



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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Witnesses: Will Harding and David Wheeldon

Dorothy Byrne and Kevin Sutcliffe

USE OF THE TRANSCRIPT

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

Members present

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

Examination of Witnesses

Will Harding, Chief Strategy Officer, Global Radio, and **David Wheeldon**, Director of Policy and Public Affairs, Sky

Q154 The Chairman: David Wheeldon and Will Harding, welcome to both of you. Thank you very much for joining us. You will gather that we are in the midst of our inquiry. We are looking at public purposes—whether they are fit for purpose for the BBC—and at scale and scope for the BBC of the future. We are also looking a little at the processes for setting the licence fee, at the end. We will ask you questions about all those things. We have your biographical details before us, but for the record—we are on air—could you tell us a little about yourselves, to get that out and up front? If you would like to follow it with any opening statements, feel free to share those with us. Will, would you like to go first?

Will Harding: Thank you, Lord Chairman. I am Will Harding. I am the chief strategy officer for Global Radio. We are the leading UK commercial radio operator. We broadcast Classic FM, LBC, Heart, Capital, Smooth, Radio X and Capital XTRA.

I have a few remarks, if I may; thank you for the opportunity. This is commonly said, but it is worth repeating. The BBC is a huge asset for the UK and is rightly admired across the world. In radio, which is obviously our focus, the best of BBC radio is unique content that raises the bar for all of us in the market in terms of quality. That is a good thing for licence fee payers and a good thing for the industry as well, but the BBC is not perfect, and there are three areas we would like to talk about and address as part of the charter renewal process.

The first is that we do not believe that Radio 1 and Radio 2 really offer value for money for the licence fee payer. The reality is that the music on those radio stations is much more similar to that played on commercial radio than BBC management would have us believe. We do not believe that there is enough real public service speech content on Radio 1 and Radio 2, and what there is is broadcast almost exclusively outside peak listening hours.

The second area is that we think more care is needed about the impact of the BBC on the wider market. The BBC is a huge intervention in UK radio. They have a 54% share of radio listening in the UK, significantly higher than their share of TV viewing, which is about 33% or thereabouts, depending on how you measure it. That is fine, but the scale of that intervention means that we need to be very clear about why they are so large and whether that is justified, particularly when it comes to launching new services. We have been very

concerned that a number of new services have been launched: for example, the BBC Playlist service and the iPlayer radio service, and recently Radio 3 launched a BBC Symphinity service. All are digital services, but they were launched without any public scrutiny or opportunity to assess the impact that the services would have. A second area of concern for us around market impact is the scale of the BBC's cross-promotion. We estimate that as much as £80 million-worth, if we had to pay for it—if it were valued—of advertising of BBC radio happens on BBC TV. A lot of that is valid, but our concern is that too much of it is devoted to programmes on Radio 1 and Radio 2 that are not really the showcases for public service broadcasting.

Finally—obviously a hot topic for charter renewal—there is the question of how the BBC is governed. We think there needs to be a distinction in the governance of the BBC; we are very supportive of the principle of a unitary BBC board to govern the BBC, but we think that is very separate and different from regulation of the BBC, which we believe has to be independent and external to the BBC.

The Chairman: We are not doing governance this week. We have eschewed that, so it will not be coming up today. David Wheeldon, could you introduce yourself? We will be asking you a lot of questions, so feel free not to give an opening statement if you do not wish to.

David Wheeldon: I am taking that as a hint that you would rather I did not. I am David Wheeldon. I am the director of policy and public affairs at Sky. I am sure that many of you know Sky. We are Europe's largest entertainment company, operating now in five countries in the EU, of which the UK is the largest; we have about 12 million customers here. Across the group, we spend about £5 billion on content every year. I have responsibility for policy across the different areas of the business, including the TV distribution business, the content business and our home communications business.

I would make just one very brief point, which is that the market has changed significantly since the last time the charter was looked at. There are now many areas that are served quite comprehensively in a way that they were not 10 years ago, and going back further than that. It is right that questions are asked about the scope and purposes of the BBC in that changed environment. I am sure that we will get on to questions about what that actually means, but the very fact that we are having this debate and the way that the public conversation is going are to be welcomed.

The Chairman: Thank you very much, both of you.

Q155 Bishop of Chelmsford: Do you agree with those who say that the public purposes of the BBC are too abstract and too open to various interpretations and, therefore, should be revised, in order to provide a clearer emphasis on distinctive content for audiences?

David Wheeldon: In a word, yes. I could not have put it better myself.

Bishop of Chelmsford: What would you like to see in their place?

