the universality argument that is in direct opposition to the market gap argument, which is that the BBC should not just be there to fill in the gaps that the market does not provide. I always find it very difficult to think of anything that the market does not provide if that is the way you want to go.

Bishop of Chelmsford: What is wrong with a two-tier BBC?

Professor Barnett: There are people who cannot afford to pay subscriptions. There are people who do not want to pay subscriptions.

Bishop of Chelmsford: But we have a two-tier dental service, a two-tier health service; we have a two-tier everything.

Professor Barnett: We have a health service that is private for those who want to pay, but there is essentially a health service that is free at the point of use for the whole population.

Baroness Kidron: There are broadcast subscriptions for those who want to pay.

Bishop of Chelmsford: I am asking him, not you.

Professor Barnett: I think that is the answer. There are subscription services available. There is no problem for those who want to supplement what they watch and what they have access to, and there are more and more of them. To make the BBC part subscription is frankly to undermine its whole *raison d'être*.

Q58 Lord Hart of Chilton: The DCMS has produced a charter review public consultation. A goodly chunk deals with the scale and scope of the BBC and the range of services and the impact on the market. Do you think that the current scale and scope is appropriate? Are there areas of the BBC's work that you would chuck overboard? Conversely, are there areas where you think the BBC should take more things on board?

Professor Barnett: I am very sad that BBC3 is going online. I think that is a huge backwards step. If I were the king, the director-general or the Chancellor, I would say, "Tell me how much you need to ensure that that stays as a free-to-air television service and you can have the money to do it". A core part of the BBC's offer should be to young people. The work that BBC3 does in reaching young people and with high-quality original programming is terrific. I would very much urge members of the Committee to watch some of it before it disappears, which it is about to do. That, for me, is a harbinger of things to come. The BBC cannot but cut services with the kinds of funding cuts that have been imposed on it.

So the short answer to your question is that in a very short space of time the BBC will be doing less than it ought to be doing, and I think it ought to be doing more.

Lord Hart of Chilton: Right. So there is one specific thing that you draw attention to, which is BBC3, and you say, “Do not get rid of that”. Is there anything else?

Professor Barnett: I worry about the way in which its journalism is being cut back. I cannot remember how many redundancies we are up to now, but these are not middle managers or executives on large salaries. I do not know if you are taking evidence from the NUJ, but I am sure Michelle Stanistreet will have the figures. There are serious numbers of working front-line journalists who no longer have jobs and there are bureaux that have closed down that used to do very good jobs. So I worry particularly about the fifth public purpose and the extent to which the BBC can properly fulfil its journalistic function and its unique reputational function if its journalism is continually being cut back. Those are the two areas of the BBC—the offer to young people and journalism—that I worry are being cut back too much.

Lord Hart of Chilton: You are an anti-cutter, but are there other things that you might see jettisoned?

Professor Barnett: I cannot see anything at all. I know there is a debate about the extent to which the BBC should be involved in entertainment programming. I do not think that should even be a debate. Either we believe that we should have a universal public service broadcaster that provides entertainment as well as information and education, or we do not. I sincerely hope that this Committee in its conclusions will positively endorse the BBC’s role, indeed its duty, to entertain as well as inform and educate.

Lord Hart of Chilton: So “The Voice” and “Strictly Come Dancing” are not on your list of things other than to approve and endorse them?

Professor Barnett: Big ticks, and I do not watch either of them. Let me say something about “The Voice”, because I know a lot of people like to comment on these editorial issues, although I try to avoid it. When it first started and it was up against “The X Factor”, I wrote a piece at the time, which I have tried to find but I cannot, saying that the interesting thing about “The Voice” is that there are clearly values inscribed within it that are about embracing good music but not trying to humiliate people. One of the things you will find about “The X Factor”, “Big Brother” or a lot of these balloon programmes where you are throwing people out every week, is that part of the offer is some kind of ritual humiliation: let us make fun of these people. I do not see that in “The Voice”, which seems to me to be a perfectly proper part of the BBC’s institutional value. You cannot write that as a public purpose, but there are parts of the BBC’s values that you can see inscribed in some of those programmes. I would say the same about “Eastenders” and other kind of entertainment programming that you get on the BBC.

Lord Hart of Chilton: I think that is quite clear.

Baroness Jay of Paddington: I asked the question in the wrong order, because it seemed to come out of the conversation, but I am still interested in this whole concept of market failure. Why do you think that is so current? What is its relevance as a concept?

Professor Barnett: It goes back to the Peacock committee in the 1980s. Essentially it comes out of an ideology, and I do not use that in a derogatory way. There is a certain ideology that we should absolutely minimise any kind of public intervention across the board, whether it is

health, media, education or whatever, because the market is the most efficient and the best way of distributing resources. That is a particular view of the world. I do not hold it. I do not think most people in this country hold it. If we held it in 1922 we would not have the BBC, or rather 1927 because in 1922 it was a private company. I think that is where it comes from. Certainly across Europe, less so in America, there is much more of a consensus that markets often fail and that not only do you need public intervention but that accountable and transparent public intervention, up to a point, is a thoroughly good thing.

Lord Hart of Chilton: Yet in this country it would appear that the BBC is a stimulant to the market.

Professor Barnett: You are absolutely right and I should have made that point. The BBC commissioned some work that demonstrated that every £1 of licence fee revenue creates £3 of output or wealth in the creative sector. There is a very interesting point in the BBC's document. Is that the BBC's proposals?

Lord Hart of Chilton: This is the Government's consultation document.

Professor Barnett: In the BBC's proposals, which followed Tony Hall's announcement a couple of weeks ago, there is a fascinating passage on page 47 in which it talks about the way in which disinvestment in the BBC has been followed by a reduction in investment in original UK content. As night follows day, if you reduce the licence fee, you will reduce UK content. However much the non-PSBs—the Skys, the BTs and the Netfixes—say they are going to invest in original first-run UK content, they do not come near to matching the BBC's. It is a terribly important point that there is an economic rationale, a market rationale, for this intervention and not just a social or cultural rationale.

Q59 The Chairman: How do you respond to the argument that the BBC crowds out the other players: that the BBC does 67% of all news and this leaves very little room for the competitive market to take off; that it is crowded out by the fact there is this large supplier?

Professor Barnett: The news figure is interesting. My understanding is that the BBC supplies something like 20% to 25% of the totality of the news. In terms of consumption, the figure is something like two-thirds, or maybe a bit less. That is audience choice; people are choosing to go to the BBC. The question we have to ask ourselves as a democracy is whether we want to penalise the BBC and take the side of the commercial competitors, simply because in a competitive market people are choosing to go to a source that they trust and that they find credible, reliable and accurate rather than others with which they feel less comfortable. I completely understand the crowding-out argument. I think a lot of it is exaggerated, particularly amongst the local newspapers, which seem to cry foul at every opportunity, but I think it is important that we, and Parliament in particular, look at this from a democratic perspective. We have to look at what people want, what kind of news and information they are looking for and how we judge their behaviour rather than looking to penalise the BBC because commercial competitors are unhappy about it. I always make the analogy with Harley Street doctors. I have no doubt that Harley Street doctors are complaining bitterly about the National Health Service crowding out their ability to charge lots of money for their operations and that they would be making more money without it, but that again is the nature of the choice we make as a society.