David Wheeldon: They need to be clearer in terms of what the BBC should and should not be focusing on. At the moment, a lot of the public purposes are just too general. Look at the sixth one: "to deliver ... the benefit of emerging communications technologies and services". That is so broad as to allow the BBC pretty much to justify anything it does in the digital space. That just does not make sense. Indeed, the biggest problem with having purposes so wide is that it is almost impossible to judge whether the BBC is actually delivering them,

because everybody has a different opinion about what they mean. They could do with tightening. In particular, we would say that the BBC's purposes should be refocused on producing content and enhancing the quality of public service output. We also think that the purposes should be clear that the BBC's fundamental availability and ubiquity across all the platforms that consumers use now to consume content—I talked about how the world had moved on—should be enshrined in the purposes of the BBC, so that there is no wiggle room for the BBC essentially to say, “We want to determine how licence fee payers choose to access the content they have paid for”.

Will Harding: The public purposes could be tightened up a little, but I do not think that they are bad. For us, the focus needs to be on how you go from the public purposes, which inevitably are a statement of vision and ambition, to what services and products the BBC offers—in radio terms, what you hear when you tune in. You need to look at the public purposes in the context of the service licences under which BBC services are offered. If I were going to focus on one of the two—public purposes or service licences—I would very much focus on the service licences, which need to be a lot more specific and, frankly, a lot more demanding in terms of what the BBC delivers to licence fee payers. I am sure that the public purposes could be improved, but there are not too many people who disagree with them. They are quite hard to disagree with, which plays to David's point that that is fine, but what does it really mean in practice? You can answer the question of what it means in practice only when you focus on the services that the BBC offers licence fee payers—what goes into those licences, how they are scrutinised and how BBC management are called to account to ensure that they live up to what is in the licences. If it were up to me, I would focus much more on that side of the equation than on tweaking the public purposes, although I do not deny that they could be improved.

Bishop of Chelmsford: Thank you. Does either of you want to add any more about what you think should be put in their place, if anything?

David Wheeldon: I am cautious about offering advice on the wording in the public purposes. That would be slightly overstepping the mark from the point of view of a competitor to the BBC. Some fundamental thought about exactly what the licence fee payers' expectations are in respect of what they have paid for and how, in the digital age, they wish to consume it should be the underpinnings of the public purposes. At the moment, there is a lot of wiggle room within them.

Q156 Lord Goodlad: How would you suggest specifically that the public purposes should be revised, and who do you think ought to do it?

Will Harding: I will take the second part of that first, if I may. I think that they need to be enshrined within the charter and agreement for the BBC, that they need to be subject to public debate more broadly, specifically in Parliament, and that there has to be a process of assessing whether they continue to be fit for purpose. They should not be set in stone for the duration of the charter, assuming there is going to be a 10-year charter.

Lord Goodlad: That is continuous review.

Will Harding: Yes, I think so. There needs to be an opportunity—not every month, or even every year necessarily—for all parties, including the BBC itself, to assess whether they are still fit for purpose, if there is to be another 10-year charter. Looking back at how much change there has been in the media industry and at the way that people have consumed

media in the past 10 years, there is no reason to believe that there will not be at least as much change in the next 10 years. It is very difficult for anybody to be able to write a set of values or guidelines for any media organisation and expect them to last for 10 years. The world moves too quickly for that.

David Wheeldon: I do not think that we have honestly given thought to whether or not the public purposes themselves need to be subject to continuous change. I certainly do not think we have a view on who decides them. The charter review process is the right place to debate them and, ultimately, they are an agreement between the BBC and the Government. Will made the point that we are all operating in a world that is moving incredibly quickly, and there is a rigidity and slowness in all the arrangements that govern the BBC at the moment that needs to be looked at. For example, to us the service licences certainly need to be reviewed more frequently, and there needs to be a mechanism to do that within the overall framework of the purposes, in order to respond to market developments. One thing about the BBC, although it is a great organisation and an important part of our creative and cultural industries, is that it only ever moves in one direction. It is always moving forwards, always trying to do more and always trying to justify what it is doing. It rarely looks at what is going on and says, "Do you know what? Things have changed, so perhaps we can step back and refocus". I am not saying that necessarily as a competitor. I do not think that that is good for the BBC, because it implies a degree of rigidity and a lack of creativity and responsiveness. There are certainly flexibilities that can be built into the current system and which would lead to a better outcome for all.

Q157 Baroness Jay of Paddington: I am sorry for coughing at you; I apologise. You have just said that the BBC always moves forward and wants to do more. One of the concepts that is always used in that context is, "Why does the BBC not simply fill the gaps where there is market failure?". Will, at the beginning you talked about being aware of the impact that the BBC has on the wider market. David, you talked about the fact that we are in this changing environment, where the market is meeting a lot of things it was not involved in when the charter was last reviewed. In principle, do you think that the BBC should simply operate in a market failure context? If so, how on earth would that operate in practical terms?

Will Harding: No, I do not. That is unnecessarily restrictive on the BBC. You do not set the scope and ambition for an organisation by telling it what it cannot do. You have to have a positive vision of what it should be doing, rather than saying, "Oh no, you cannot do anything that anyone else is doing". I do not like the phrase "market failure". You need to turn it into a positive and say that everything the BBC does should enrich the market and should result in there being more content available for licence fee payers than there would otherwise be. That is a positive way of describing it, rather than a negative way of describing it. It gives the BBC more flexibility and puts the onus on BBC management to say, "This service is enriching the market by doing this", rather than forcing them into the blind alley or cul-de-sac of saying, "I can only do the things that other people are not doing, so the first thing I have to do is to find out what other people are doing". No great creative output is ever produced by doing that.

Baroness Jay of Paddington: It is clearly more positive, but would it have the same effect?

Will Harding: Market enrichment, rather than market failure?

Baroness Jay of Paddington: Yes.

Will Harding: I think it gives the BBC a lot more flexibility. One thing that BBC management has said is that you cannot judge the distinctiveness of BBC output by looking just at one programme; you have to look at the service as a whole. I have a reasonable amount of sympathy for that point of view. For all the criticisms that we and others level at Radio 1 and Radio 2, they are extremely popular radio stations and are not entirely devoid of value, by any stretch of the imagination. We are not looking radically to transform them; we just think that the balance is out of kilter. I am not a big fan of market failure; market enrichment or some similar concept gives them much more flexibility, but at the end of the day, when you have this amount of public money, you need to deliver something that is better than would happen if you did not have the public money, otherwise why are they there and how do you justify the licence fee?

Baroness Jay of Paddington: Do you agree that market failure is not the right principle, or do you think it is more attractive than Will does?

David Wheeldon: I do not have a particular objection to the words “market failure”. One of the original rationales behind intervention in our market is that the market was not seen to deliver all the public benefits that it could, and therefore there is a justification for a very large intervention in an industry that is otherwise extremely successful commercially. There are not many other industries where that happens, so market failure is clearly a fact of life and a fact of our industry. The question of whether the BBC should be constrained by that is perhaps the more emotive one. It certainly needs to be more cognisant of its role in delivering what the market cannot. Whether you want to call that market failure or distinctiveness is up to your appetite for terms, but I absolutely think that it needs to recognise that.

There is a more basic underlying philosophy and principle. The BBC has a tendency to think that what is good for the BBC is the be-all and end-all of its existence—indeed, the be-all and end-all of what is good for licence fee payers. That cannot be the case. What is good for licence fee payers—all citizens and consumers, or most of us, are licence fee payers—is a vibrant and healthy media sector, producing and meeting their needs. Therefore, it is not axiomatic that everything that is good for the BBC is good for the licence fee payer. The BBC needs to be much more cognisant of that. It cannot have its cake and eat it. It cannot come along to Committees of Parliament and to the Secretary of State and say, “We are really great for the creative industries”, and not recognise that it also has an impact on the creative industries that may be the opposite side of that story.

Baroness Jay of Paddington: If I may ask you the same question, how in practice would this kind of enrichment or market failure test operate? Let us take two specific examples. What about sport? It is not a creative industry, but one where you could make that argument. We have also seen arguments that the BBC should not show or import American production.

David Wheeldon: You reminded me in your letter that I am on record as saying that to the CMS Committee the last time I gave evidence there. Our bottom line would be that the BBC should not be buying imported programmes, particularly from America, because there is a plentiful supply of those programmes on multiple channels, platforms and business models right across the market. I do not think the justification for the BBC to do that is in any way there. That is one clear example.

The BBC has a long heritage in sport and does a very good job. Equally, when the BBC started covering sport, there was no other coverage of sport and that clearly is not the case now.

The BBC therefore needs to find opportunities to show sport that perhaps does not work on other platforms and channels and is not being picked up by others, and to bring a distinctive approach to it. No one has an issue with that. We certainly do not. I do not think that this is particularly controversial, although I accept that what may be difficult is how you actually define what you want.

Baroness Jay of Paddington: Setting aside financial considerations and market considerations overall, you do not think that there would be any social impact of the BBC only—whether you say it positively or negatively—doing specific production and broadcasting.

Will Harding: I think that it would be of benefit to people, because by definition they would get more choice. They would be provided with alternatives, when you look at the BBC and the commercial sector in the round. That is almost by definition. If you give the BBC the remit to be broadly distinctive, however you implement that—the devil is always in the details—by definition you are ensuring that the licence fee payer, who at the end of the day can also access all the commercial services as well, is getting more in the round. I do not think that it imposes a cost; it is a benefit, surely.