Q60 Baroness Healy of Primrose Hill: Professor Barnett, just to return to your opening statement, you obviously feel very strongly about what happens with the licence fee

settlement. What assessment have you made of the way the funding settlement for the BBC was reached in July this year? Can you suggest ways in which this process could be altered in the future? You have also talked about alternatives to the licence fee.

Professor Barnett: We had a repeat in July of what happened in September 2010. When this House was debating it in July, I think it was Lord Birt who said that secretly, behind closed doors, a gun was held to the head of BBC and that essentially they had little choice but to accept a settlement that was imposed on them, including in 2010 taking on a number of other areas of expenditure that were nothing to do with the BBC. Rural broadband rollout is one example; immediately folding the World Service expenditure into the BBC is another. There was no consultation about that at all. This time around of course we have talked about taking on the licence fee of the over-75s, which is a welfare policy that should have nothing at all to do with the BBC. That was done without any kind of consultation, without consulting the organisation that is supposed to represent the licence payer, the BBC Trust, without consulting either House of Parliament and without consulting the licence payers themselves. As I said, I can think of no other phrase than “a constitutional outrage”. We now have to do something about it, because what I heard in Australia is being repeated in other countries around the world. The reputational damage to the independence of the BBC is enormous and it can only get worse unless we resolve to do something about it.

Baroness Healy of Primrose Hill: How would you like to see it being set?

Professor Barnett: I have a plan. The plan is exactly the model that has been set up in the light of the Leveson inquiry on press regulation. Following the decision of both Houses of Parliament to set up the royal charter on press regulation, what needed to be established was a completely independent press recognition panel, and it was absolutely crucial that that panel should have no contact whatsoever with government or with Parliament. There should be no political involvement whatever and, as with Caesar’s wife, it should be above suspicion of political involvement, so excluding all politicians. The process was that the Commissioner for Public Appointments was asked to appoint the chair of an appointments panel, the chair of the appointments panel then appointed the rest of the appointments panel, they then collectively appointed a chair of the press recognition panel, and then the chair, along with the appointments committee, appointed the rest of the press recognition panel, according to very clear criteria that excluded anyone involved in politics. It seems to me that that is an entirely appropriate model. It might feel a bit convoluted, and it is, but it sets up an organisation that is then above suspicion and can carry out its work without any interference from government or from politicians and without any kind of political pressure. In this case, it would be an organisation whose job is to set the appropriate level of revenue for the BBC. I say revenue because part of its brief could be to look at other means of raising a universal tax such as a household tax. As long as it was entirely independent and sufficiently resourced and it had a research function so that it could actually look at what resources the BBC needed—what might it need to continue BBC3, for example—it could ask for evidence from licence fee payers, from the BBC Trust and then it could come to a conclusion. That conclusion would have to be binding on government.

Lord Sherbourne of Didsbury: May I ask a very simple question? Whichever body decides this, whether it is the Government or an independent body—you are proposing an independent body, and let us assume that there has been the kind of consultation and transparency you are talking about—at the end of the day somebody has to decide whether

we are going to agree the amount of money, and the BBC has to decide what it does with it, or the body has to decide what the scope is. Who decides what ultimately?

Professor Barnett: I understand the question, and obviously it is very important. The question of the scope and scale of the BBC comes back to the charter and agreement. I am not proposing that anything needs to be done to that at all.

Lord Sherbourne of Didsbury: The Government would decide the scope and scale of the BBC?

Professor Barnett: Parliament would.

Lord Sherbourne of Didsbury: I mean Parliament and government then.

Professor Barnett: I do make that distinction; it is a very important distinction. Parliament was bypassed in those funding discussions. It was government; it was three or four individuals, essentially, down to the Treasury, who dominated those discussions. Had there been a debate in Parliament that had concurred, again in both Houses, I might feel a little less uncomfortable about it. I want to make the distinction between what a Government can do, particularly if they feel they have no constraints whatever, and what Parliament can do as a democratically elected body in the Commons and the check on the Commons in this House.

Lord Sherbourne of Didsbury: So ultimately it would be the vote of Parliament that decided the scale and scope of the BBC?

Professor Barnett: Yes, absolutely, it would decide the Charter and Agreement, but I am proposing something separate: an independent body that would look at that and say, "Okay, what does the BBC need to carry that out?", rather than the Government saying, "Okay, you can carry on doing that but you have to do it on 25% less".

The Chairman: You are critical of the process the last time round, but, irrespective of that, do you understand the position now to be that there is a guaranteed income for the duration for the BBC on the basis of indexing the figure that we already have as a licence fee? Is it your understanding that although there may be heavy regret for the past, the future is now clear?

Professor Barnett: That is not my understanding. It is some time since I read that correspondence—I cannot remember whether it was between the Secretary of State and the director-general or the Chancellor—but I seem to remember a phrase that said something like, "depending on what we decide the scale and scope of the BBC to be in the new charter", so there is a big "but" attached to all these promises of an inflation-linked licence fee. Even now we cannot say that the licence fee is inflation-proofed over the next few years.

Q61 Baroness Benjamin: The BBC claims to have four public value drivers: reach, impact, quality and value, as identified by Professor Richard Collins. Curiously, and some may feel rather shortsightedly, diversity is not among the four public value drivers that the BBC has identified. Do you think that diversity should be added to the public purposes in some way, and how should that be promoted, delivered and perhaps corrected?

Professor Barnett: How old are those? Where does that come from?

Baroness Benjamin: It comes from Professor Richard Collins, who made a statement about the BBC's values.

Professor Barnett: Does that derive from the BBC itself, because it is not one that I recognise as recent?

Baroness Benjamin: According to our records that is what has been said about what the BBC value drivers are. If you look anywhere in statements that the BBC has made, diversity is not among the values.

Professor Barnett: I accept that entirely.

Baroness Benjamin: How, then, should the BBC be promoting diversity and taking it seriously, and how should it be addressing the whole issue of diversity as one of its core values and drivers for the future?

Professor Barnett: The reason I was questioning the four that you came up with is because the question of values is very important but different from purposes. I would say that a driving value of the BBC is, and ought to be, integrity. It is not something that can be measured or that you can apply targets to, but it must be inscribed on every programme maker's and content provider's soul.

I would say the same thing about diversity. At every point in the programme-commissioning process, the programme-making process, the recruitment process, the hierarchical process when managers are appointed, the question of diversity should be thought about the whole time. I am reluctant to move down the road towards some kind of hard measurement process whereby there needs to be 20% BME trainees or 25% on-screen representation, because there is a danger then of moving into things like tokenism. It becomes a target rather than something that is part of what the BBC institutionally should be about.

I think it absolutely needs to be a value. It absolutely needs to be something that the BBC is badgered constantly about and that we should be looking at. Where there are measurement criteria that might be gathered, for example in recruitment, we can look at those and ask how the BBC is doing and whether that is acceptable. Where it is not, we, the trust and Parliament should be telling them that it is not acceptable. But that is different from hard and fast rules and targets.

Baroness Benjamin: At the moment it seems that when you look at the output and the type of programming that are on our screens, diversity does not seem to be addressed.

Professor Barnett: I agree.

Baroness Benjamin: There are certain people who do not seem to feel that this is important to them. You are saying that you do not believe in quotas or tokenism. How else can the BBC promote diversity and to guarantee that their commissioning editors and producers understand fully that one of their public purposes, "representing the UK, its nations, regions and communities", includes diversity as part of that value? At the moment many people at the BBC do not seem to be able to equate diversity with those purposes?