David Wheeldon: I do not think that you can separate your question from the question of how the BBC is regulated and how these things are assessed. Ultimately, when you look at reviews of service licences, public value tests and the role of the regulator, that is the way in which you ensure that the BBC is delivering something distinctive and different, filling in those gaps and delivering the public purposes. Fundamentally, it comes down to that question. It is quite difficult to write it in abstract.

Q158 Baroness Benjamin: In your opening statement, you were quite robust about the output of Radio 1 and Radio 2. There have been accusations from others in the commercial sector that Radio 1 and Radio 2 are not distinctive enough and, as a result, are having an adverse effect on commercial rivals. In response to the Green Paper, the BBC said that its evidence shows that the “BBC’s radio services are distinctive from commercial radio”. Similar statements have been made by Sky regarding the BBC News channel. How do you react to this? What evidence do you have to show that these stations have an adverse competitive impact on your business? Who do you think should judge whether the BBC has or has not affected your business?

Will Harding: Forgive me if I was a little too robust. The evidence that BBC management have presented on Radio 1 and Radio 2 to justify the statement you refer to—that the services are distinctive—was to look at the music that each of those stations plays: the full playlist, every song that Radio 1 or Radio 2 played over the course of a month. In the case of Radio 1, they compared that with every song that Capital Radio, which we broadcast, had played in that month and said, “Look, only 3% of the songs on Radio 1 were also played on Capital. Therefore, Radio 1 is distinctive”.

If you do not think about it too hard, that sounds pretty plausible. The problem is that they ignored how many times each song was played. The fact of the matter is that half of the songs on Radio 1 get played only once in the course of a month, and lots of the songs get played an awful lot of times. If you look at how many times each song is played, because obviously the hits get played a lot, and you compare Radio 1 not just with Capital but with two or three commercial radio stations—at the end of the day, if your remit is to be

distinctive, you need to be distinctive against more than one of your competitors; you need to be distinctive against the market—the numbers look very different. Rather than having a 3% overlap, you get an overlap that is nearer 60% for Radio 1. For Radio 2, which they compared with Absolute Radio, a station operated by Bauer Media, the figure was 13%, I think—forgive me; I will have to look at the numbers. If you do the same exercise, in the same way, for Radio 2, you do not get the 13% overlap that BBC management said there is—you get an overlap of nearly 50%.

Forgive me if I am being a little too technical, but when you look at the music that people hear—the music they are listening to when they tune into the radio station—there is an enormous degree of overlap on Radio 1 and Radio 2. Generally speaking, they are playing mainstream pop music at times when people are listening, and they are playing those songs a lot. They play an awful lot of other songs that we, the commercial sector, do not play, but those are not played very often. Often they are played just once in the course of a year, and largely at times when specialist programming is on and people are not listening.

Much the same is true of the speech content. In the radio sector, it is what we talk about when we are playing music—when presenters are talking, you are doing speech content. Much the same thing is true. It is absolutely true to say that Radio 1 and Radio 2 broadcast a lot more speech than a radio station like Capital or Heart, which we operate, would broadcast, but when you drill down a bit, pretty much half of the speech content on Radio 1 and Radio 2 is just general chat, banter and entertainment. There is a bit of news and a bit of weather—exactly the same kinds of things that we do. The stuff they do that is really distinctive is documentaries, religious programming, arts programming and social action on Radio 1. There is a fantastic heritage of them doing that kind of thing on those stations back in the day, but they do not do very much of it, and what they do is broadcast at times of day when people are not listening. When they do it, it can be fantastic and very high quality, but our view is really simple: they are just not doing enough and, when they do it, they do it outside peak time.

To be honest, there is a bit of a game that gets played of ticking the box on the service licence and saying, “Oh yes, we did that many hours of documentaries”, but not seeing that through to when it was really broadcast, whether it was original, how many hours it was and how many people listened. That is why it all boils down to having effective regulation of those service licences and making sure that they are fit for purpose, that they are sufficiently detailed and that there is an external regulator out there—we would suggest that it should be Ofcom, but clearly that is a decision that will need to be made—who is able to initiate a review of those services and say, “Hang on, is this service licence right? Is the service actually living up to it?”. If you do all those things, you get the kind of positive outcomes we are talking about. That is a very long answer to a very simple question, so forgive me.

Baroness Benjamin: No, it was good. There were quite a few questions in there. You feel that there should be another regulator to judge whether or not your business is being affected.