Professor Barnett: I am not sure it is fair to say that they do not seem able to see it. I think it is a problem that is recognised within the BBC, I really do. It is recognised among commissioning editors.

Baroness Benjamin: How can they deliver it then?

Professor Barnett: By being more and more conscious of the fact that they need to make sure that when the programmes are delivered, when they are looking at the nature and the quality of the output, they are satisfied that there is a sufficient amount of diversity and a sufficient number of ethnic faces and programmes being made, but also in recruitment.

Baroness Benjamin: If there is not?

Professor Barnett: Then it is up to the BBC Trust to take them to task. In the end it has to be a matter of judgment. You might disagree with me, but I think the BBC understands there is a problem, I really do. How it goes about addressing it and how we all go about addressing it, partly I am sure, comes back to the training problem.

Bishop of Chelmsford: Could you say a bit more about that? I was about to jump in and say that you mentioned casualisation earlier—I think casualisation was the word you used—which seems to me and to many people to be adversely affecting not just the media and the arts but all sorts of walks of life, where only those who can afford to be an intern are getting access? Access seems to stop at graduation. I am drawn to what you are saying, but I am struggling to see how it could be articulated as a purpose of the BBC.

Professor Barnett: I would not want to see it articulated as a purpose of the BBC. It is already there in the purpose that Baroness Benjamin read out. It needs to be made more explicit, and I think it is made more explicit, when the trust elaborates on those purposes. The heart of the issue goes back to casualisation and those who have the chance, particularly in the television industry. Where do they get their initial experience from? They become runners for the small indies and the big indies. They are there for a few weeks, three months, six months, but the vast majority do not get paid. Those who come from poorer families, which tends to be disproportionately the black and ethnic minorities, will not be the ones who can afford to take on those kinds of internships. Until we address that issue, I think we are going to have more of a problem about addressing the on-screen and the off-screen issues of diversity.

Baroness Benjamin: Is the Henry plan something that you feel the BBC should be adopting, or broadcasters generally?

Professor Barnett: Not really, because we are talking about a target. Then we start getting into the whole measurement issue and how you measure it. Does it then become, “We have to reach that target, but we are not aspiring to do anything better or bolder than that”; it is just that target, and that is it? This is not just a BBC issue. The super-indies have done very well out of the terms of trade in 2003. There are some very big and wealthy independents, and that is great for the creative industries of this country, but are they putting some of that money into training and providing paid internships and paid traineeships for people across different ethnic groups?

Baroness Kidron: Can I just raise a point of information? You are not suggesting the BBC has unpaid internships?

Professor Barnett: Not at all.

Baroness Kidron: My understanding is that the BBC has paid internships; it is the rest of the industry that does not. I think that was unclear in the record.

Professor Barnett: Sorry and thank you for the clarification. Absolutely not: the BBC does not do that. There are a lot of independents. There are a lot of opportunities out there for kids. I see graduates from our courses.

Baroness Kidron: I absolutely recognise what you are saying about the wider industry.

Professor Barnett: Thank you.

Baroness Benjamin: You are saying that hopefully in time people will take up their responsibility as they see fit, but that nothing should be put in place to force them to take up their responsibility?

Professor Barnett: I am not sure how forcing people to recruit certain kinds of people helps. How can you force someone to make a programme with integrity? I do not see that as an answer. You can say that it has to be part of the institutional character and what you are about as an institution; you show us how you are doing it.

The Chairman: We are coming to end of our time. Professor Barnett, is there anything you feel that you have not said to us that you should have done or would like to have done?

Professor Barnett: There is probably loads. I have made the point about having an independent organisation to set the licence fee. Can I just say one more thing about that? The crucial thing about any kind of organisation that might be established is that it should only be there to set the level of revenue that the BBC should be given. It should not—and this is what some people, particularly the BBC's critics and those who do not wish the BBC well, would like to see—be asked to distribute the money to other broadcasters or media organisations that might be making public service content. In other words, this is absolutely not an argument for top-slicing. The licence fee needs to go to the BBC. The BBC needs to be preserved as an institution. I am simply talking about an organisation that sets the revenue, not distributes it to those who are deemed to be deserving.

Q62 The Chairman: One last question about your TV recognition panel, if we could call it that. Are there some metrics—quality, quantity—by which the outcome of this process could determine whether or not the BBC had earned its money and the fee should be X or Y, or is this panel really going to base its conclusion on subjective judgment?

Professor Barnett: It would have to be evidence-based, because it would have to operate transparently. I would hope that the evidence actually came from the BBC itself, so that it demonstrated, "This is the cost of this particular service. This is how we spend that money. This is why we need X plus 5%, and this is what we are going to do with it". That can be argued. I would hope that it would then take evidence from competitors, who might wish to say, "The BBC could do perfectly well on minus 5% for that particular service, not plus 5%". The metrics would be the evidence from the BBC itself, and of course from the BBC Trust.

The Chairman: Thank you very much indeed for all those responses. It is extremely helpful to us. Thank you for joining us.

Professor Barnett: Thank you very much again for the invitation.

Examination of Witnesses

Mr David Elstein, Chairman of openDemocracy and the Broadcasting Policy Group, and **Mr Luke Johnson**, former Chairman of the Royal Society of Arts and Channel 4

Q63 The Chairman: Lord Goodlad will be joining us shortly. Baroness Bonham-Carter sends her apologies; she is tied up in the debate which will affect the future of all of us in the House of Lords that is raging down below. We must forgive them for not being with us. I welcome Luke Johnson and David Elstein. Thank you very much indeed for joining us. Everything you say is going to be transcribed, it is on the record, and we are streaming from those various cameras around the room, so everything is in the public domain.

You have gathered that this inquiry has been looking at two aspects of charter renewal. We have been looking at what the BBC is for, analysing the six public purposes to see if they are fit for purpose, and looking at the process for setting the funding arrangements for the BBC. We have decided—and this is important for the session with you—that we will also embrace scale and scope, and look in particular at the arguments regarding the universality of the BBC's role and the market failure role that it might play and the differences between these two concepts. We are filling the gap between our two other questions and we think that both of you are likely to be extremely helpful in that. Would either of you like to make a statement before we start or go straight into our questions?

Luke Johnson: No statement.

The Chairman: We have your CVs in front of us and we are very pleased to have you with us.

Q64 Lord Sherbourne of Didsbury: Can I begin by picking up the six public purposes? I find myself increasingly muddled by all this. I am not quite sure whether those six public purposes are objectives of the BBC, what it needs to achieve. In addition, the Green Paper talks about potential values of the BBC, which include things like high quality and distinctive. Are those also objectives and in what way might they be different from public purposes? If you were to put all these together as one list of objectives, what else would you want to include to decide the scale and scope of the BBC?

David Elstein: That is a very good question. It is probably worth your while to compare the BBC's supposed purposes with those that Ofcom sets out for public service broadcasting generally, where it has a set of definitions of the purposes and characteristics of public service broadcasting. That broadly splits into the two categories that you have been looking at, which are, what is your starting position and then how would you recognise it if you saw it? My personal point of view, and I perhaps expressed it too bluntly to Ofcom when they came up with this concoction, was that I could not find the purpose of the purposes.

The trouble with having these very broad descriptors is they do not tell you what to do. I asked Ofcom repeatedly to name a single programme broadcast by the BBC that had failed to meet one of the list of characteristics. The fact is even a whole bunch of shows that I used to produce for ITV, which had no purpose other than to entertain the public, would have fitted the purposes and characteristics of public service broadcasting. My feeling is that this is a very second order issue. This is a cosmetic exercise; an ex post facto exercise. It does not tell you how big the BBC should be. It does not tell you how much it should cost. It does not tell you anything important about the BBC.

In fact, I would go back even a stage further, which is in the Green Paper, to the mission statement of the BBC: "inform, educate and entertain". I think the Chairman would know as well as other members of the Committee that in other Commonwealth countries, like

Australia and Canada, they have adapted that to “inform, enlighten and entertain” on the grounds that the educational mission of the BBC has now frayed so far. If you look in the Green Paper at the layout of the BBC broadcast hours, 1% of television hours and 0.1% of radio hours are education, which means that 99% are “inform” and “entertain”.

Education has generally fallen away. Fiona Chesterton has written a chapter in a book coming out this week talking about education, and points out that BBC Learning, once a highly respected brand that she used to run, now no longer exists. If you google it you will find a little notice saying, “This page has been archived” and is no longer functional. The BBC does a lot of educational programming. It has content with lots of information and opportunities to learn, but education is much more formal. When I had to look after the ITV schedule for many years, the IBA held our feet to the fire to fulfil our quota of educational material: schools programming, adult education and less formal education. With every programme we claimed was educational, we had to demonstrate where the written materials were that go with it, how viewers found that material and where it was accessible. That has all gone. I think we should stop pretending that it still happens. The BBC still does very clever things; it does Bitesize. Let us change the mission statement and not get too hung up on the purposes, because I do not think they add a row of beans to anything.

Lord Sherbourne of Didsbury: Do you think that it is possible to produce a list of what the objectives of the BBC should be?

David Elstein: That begs an awful lot of questions, because it starts with the issue of how is it funded. If the BBC were funded by its viewers, the BBC would be what its viewers wanted it to be and you would have a very easy test. Because we fund the BBC indirectly—and this is a huge argument which no doubt we will touch on shortly—you have to ask yourself why you are doing it; what is it that the BBC can and should do which others do not; is that all the BBC should do; how much should the BBC do which other people can do anyway; is the licence fee a good way of organising public purchases of content—in other words, why should we limit it if it is a very efficient way of delivering content?

I am disinclined to say to the BBC, “Do this, do that, do anything”. It is a huge mistake to set in stone what a broadcasting organisation should do other than, as Steve Barnett was saying earlier, approaching everything it does with a sense of consciousness of the audience, integrity towards the material and seriousness even in the funniest comedy. In other words, know what you are doing and why you are doing it, and try to do it to the best of your ability.

One of the things I used to respect about the old ITV way of doing things was that every year, we had our card marked—Ofcom still does it with Channel 4—“These are all the things we expected you to do”. It was largely quantitative, how many hours of this, how many hours of that, but it was also qualitative in that highly expert people that the industry respected and we, the contractors, respected, said, “Sorry, this wasn’t good enough. You’re falling short here. You’ve got another year to go and if you don’t pull your socks up we might re-advertise your franchise”. You cannot re-advertise the BBC franchise. You can have the trust tell the management, “You’re not doing as well as you should do”. You can have service licence reviews to your heart’s content, but in the end the metrics that the BBC understands are either specific things they are required to do, specific things that nobody has yet required them to do—like meet your diversity targets—and what the public tells them they are doing well and doing badly.

For instance, we know from the latest Ofcom report on public service broadcasting that the BBC is not thought to be doing well by the people of Scotland, Wales and Northern Ireland compared with the people of England. It is a broad-brush measure, but it is a really big differential. So the BBC will have to address that and in its latest response to the Green Paper it said, “We’re going to have to do better. We will try and do better”. Let us see if it does better, but I do not think you can set it out in phraseology that is helpful.

Q65 Baroness Kidron: Can I ask about this 1% on education? It seems to be a very narrow view of what education is—learning resources, supporting FE schools programming and so on. What about natural history, music, the adaptations? Was not the “entertain, educate, inform” principle much more in that spirit of a broad education and an entire cultural diet that people can access?

David Elstein: Not originally. It is now. Now, the BBC calls education “educational”. It equates the two. If you ask any OU educationalist whether three programmes on the Huddersfield branch of the NatWest bank was education, it might be educational but it is definitely not education. All I am saying is, that was the original definition of what the BBC—and indeed ITV, and Channel 4 with its schools programmes at one time—was meant to do. You had education specialists. You had education officers at the IBA who would say, “Is this education or is it not?”. You could swear blind that “Wish you were Here...?” was educational but it was not education.

Baroness Jay of Paddington: Can I follow up on what Baroness Kidron has asked? However narrowly you want to define the history, surely it is understood that the BBC educates—I am educated when I watch the news. I do not know that if I adopted the word “illuminate”—you were drawing to our attention to Australia. I would not say it was illuminating.

David Elstein: Enlighten.

Baroness Jay of Paddington: That is even more difficult, I would have thought; even less likely. For example, I worked in further education at the BBC and that was a clearly defined activity. To educate in the broadest sense, which Lady Kidron has rightly identified, remains absolutely true across the whole of the output.

David Elstein: I would not say the whole of the output but a lot of it is educational, I agree. I learn things from all kinds of programmes. I learned from Peter Kosminsky how to shoot a film with just candles and no electric lights at all, and as a professional person I am educated by that. All I am saying is, “inform, educate and entertain” is a 1922 concept. If our friends in Canada and Australia have worked out that there is a difference between “educate” and “educational”, maybe we should catch up with them as well.

Baroness Jay of Paddington: I think we have understood that; I just do not think we need to spell it out. As you replied to Lord Sherbourne that you did not think it was possible to define, as it were, a mission statement in the broadest sense, and you have been pretty dismissive of the public purposes, it is rather difficult to say against what standards anything should be measured.

David Elstein: In that case, why does the BBC report the number of education hours it transmits? What is the point of doing it? It is in the Green Paper: 300 hours of TV and 113 hours of radio. Why are we reporting that if it does not have any meaning?

Baroness Jay of Paddington: It does have meaning—that is the argument—but in a broader sense than you are describing. I have rather jumped the gun on that, I am sorry.

Lord Hart of Chilton: I watch a lot of BBC4 and I find myself educated almost every time. The first three programmes each night, once you have got over Portillo's railway journeys, are educational in the broadest sense and I feel educated having watched them.

David Elstein: Likewise by the world news. You are missing the point, I fear. All I am saying is, the words do not help you very much, neither the mission statement nor the purposes. They do not get you very far. They do not tell you how big the BBC should be, what kind of things it should do, what actual programmes it should make. I regret even responding to the question because I think it is a second order question.

Bishop of Chelmsford: What sort of words would you replace those with?

David Elstein: I would not replace them with anything. I would just say that the BBC should be making programmes, good programmes, in the following areas, and let it get on with what it wants to do. My personal preference is that nobody should tell the BBC what programmes to make. In fact, the BBC should be funded by its own viewers and they would respond to whatever the BBC chose to put out. Nobody tells HBO what programmes to make. Nobody tells ITV what programmes to make. Nobody tells Channel 4 what programmes to make. Why should we tell the BBC what programmes to make? In my view it is an act of supererogation. It gets to the wrong place. After the event you can say, "That wasn't very good".

The Chairman: Can we see whether Luke Johnson has any thoughts on the question of public purposes?