Will Harding: It is not the be-all and end-all. We compete with the BBC, and it is right that we compete with the BBC. You can be very simplistic about that. Every person who tunes in to Radio 2 or Radio 1 is one fewer person who is tuning in at that time of day to one of our radio stations. We can only sell advertising based on the number of people listening to our radio stations, so that affects us. To some degree, that is tough—it is a competitive market.

If you set the BBC a goal saying, “You cannot have any negative competitive impact on the commercial sector”, the BBC would not be able to do anything, which is absurd. You have to go back to saying, “How do you make sure that what the BBC does is genuinely increasing choice and enriching the market?”, whether that is the right phrase or not, and work from there. Of course, if BBC programmes are hugely popular, they impact on our audience levels and we will make less money, but to some degree I would say, “Tough. We just have to work harder”—provided that what the BBC is doing is genuinely distinctive and worthy of receiving public money to fund it.

Baroness Benjamin: Does the Trust not do that?

Will Harding: No. That is a shorter answer for you than my very long answer earlier. No, it does not. It has put lots of processes in place, and service licences were introduced by the Trust, but at the end of the day—I know this is what people always say, but the reason they always say it is that it is true—you cannot be cheerleader and regulator at the same time. The Trust has been put in an impossible position. The current chair of the Trust has said as much.

Baroness Benjamin: What about the news channel?

David Wheeldon: The history of Sky News and the BBC News channel is almost ancient these days. It is well known that Sky News launched six years before the BBC launched its news channel. We were close to breaking even, through the carriage fees that we were able to charge for Sky News. Then the BBC launched a service and gave it away for free, and the commercial business model was fundamentally holed below the waterline. But that is ancient history; it took place a long time ago. More generally in news, there is an issue when the BBC has 43% of all the cross-platform market impacts, which is four times its nearest competitor. That is an issue that warrants at least debate and consideration. Our view is that the regulatory framework needs to ensure that BBC services are distinctive, deliver public value and have minimal market impact. Those three things are all in the licence fee payers’ interests, so it is putting licence fee payers first. The current framework is not working. There have been only four or five public value tests since 2007.

Baroness Benjamin: What evidence do you have for that?

David Wheeldon: The fact is that very often the BBC’s services do not even get subjected to a public value test. The public value test itself has always been used to trump the market impact assessment that Ofcom conducts. Ofcom can say that a service has market impact, but ultimately it still goes ahead anyway, because it has some public value. If you are a commercial business operating in that environment, that is tricky. As I said, there have been four or five PVTs since 2007. This is all down to the fact that, ultimately, they are in the decision-making gift of the Trust, which is both the regulator and the cheerleader. We think that is fundamentally wrong and has to be taken away from them.

Our proposal is that it should go to Ofcom, because Ofcom has the experience and the scale not to be subject to regulatory capture, and that the service licence process should be subject to a triple guarantee—three processes. A reformed public value test should be applied to the launch of new services: a gating mechanism that rejects any service that would have a material impact on the market. Each service should be reviewed on a rolling basis, every three years. Ofcom is used to doing that in the telecoms market, for example, so there is no reason why it could not do it in broadcasting. Ofcom should have additional

powers to call in and look at services when it notices that the market and circumstances have changed. That would deal in a practical way with some of the issues that Will was describing, by having an independent and respected regulator.

Baroness Benjamin: Let us play devil's advocate. In the case of radio, one might argue that BBC Radio 1 and BBC Radio 2 existed long before their current commercial rivals and it is not a fair argument to say that they should be restricted now that the environment has changed. One might argue that commercial radio is duplicating content already available on the BBC, rather than the other way round. What is your response to that argument?

Will Harding: My response, simply wearing the hat of a licence fee payer, is, "Why am I having to pay money to an organisation to produce something that I can consume anyway?". Why should the BBC receive public money to do something that the market would provide regardless—something that is not distinctive? The fact that Radio 1 and Radio 2 have been broadcasting for however long it is—50 or 60 years—is not relevant, to be honest. The market has changed enormously over that period. If you said to the BBC, "Whatever you do today, you can do for ever", either you would have to have a licence fee that continued to grow and grow, so that the BBC could do everything, or the BBC would be prevented from ever doing anything new, which seems completely counterintuitive to me. I do not think that you could operate any successful media company by saying, "Once you start doing something, you can never change it". There is so much technology change in media that to say to the BBC, "Because you have always done this, you should carry on doing it", seems to me a very extreme view to take.

Frankly, I have sympathy for people who take it to the other extreme and say, "If Radio 1 and Radio 2 did not exist today and BBC management cooked up a proposal to use licence fee funds to launch two national pop music stations on FM, even the Trust"—I have been quite critical of the Trust—"would turn round and say, 'No, you must be mad'". But they exist, and we are absolutely not proposing that they should be shut down or privatised. The question is that they have to adapt; they have to adapt to changing circumstances, changing consumer behaviour and, yes, changes in the market.