Luke Johnson: To an extent I agree with David. Frankly, the industry has struggled for years with the whole definition of public service broadcasting. It is always reflecting back to phrases from the 1920s or 1930s, which arguably are irrelevant in the 21st century. I am not necessarily against his idea that you strip away a lot of what could be argued is phoney language: desperately trying to protect itself through various remit definitions so that it can tick all the boxes and prove to the stakeholders, politicians, critics and so forth that it has fulfilled its obligations, when they are extraordinarily vague and very difficult to define—this whole thing of, "Well, we know it when we see it. It's public service: of course it is". It is not the most important thing by any means, because there are much bigger questions surrounding the BBC, some of which you are dealing with here.

The Chairman: We are going to move on to some of those, under the scope and scale heading.

Q66 Lord Hart of Chilton: I do not think there is much point in me asking this question, because when we come down to the nitty gritty of how you think having a set of public purposes helps to determine what the scope and scale of the BBC should be, I think you have already given the answer: "Not at all". Then the question was, are there any other systems? Lord Sherbourne asked that and you said, "Well, we didn't think there was any". The third question is, what evidence is there that those, if answered, would deliver a better outcome, and there is no point in that because the first two have been ruled out. I do not quite think I am going to get anywhere with you.

David Elstein: You will get somewhere if you ask the question. Read the reports from Ofcom to Channel 4 on whether it is fulfilling its public service remit. Channel 4 is an interesting example of how you work out what a publicly owned broadcaster should do that calls itself a public service broadcaster. Channel 4 is very open about this. We have revenue of about £600 million to £700 million a year for our main channel. We spend about a quarter of that on non-market, core public service content—Channel 4 News, stuff that could not earn its keep in the open market. The rest of the time we make programmes as interesting and attractive as we can that earn enough money to pay for the programmes that are part of our public service objective. We are a publicly owned organisation; we are not in the business of accumulating profit, though we will have a sinking fund at some stage. Luke ran the show for many years, as chairman. I think that is a very open and honest way of dealing with it.

Ofcom will say to Channel 4, “Well, we’d like you to do much more content produced or commissioned outside the M25, or in Scotland, Wales and Northern Ireland”, and they will say, “Okay, how much would you like us to do? What timescale do we have to get from A to B?” They will set out deliberately to do it. They will appoint a commissioning editor in Glasgow or wherever and draw in programme proposals, start commissioning and report back. Ofcom will say, “You did this, this and this. You failed to do that”. I think that is a reasonable way to go about it. It is quite hard for Ofcom to supply qualitative judgments, they are not really well equipped to do that, but it can certainly supply quantitative ones.

In answer to the question that Lady Benjamin was putting to Steve Barnett, if you wanted to impose diversity quotas in terms of employment on Channel 4, you could, because they are such a transparent organisation. They would collect their internal employment statistics and the employment statistics of the production companies from whom they commission and would make sure that they hit those targets.

Luke Johnson: One very important point about the cost of programming that people miss, and which is much more transparent in a commercial organisation, which Channel 4 partly is, is that there are two ways of looking at cost. There is the cost to produce it but there is also the opportunity cost of the slot it takes up. The BBC are very deft at parking in obscure slots programmes which they know will not get good audiences. I know why they do it. You can argue that it makes good sense, but you could also argue that it is doing the opposite of what it should be doing. For example, these nightly programmes that are answering market failure are not maximising audiences where they should try to, because they are playing to the universality card, saying, “We need to keep as much support as possible across as wide an audience as possible and maximise our audiences”.

One of the fundamental problems with the BBC—given that we are talking about how you measure its purposes—is that, to a very great degree, it still runs on ratings. That is inevitable, because it is in the culture of broadcasters. Ultimately, that is what the vast majority of people at the BBC look at when they decide if a programme has worked and been successful. Secondly, there are the BAFTAs and the various other gongs that the industry gives itself—and there are a lot. When analysing the BBC, thinking harder about whether it should be maximising ratings is pretty important. You could well argue it is a lot more important than a lot of vague rigmarole about whether it is fulfilling its purposes, which are all so generic that they do not mean much.

Baroness Jay of Paddington: Maybe I misunderstood the context of what you just said. Are you saying they should not value the ratings?

Luke Johnson: It is not that simple, is it? If you are the BBC you are caught between trying to maximise your audiences, which is chasing the ratings, which inevitably they have a tendency to do partly because of the ambitions of the individuals working in the BBC, and it is a sign of success in the industry; but also they believe that is the best way to secure long-term widespread support. When they do those surveys showing whatever high percentage it is of people that value the BBC, it is because they watch the shiny-floor shows and “Eastenders”. Take for example, “The Voice”, which is not made by the BBC but they broadcast it in a prime slot. Why is the BBC showing it? It is only showing it because it wants to gain as broad a support as possible for its future as an organisation. The idea that no one else would ever show that is a joke. It is ludicrous. It is obviously nonsense.

Baroness Jay of Paddington: I was going to the point you were making about putting programmes in bad slots which were going to have a smaller audience.

Luke Johnson: They go on to BBC4, where quite often you cannot even measure the audience, but they fulfil their remit and can argue when they go on their sanctimonious missions about justifying the £4 billion, “Well, of course, we do all these obscure programmes which no one has watched, but we put them in a slot where no one was ever going to watch them”, whereas on Channel 4 you pay the price.

Baroness Jay of Paddington: Can I make the point that, within the context of the ratings within the BBC output, you also have the measurement of the extent to which those people who did watch, even if it was unmeasurable in terms of the overall ratings, actually got something out of it. That is what justifies a lot of the minor programming. It is not just on a numerical basis.

Luke Johnson: Channel 4 broadcasts “Channel 4 News” between 7pm and 8pm. Effectively, it loses a huge amount of money doing that, quite deliberately, because it sees it as important; if you like, it is public service broadcasting. It pays the price directly because it gets less advertising, because the audiences are lower. It could easily put on an hour-long version of “Hollyoaks”.

Baroness Jay of Paddington: You were talking about the BBC having sanctimonious missions to promote that kind of thing. All I am saying is, there is a measurement which shows how much the small audience had valued it, been educated by it, enlightened by it or whatever other phrase we want. Personally, I do not want to get into any more slightly sterile discussions about definitions—for example, “Shall we put it as a possible tension between universality and market failure?”—which seems to be one of the current ways of discussing all of this. Can I ask both of you instead to put it in slightly more practical terms and to develop the ideas which you both have had about the BBC extending its partnership arrangements with other people? What is the value of that and how do you see it developing?

David Elstein: I did smile somewhat last Monday when Tony Hall was talking about partnerships, and then I read the BBC document saying, “One of the things we’ll have to learn to do is to be good at partnerships”. I had the educational experience the previous month of writing an article suggesting that the BBC get into partnership with a third party to televise all the Proms live. The BBC runs the Proms. There are 78 Proms. Three of them are shown live on BBC television: half of one on BBC1, one and a half on BBC2 and one rather strange one on Sinatra late at night on BBC3. The other 75 are not broadcast live. It is very easy to leave cameras in the Royal Albert Hall; they are mostly robotic. The performers have

already been paid, they all have broadcast contracts for radio so it would not be expensive to add television. There is a huge audience outside London to watch the Proms season who would love to have it available every night online live. For a modest subscription—probably less than the cost of what I paid to go and see the Proms last week—every single one of them could be made available live. The BBC would make money. The artists would have visibility. The audience would have access. The archive would be enriched. The BBC flicked me away saying, “Oh Elstein, you’re just obsessed with subscription. We’re the envy of the world in our coverage”.

Q67 Baroness Jay of Paddington: You are going to have to make the leap for me between the rather practical suggestion you have just made about putting something online that is otherwise being transmitted on BBC1, and subscription. Where are they making that jump?

David Elstein: I said, instead of throwing away 75 concerts, put them all out live online, charge a subscription for doing so for anyone who wants them. I guess they would probably sell a million subscriptions around the country—£30 million. Instead of losing £8 million on the Proms, the BBC would make £20 million but it does not want to do partnerships; it does not do partnerships very well.

Lord Hart of Chilton: When you made that suggestion, why did they turn you away?

David Elstein: They do not like the idea of a subscription for the Proms. They do not mind charging £57 for a seat at the Royal Albert Hall, but to charge someone £2 to see a live Prom online absolutely would undermine the licence fee.

Baroness Jay of Paddington: Is this the only proposal that you or others have made on partnerships?

David Elstein: I just happened to make it last month.

Baroness Jay of Paddington: I am asking you about the concept of partnership.

David Elstein: I would love to see partnerships work.

Luke Johnson: Channel 4 tried for six years while I was there to do partnerships with the BBC, but they were not interested.

David Elstein: Before Greg Dyke became Director-General of the BBC he was Chief Executive of Pearson Television, and he came back from one meeting with the BBC on some joint project and said, “I can’t do it. I just can’t do another meeting. Two of us, 14 of them, never ending, all from different departments. I’d rather abandon the project and give it to them than ever go to another meeting with the BBC”. I am sure that has all changed and Tony Hall is a fabulous person, and all the people at the BBC would be great to do partnerships with. Tony Hall promised these two years ago. No doubt like tax cuts in Budgets, they will turn up year after year as promises and eventually some will be reality. It is nice as an idea but it does not change very much in terms of what the BBC is like. I published an article about it in openDemocracy today, which I am sure can be made available to you.

I thought there was a lot in the first response that was really interesting and lots of tantalising ideas, including partnerships. I would love to see it come into being. What worries me about these little ideas is that big ideas, more important ideas, get thrown away. There was an extraordinary sentence in that document: “Maybe the Ideas Service will do away with BBC4, maybe iPlay will do away with CBBC and CBeebies, maybe news streaming

will do away with the news channel". I thought to myself, "Blooming heck! That's four channels down the pan in two sentences". This is blue sky thinking. I was full of admiration for the BBC's ability to think through what the internet revolution truly means in terms of making content available and bypassing linear broadcasting almost entirely—not that you get to a "complete boxset" version of the BBC, but that it would make its content available not just on demand in the way it was originally broadcast, but on demand in the way the audience might want it to be. Terrific! How do we get there? Tell me more; I would love to know more about how all of this is to be achieved. In the meantime, what we have is a short-term issue of, "How do we justify ourselves, our funding and our philosophy in this rather hostile charter review context?" It grieves me rather, because that is not what the BBC should be about, coming up with these random ideas.

Baroness Jay of Paddington: That is what we are slightly frustrated about in the Committee: we have asked you what should it be about and when I put to you one of the practical proposals that you made—albeit in the individual context of the Proms and partnership—you were rather dismissive of that, too. We are looking for something more positive.

David Elstein: If partnerships can be made to work, great. A partnership with the Royal Shakespeare Company, the National Theatre, Covent Garden, the British Museum—all of these things: excellent, wonderful, let us see them. I think there are 30 museums on the list of the partnerships they were going to have. That is not going to solve very much, other than the public perception of the BBC as being a rather arrogant and difficult organisation to deal with. In terms of what the audience sees, I am much more interested in how the BBC is going to convert its current portfolio of channels into a content package that is accessible, charged for on a sensible basis and is flexible enough to be future-proof. There are lots of hints of it in this first of the four documents, which I really welcomed, and then there was an awful lot of tedious, defensive chest beating.

Q68 Baroness Kidron: You said you are excited about blue sky thinking, reinventing the BBC in this new age, but do you think that any of the other broadcasters have the scale, remit or confidence, for example, to have invented the iPlayer, which has transformed not only the BBC but the industry more widely?

Luke Johnson: Arguably, Channel 4OD was before the iPlayer, so we did invent it in a way.

David Elstein: It did come first. The BBC is a fantastic resource for this country and is brilliant at coming up with all kinds of things: Freeview, DAB radio, the Micro. Diane Coyle has written a whole chapter about it in this book. I fully appreciate all of that. With its new approach to online content, it will demonstrate that it is a thoroughly flexible organisation in terms of how it responds to the future. I really like that about the BBC.

Baroness Kidron: I am trying to understand whether your answer is to make it like everyone else, with subscriptions, and whether you see any value in the fact that it has a special status.

David Elstein: I have long been a strong supporter of public service broadcasting. I do not equate public service broadcasting with the BBC uniquely. Public service broadcasting has many ways of being delivered. I am a strong supporter of contestability of a slice of the licence fee because that gives you the most transparency, the most opportunity for competition in terms of delivery of public service content. The BBC delivers quite a lot of public service content but—and this really goes back to what Baroness Jay was asking—it is

very reluctant to be driven into a market failure corner. I support them in that. I do not think the BBC should be a default broadcaster; it should be a much broader organisation. It should be offering loads of entertainment. It should be offering much better sport than it currently does. It should be offering music by the mile, not by the inch. It should be offering good public service broadcasting.

For me, the best way to deliver market failure content is to have a contestable public service fund because that gives you transparency, efficiency, value for money measures and a real opportunity for broadcasters and suppliers to compete in the realm of ideas. At the moment we hand £3.7 billion per year over to the BBC and say, “Do what you will” and most of us like the outcome. When I look at the BBC1 schedule I think, “Awful lot of ‘me too’ programmes in there”, and I look at all the schedules of the BBC television channels and say, “Well, 46% repeats, 11% filler, 10% news, 2% drama, 0.5% religion. Okay, that is what you are spending our money on. I do not think it is a great value package that you are giving us”. BBC4, 90% repeats; BBC3, 90% repeats; BBC2 all repeats all day, until the evening.

Q69 Lord Goodlad: This has been a most fascinating discussion. Can I ask you to summarise what you think the scale and scope of the BBC’s activities should be? Never mind which channels go on or do not go on. What should it be doing that it is not doing at the moment? What should it stop doing that it is doing?

Luke Johnson: I do struggle with the idea that the BBC commissions and broadcasts programmes that would clearly be shown by unsubsidised rivals. I do not see why there is significant market intervention from a regressive tax to do that. I do think that is core, and it is an unfortunate phrase. You could turn it round and say market failure/distinctive. Transmitting “me too” programmes is not distinctive. My view would be that if you keep the licence fee, which I am not sure medium and long term is a good idea, it should reduce its output somewhat at least to programmes that others are making and commissioning.

Curiously, one of the challenges it has, as it uses more independent broadcasters, is that when such programmes were made within the BBC, it was easier to argue they were unique and original and would never have been made and shown elsewhere. I am quite certain there are many, many examples across many of the genres—certainly genres like drama, comedy and others you could say are some of the more important ones—of programmes that have been offered to other channels and frequently ended up on Channel 4 or, vice versa, we turned them down and they ended up on the BBC. As more and more of the BBC is made out of house, that is inevitable.