Baroness Benjamin: Do you think that they are following you, or are you following them?

Will Harding: I think that they are producing content that is too similar to the content that we produce, and that does not reflect the amount of public money that they receive, which is three, four or five times as much money as we have to produce content. I just do not think that it is good enough—that is all. They should be producing programming that, in the round, is distinctive. Obviously they will play some of the same music that we play. Obviously they are going to do news like we do and interview pop stars and film stars like we do. Of course they will, but that cannot be all they do. They cannot just bury the other stuff in other bits of the schedule in order to tick a box with the regulator, if that makes sense.

David Wheeldon: To follow up on that, the BBC is planning, and has said that it wants to do, something similar to what you have just described—launching a Radio 1 or Radio 2—but in the distributional world. Tony Hall has said that, effectively, he wants to turn the iPlayer into a content aggregator for UK content. In a market where there are numerous such content aggregators and where technology is moving incredibly quickly, to us that seems a ludicrous proposition, frankly, and one that would need to be subject absolutely to the kind of rigorous assessment that I described earlier—the kind of rigorous assessment to which, for example, Project Canvas, which became YouView, was not subject, because the Trust chose

not to subject it to the public value test. That sort of failure to subject important, market-changing initiatives by the publicly funded broadcaster cannot be acceptable in the world in which we are operating now. This has been broken for quite a long time. A lot of these points were made 10 years ago and were not taken on board. People pointed out exactly what would happen with the kind of structure that was put in place, where the regulator's roles were blurred with the cheerleading roles, and that is precisely what has happened. I cannot see how there is any argument that that should be allowed to continue.

Q159 Lord Hart of Chilton: I listen to all of your radio programmes, except for Radio X. From listening to Classic FM and BBC Radio 3, I would say that there is a very distinct difference between the product of Classic FM, delightful as it is, and the rather more substantial programmes on Radio 3. That is my first comment on what you have said. My second one is that Smooth, which I often use to get me to sleep, appears to have a playlist that repeats, so that what you hear on a Saturday you often hear, in a different order, on a Sunday. Do you ever compare the playlists of Smooth, Capital and Heart to see whether the same point arises in relation to all of them—that they are rather repetitive?

Will Harding: I do not pick the tunes at Global, for a number of very good reasons. It is absolutely the case that commercial radio stations tend to have what we would call a tighter playlist; they play fewer songs in what we would call a higher rotation—more often than Radio 2 does, for example. That is because, on average, people listen to the radio for a relatively short period of time. They tend to want a particular kind of music when they tune in to one of our stations and tend to tune out pretty quickly if they hear something that they do not like. It does not surprise me that you hear a lot of the same music.

Do we look at the music that we play between Heart, Capital and Smooth? Yes, I am sure that my colleagues do, but really they are doing it from the perspective of, “We operate these different radio stations. How do we maximise our total audience?”. We are a commercial organisation and we want to attract as many different listeners as possible to sell advertising to our advertisers, so we try very actively to ensure that Heart is different from Smooth and different again from Capital, and that Capital XTRA is different from Capital. We do not want to duplicate the same services; it is a waste of our time. We want to offer something different—a choice of listening—to our listeners, to get as much of the listening pie as we can. That is why we always come back to how different Radio 1 is from what the commercial sector produces. It makes no sense to the listener and, I think, in public policy terms for it to produce the same kind of output.

You mentioned Radio 3. I am glad that you think it is very different. Our perspective on Radio 3 is very different from that on Radio 1 and Radio 2. My colleagues at Classic FM were very exercised that, under its previous controller, Radio 3, which had a long history of being very different from Classic FM, seemed to be drifting closer to Classic FM. There was a point in time when you could tune in at nine o'clock in the morning and stay tuned in until six or seven in the evening, and you would only ever hear someone who previously had been on air on Classic FM. The current controller, Alan Davey, who has not been in post that long at Radio 3, said all the right things when he took over the station, in terms of making sure that it was genuinely distinctive. Some changes have happened on Radio 3. I am sure that my colleagues at Classic FM would say that they would like to see a few more, particularly in daytime, but I would put Radio 3 in a very different bracket. If Radio 1 and Radio 2 were as different from Capital and Heart as Radio 3 is from Classic FM—

Lord Hart of Chilton: You would not have a problem.

Will Harding: I would be much happier.

Lord Hart of Chilton: I am sorry to have delayed proceedings because of my personal fads. We will move on to a question that Mr Wheeldon has already canvassed in part. We know that when the BBC wants to introduce a new programme or fundamentally change another it has to go through a series of tests—the public value test and the market impact assessment. We need not go into the precise way in which that is done. What I would like to hear from both of you, and Mr Wheeldon has already said something along those lines, is your personal assessment of the current public value test. If you think it is not good enough, how should the system be changed? What would be the benefits of any changes that you suggest?

David Wheeldon: At the risk of repeating myself, for us it is pretty clear that there needs to be an independent regulator. We see no reason why that could not be Ofcom.

Lord Hart of Chilton: But the market impact assessment is carried out by Ofcom.

David Wheeldon: It is carried out by Ofcom, but ultimately it is the Trust that makes the decision about whether or not a new service goes through that process. That is one of the fundamental problems: there is too much power in the Trust.

Lord Hart of Chilton: Are you suggesting that there are occasions when a new programme has been introduced or a fundamental change has been made and those two tests have been ignored?

David Wheeldon: It is not that they are ignored—they never get there. The BBC's involvement in what became YouView was never subject to them, which we continue to find quite extraordinary. It was a very significant outlay of licence fee payers' money on a platform that was used by the BBC's commercial competitors and that a number of studies suggested would have a £400 million impact on the market—including on platforms the BBC had an interest in, such as Freeview and Freesat—yet it never got there, because the Trust did not deem it to be necessary. That surely cannot be right and it needs to be looked at fundamentally. We would like to see a gating process, whereby these things are all looked at by Ofcom and there is a minimum threshold of market impact. If they exceed that, they should not go ahead.

Lord Hart of Chilton: What would that be?

David Wheeldon: That is open to debate. We do not want to set it now, but it should be clearly and transparently set. Ofcom needs to have the power to review the service licences more regularly, there should be an ongoing review process and it should have the powers to call in services that look like they are having an impact that was not previously considered. As I said earlier, one thing we should all recognise is that it is in the interests of the licence fee payers, in our view, and indeed the whole market, that the BBC recognises that the market is moving on and it does not need to continue doing things in the same way. It can respond more flexibly, which could mean withdrawing from some areas and looking at others. At the moment, the rigidity in the system does not really allow that to happen. We are looking for a more flexible and rigorous system.

Will Harding: I will be brief, because I pretty much agree with what David said. I would do a number of things to the system. I would make sure, as David said, that all new services are

captured by the review process. Secondly, public value tests and market impact assessments need to be conducted by an external, independent regulator. Thirdly, the decision needs to happen in one place. As David said, in the current framework, the Trust conducts the public value test and Ofcom conducts the market impact assessments, but then the Trust just decides, which does not really make any sense to us. Going back to the first point, there is a long list of services that did not go through that process. YouView is the largest, by some margin. Inevitably, the services that affect radio tend to be smaller, but the BBC simply produces these new products. They just appear out of the ether, we have had no opportunity to challenge them and they have not been subject to any external scrutiny. I do not think that is right.

Q160 Lord Sherbourne of Didsbury: Can I turn to something a bit more specific, which was mooted earlier in the autumn by the director-general, Lord Hall? He talked about one proposal, which was “A review of the BBC’s website to ensure that it is distinctive with a stronger focus on online broadcast content”. That seems to me to be in line with one of the public purposes—No. 6. What do you think about that?

David Wheeldon: It is certainly right that the BBC’s web activities are looked at. In 1997 there was not much content on the web, so it seems to me perfectly justifiable that the BBC was in there, active and promoting it. We do not live in that world any more. I would be very nervous about the way in which Lord Hall framed that. It is not clear from what he said exactly what he has in mind. To sound like a broken record that may or may not play out on your radio stations, Will, it comes down to the process by which that proposal is assessed and, ultimately, given approval. We would want to see it subject to a very rigorous set of tests about what the impact would be and whether or not the BBC is proposing something that is distinctive, delivers public value and has minimal impact on the market. Subject to that, one would take a view as to whether or not it was appropriate.

Will Harding: I agree. On the face of it, this particular proposal seems to be an eminently reasonable thing for the BBC to be doing. The question that we ask is, “Great. What is the process for that review?”, which is obviously something we have talked about. Lord Hall made a number of proposals in September. Some of them were perfectly sensible. In radio, one proposal was that they would develop a new service so that on your mobile phone you could effectively select different programmes from different BBC radio stations and they would all play in one seamless stream. That is a great new way for people to access BBC content, so you say, “Fantastic. Why not?”. The other service they proposed appeared to be some kind of competitor to Spotify, which is extraordinary. I hope that is not what they meant; it is very unclear what they meant. The point is that there is not a proper process to review these things.