It is not entirely bad because good ideas do not just come from a giant bureaucracy. Channel 4 and its like, by creating the explosion of independent producers, has enormously increased the potential for innovation in broadcasting in this country. It has not just helped boost the creative industries; there are many more creative original people now working independently who are coming up with ideas and pitching them to the likes of the BBC. The BBC should not be relying upon programmes that are almost certainly capable of being broadcast by other broadcasters if it relies on the licence fee. I do not see why a regressive tax should fund programmes that can be funded without subsidy.

Lord Hart of Chilton: Give us some examples?

Luke Johnson: “The Voice” is one. “Eastenders” is another, admittedly made in house but frankly the other channels would give their right arm for it. I struggle to see how it is public service broadcasting, however you define that.

Lord Goodlad: If some of the content currently being produced by the BBC that would otherwise be produced by commercial people were to be so produced, do you think the BBC should halve its output?

Luke Johnson: It depends how you measure it. As David was just explaining in terms of hours, there is a great deal that is repeats and so forth. Sometimes, focus pays off in life in organisations. There has been mission creep over the decades in the BBC. I do not think it is fulfilling a sensible purpose by competing more directly online and in other areas with unsubsidised commercial organisations. I do not know whether you measure it in amount of output. Surely it is about quality. If it were to reduce some of the products of services—radio, television and online—that were replicating, effectively, what is already available elsewhere, save for the fact they do not have ads, I do not think that would diminish the BBC at all. The BBC is arguably one of the most effective lobbying and propaganda organisations in this country and brilliant at putting its side of the argument. Like very many other non-profit organisations, there is quite a degree of insider capture where the people who run it and its key supporters want it to be ever bigger, but bigger often means worse. If it were to concentrate more on the best bits that are distinctive, addressing needs that are not met elsewhere, I think you could argue that it would improve, not be worse.

Q70 Bishop of Chelmsford: I know you have not come as a double act carefully prepared, but as two individuals.

Luke Johnson: I have not spoken to him for years.

Bishop of Chelmsford: Are you arguing that the public purposes and the scope should be very, very carefully and narrowly defined to eliminate anything which is vaguely entertaining and could therefore be done by others? Or are you saying we need to abandon that licence fee model altogether and go over to some sort of subscription-based Channel 4 version of the BBC?

Luke Johnson: Channel 4 does not have any subscription; it is all advertising.

Bishop of Chelmsford: I am just trying to hear what you are actually saying.

Luke Johnson: As David was saying, even the BBC in its documents accepts that may well become necessary in the long term.

Bishop of Chelmsford: What would you like to see happen?

Luke Johnson: People cleverer than me must decide whether it is some sort of subscription base, as David suggests, or whether it is part subscription, part advertising, which, for example, Sky is. It seems to me it is a regressive tax and the fact of the matter is, in all honesty, the BBC involves a massive cross-subsidy from poor people to the sort of people who occupy these buildings. They are the ones who listen to the “Today” programme and watch BBC4. I do not think it is right morally. The vast majority of people in the lower socioeconomic categories do not watch or listen to a great deal of the BBC. They are the ones in large volumes. It is very much a regressive tax. I challenge you to find a more regressive system than the way the BBC is funded in terms of who actually gets the best value from it. Of course, you and we all think that £150-odd a year is great value but for

people for whom £150 is a lot of money, I wonder if they do because they probably do not consume much of the BBC.

Baroness Kidron: Are you aware of the deprivation report? I have not seen it so I cannot speak to it. People who did not want to pay for the licence and then were taken out of the BBC did not realise how much of it they were accessing. It is a very interesting piece of work.

David Elstein: Interestingly, 30% of them still failed to sign on at the end. If the BBC suffered a 30% loss of its licence fee payers, that would be quite serious for it. The Lord Bishop asked a very important question, “What do you do instead?” I am the opposite extreme of Luke on this one. I would love the BBC to be bigger, bolder, braver, and much more successful, pay its employees much more and really shine a beacon.

Luke Johnson: So would I, if it was not relying on the licence fee.

David Elstein: Exactly. Take away the licence fee. Let the BBC earn its keep from voluntary subscribers, like Netflix does with its 4 million subscribers, Amazon Prime with its 2 million, Sky, Virgin and BT with their 17 million. Over 70% of households now subscribe to television services over and above the licence fee. It is so easy to convert the licence fee into a voluntary subscription. Once you do that you can charge for the iPlayer, the BBC Store, BBC content in Europe, in America, all around the world. Armando Iannucci, who gave the MacTaggart Lecture this year, made a much more impressive speech last year in which he said the BBC is throwing away hundreds of millions of pounds. It produces fabulous content and does not monetise it. HBO generates over \$800 million profit from its overseas operations off the back of all the brilliant content that it creates. What does it create? 150 hours of television a year. The BBC creates 30,000.

Bishop of Chelmsford: Would you retain any universal free access element? How would you define the public service element in the output, in the way that Channel 4 is still subject to?

David Elstein: The other half of the equation is, you then have to have a public service broadcasting fund to which the BBC can bid along with all other broadcasters. For me, that would be financed by the VAT on BBC subscriptions, so you would have about £500 million of a public service broadcasting fund. All BBC content would still be universally available. Some of it would only be available to people who pay the subscription fee. The licence fee itself is a subscription system—it is just a compulsory one. With a voluntary subscription system you would probably persuade the BBC to put its news and current affairs in the clear. The BBC would still have loads of public assets at its disposal post-licence fee: the best spectrum, best EPG slots, a transmission system. You would have some leverage with the BBC to induce it to do some public good, but for the most part you would finally split out entertainment that people are willing to pay for, including loads of educational entertainment. “Who Do You Think You Are?” is a very interesting show that teaches you a lot about genealogy. It is actually “This Is Your Life” for the modern age. It is a celebrity profile going on a journey finding out who they are.

Luke Johnson: Made by an independent, not the BBC.

David Elstein: There will be lots of educational material on a subscription-funded BBC and there would be formal public service content—market failure content driven out of a public service broadcasting fund as recommended by the Commons Committee, by Lord Burns, by Peacock, by the Broadcasting Policy Group all those years ago. My feeling about the BBC is that it is Gulliver-bound. This is a fantastic opportunity which it is mentally unable to take

advantage of. It is a magnificent organisation. It costs far too much to run—£800 million a year to run an organisation. How many Channel 4s could you run off that? It only spends £1 billion a year out of its £3.7 billion of TV licence income on first-run TV origination.

Luke Johnson: It spent £1 billion to rebuild Broadcasting House.

David Elstein: And all the other Broadcasting Houses around the UK. It has a fantastic future. Its enterprise at the engineering and technological level is great. It has superb broadcasters working there. It can do brilliant things. It is just too hidebound, to take us back to what Luke was saying to Baroness Jay. To keep the licence fee it has got to keep market share. In a fragmented market it is harder and harder to maintain your market share, so it dilutes and dilutes. We have had successive reports from Ofcom on public service broadcasting—2008, 2011, 2014—tracking the constant decline of production of public service content, not just in the commercial sector but in the BBC as well almost in parallel. We are getting less and less public service out of a steady or rising licence fee over a 10-year period. The BBC constantly tells us, “We’re a key engine of the creative industries”. Ten years ago the BBC was spending £1.7 billion a year on first-run originated programming. Last year it was £1 billion. It has dropped 30%. What has happened to the creative industries in that 10-year period? They have boomed—a compound annual growth rate of about 8%.

Luke Johnson: I would argue that Channel 4, the invention thereof and the creation almost singlehandedly for about 15 years of the independent TV production sector was a far greater intervention for the overall creative industries than the BBC in many ways. Without Channel 4 the indie-TV production sector would not exist.

The Chairman: Does that blossoming across the creative industries indicate that the crowding out problem that some people believe the BBC has created is perhaps not such a big problem?

Luke Johnson: Not in TV production. I worry more in areas like online news and information. Does the BBC have to be in that space? Is it crowding out competitors? Should it be helping to destroy the local newspaper industry through a regressive tax? That is very difficult to defend.

David Elstein: Clearly there are issues here.

Baroness Kidron: You seem to suggest that it should be moving into this space of reimagining itself in the new world order, and that it is crowding out local newspapers.

David Elstein: With or without the licence fee. I am saying without the licence fee, everything is possible.

Luke Johnson: It is all about the philosophy of whether there should be—not a hundred because of BBC Worldwide—a big public intervention with a regressive tax, which I philosophically disagree with. You would absolutely not invent it if you were starting from scratch, would you? It is inconceivable; otherwise, certainly it would be some sort of version along the lines that David is talking about. With giant institutions it is always easier to keep your status quo, so you carry on, and that is my objection. If it were competing in the marketplace, even if it were effectively a non-profit organisation like Channel 4, and stated-owned and all the rest of it, that is quite clearly different.

Q71 Baroness Kidron: I am aware of the time. You have sort of answered the question I was going to ask both of you about the creative industry and their contribution to it. Perhaps you could quickly say something about the values in the creative industry. You were both in the room when Professor Barnett was talking about the question of training and Baroness Benjamin was talking about diversity. The BBC does paid internships and is in a position to be the bully, if not leading on these issues. Perhaps you can say something about the world without the BBC?

David Elstein: I was a BBC general trainee for two years and did not receive a day of training. I was put to work right away as a researcher and then a producer and eventually was given a job as an assistant producer and properly paid. Sparing Luke's blushes, Channel 4's contribution to training was much more cost-effective than the BBC's. It put in a proportion of its income every year into training, much higher than the BBC's. It outsourced the training to Skillset and NFTS and proper organisations. It is lovely to see former board colleagues and even graduates of the NFTS here, having served for so long as its chair. The BBC could do loads more than it already does, but that it does excellent things should never be denied. On diversity it has been abjectly hopeless. I helped set up the CDN 15 years ago, the first broad based TV organisation where we set out targets. I think I was at Sky at the time, maybe Channel 5. It is hopeless that we come back year after year to, "Why is Lenny Henry having to do what he had to do, put his head right above the parapet in order to get attention?". It should not be that way in a public organisation with that vast degree of resource. I really do wish it did not score that many own goals.

The Chairman: We have come to the official end of our time but I want to make sure that my colleagues have not got anything else they really feel they must ask.

Q72 Baroness Benjamin: We talked especially about the creative industries and, despite the Government giving children's tax credit concessions, the commercial broadcasters have not stepped up and financed UK productions. Only 3% of the £87 million spend on children's productions was from the commercial broadcasters. If we have a free-for-all, do you think that children's productions will be damaged in any way? You mentioned iPlay and one of those services being taken off. There was uproar amongst the general public, and the BBC within a couple of hours made an announcement saying it will stay there because the general public want it to be there.

David Elstein: It was 6 Music all over again.

Baroness Benjamin: If we have a free-for-all and children's has to fight to get the finance for their programmes, do you think that children's productions will survive?

Luke Johnson: Children's TV is one of the genres where intervention is necessary and subsidy plays a part.

Baroness Benjamin: Good to hear that.

Luke Johnson: In my opinion, not from a regressive tax but from general taxation probably.

David Elstein: That is all part of what should be in a public service broadcasting fund. It should be not just the BBC but the funding should be available to ITV, Channel 4, Channel 5, whoever. It is so easy to get a competitive supply of public service content. Look at one of the greatest things the BBC does, radio drama, but only the BBC does radio drama. Imagine if, in order to put a show on, every single theatre in the UK had to get the permission of two

apparatchiks sitting in BBC Broadcasting House before they could do so. That is the situation that radio dramatists, directors and actors are in, waiting in a line for fixed bureaucratic procedures to happen. A lot of what the BBC does in radio drama is great but for a £10 million fund for independent radio drama you would bring in competition and quality.

There was a fascinating documentary on BBC4—excellent channel, I recommend it to you—last month by Penny Keith about the BBC archives. It took you back to the BBC archives before the launch of ITV. She dragged out letter after letter from would-be performers—Peter Sellers, Spike Milligan—begging for work; years and years and years of people begging for work. I think it was Richard Briers who spent nine years looking for work. The day after ITV was launched the flow reversed completely. All the letters were from the BBC to Peter Sellers, “Will you please come and work for us?”. That is the difficulty, even where the BBC is so successful it can do so much harm.

Baroness Benjamin: You think there should be contestable funding for children’s?

David Elstein: For children’s; for all categories of public service market failure content, including radio drama. It is so obvious.

The Chairman: You would agree as well?

Luke Johnson: Yes, I agree. Channel 4 and others should be allowed to bid in a contestable fund.

David Elstein: Channel 5 did a lot of children’s programming until it became uneconomic.

Luke Johnson: It helps diversity. It helps innovation. It helps creativity. It avoids bureaucracy. Competition works.

Baroness Kidron: Do either of you have any anxiety about the possibility of cultural dominance by big American media firms?

Luke Johnson: This year they made over there 400 separate TV-scripted series. Whether we like it or not, they are pretty big players and we had better get used to it; it is the real world.

David Elstein: I would love to see the BBC competing with the HBOs and AMCs. They need £250 million a year of drama budget. You cannot generate that out of the current funding mechanism; you can out of a subscription mechanism.

Q73 Baroness Benjamin: One last question about the licence fee. The licence fee was supposed to be set by the Government following talks with the trust. What is your assessment of how the settlement was made this year? Can you suggest any other ways that the process could be altered in the future?

David Elstein: It was brutal, swift, Hobbesian, but funnily enough rather good, as it turns out. I did not realise until I read page 95 of the BBC’s response to the Green Paper what the issue was—the concessions that George Osborne granted, under slight pressure, in terms of delaying the introduction of the over-75s, getting rid of broadband rollout payments, allowing indexation, balancing out all the additional costs that the BBC is having imposed on it through to 2020. The impact of this settlement only hits if the BBC chooses—and it would be idiotic if it did so—to carry on giving away free TV licences to the over-75s. We know it is their choice because John Whittingdale has said that what they do after 2020 is absolutely up to them.

If the BBC does not give away free TV licences it will be £700 million a year better off in 2021 than it was in 2015. That is what the figures say—just print out the chart on page 95. Although it was inelegant as a process, it was certainly decisive. It was a better deal from the Tory Government than from the coalition Government five years ago, which took five days rather than six. I do not think there is any alternative. As long as you have the licence fee, only the Government can decide what is going to happen, what level it should be and how long it should last for. What Steve was saying, Parliament will decide; the parliamentary Labour Party is going to vote on how big the licence fee should be? It cannot work that way. You can let the audience decide through a subscription mechanism or you can let the Government decide, but actually this deal was not too bad.

The Chairman: A final word from you, Luke?

Luke Johnson: I am fine.

The Chairman: Thank you both very much indeed. You can tell that you have generated a tremendous amount of interest in this. We are extremely grateful to you for coming along today and for the articles.