Lord Sherbourne of Didsbury: I understand what you are saying. To generalise from that, and to amplify what you have said already, you would apply quite clear criteria to everything that the BBC does at present or in future, according to what you would like to see in some criteria for “distinctive”. I do not want to go into what is distinctive, because it is too complicated a subject for the time we have available, but basically you would like to have criteria so that you could see how the BBC was deciding whether it was the right thing for them to do.

Will Harding: Yes, I would.

Q161 Baroness Kidron: Since we have been taking evidence and the starting gun was fired on the charter, the phrase that we have heard most is “scale and scope”. That seems to mean something around, “Should the BBC be smaller?”. It does not seem to be as open a question as it seems at first view. Could each of you describe what you believe the scale and scope of the BBC should be? Specifically, what do you think needs to be left out entirely, and what should they be doing that they are not?

Will Harding: For the most part, I sympathise with BBC management in the way they have approached this. However, it is a bit disappointing that most of the proposals from the BBC, and most of their response to the open question in the consultation, which is what the scope and scale of the BBC should be, has been: “Largely, we should do what we currently do”. It would have been more interesting to have some slightly bolder thinking going on. No one in the BBC really seems to have asked the question, if you were creating the BBC from scratch today, what kind of organisation and what kinds of services you would create. There is a tendency—David made this point earlier—for the BBC to be very good at launching stuff but to find it very hard to stop doing things once it has started them.

Baroness Kidron: I know. I am asking you about what you think they should stop doing, rather than their process.

Will Harding: Okay. I would love to see them much more focused in what they do on radio. The people who run BBC radio stations are very talented and committed people. Inevitably, at the end of the day their primary goal in their day-to-day jobs is to get as many listeners as possible. That is perfectly human and natural. It would be very odd if it were any different, but I do not think that it has produced a great outcome. I am not suggesting that they should shut down Radio 1 and Radio 2—far from it—but I would like to see them be much more ambitious about what those stations can do in the current market and worry far less about how many listeners they have in total.

In other areas, the BBC has had a very quixotic approach to local content. On the one hand, a few years ago it proposed a very radical investment in local video, which caused a great deal of concern from the local press industry. On the other hand, quite recently it proposed—or, to use PR jargon, it flew a kite—as to whether it should shut down BBC local radio in England, which seemed an equally extraordinary thing to do. I would like to see them do more for audiences who are not well served by the market. BBC local radio in England is a good case in point. It is supposed to be targeting an older audience in which, unfortunately, advertisers tend to be less interested and to which we therefore do not devote as much effort as, in an ideal world, we would. I would like to see them do less in terms of trying to maximise their audience all the time on Radio 1 and Radio 2.

I would like the online vision for the BBC to be more ambitious, not in the sense of scope and scale but in terms of what they are going to do that will drive innovation, content and things that other people simply would not do or think of. That does not seem to be what is coming out of this process from the BBC. It seems to be, “Defend what we currently do”. Perhaps I am being unfair—it is clearly for the Committee to decide—but it feels to me that the overwhelming motivation from BBC management is that the charter renewal process is just about defending the BBC.

The Chairman: We have run out of time. If we are very quick, we can just squeeze you in.

David Wheeldon: I can be very brief. Two things. The BBC should not be acquiring US content. We would like to see how much it is acquiring. It does not appear to be in the accounts any more, but there is a £91 million gap between first-run originated spend and spend on programming. That is not justifiable in any way.

Secondly, the BBC has to get out of the mindset of being a distributor. The idea that the only way you can access BBC content online is through the iPlayer and that the BBC has to control every element of it does not seem to fit into the way licence fee payers wish to access BBC content. Anybody who has a family will know that the kids are in the bedroom using one particular device, my wife is one room and I am in the other using different devices to access BBC content. It needs to be available on all those devices and across those platforms. The BBC needs to be ubiquitously available. That is what is good for licence fee payers and, in the end, good for the BBC. At the moment, the syndication guidelines the BBC operates under allow and encourage it to restrict the availability of its content. We are not saying that the BBC should not have control of editorial or brand attribution—not at all—but it needs to get out of the mindset of saying, “We have to be the content aggregator. We have to be the distributor”. It seems to us that Tony Hall’s proposal that the iPlayer should somehow become this big aggregator of all British content just does not reflect the way in which people are accessing their content—or, indeed, anybody else’s content—in this day and age.

Baroness Kidron: Can I ask for a really quick answer on this? Internationally, on the public purpose of taking us to the world, do you have anxiety about cutting down the BBC’s power on the world stage, if their scale is pulled back?

David Wheeldon: There is something else that could happen as well. At the moment, the BBC has a sweetheart deal with BBC Worldwide, so BBC Worldwide gets the first look at distributing all the BBC’s programmes internationally. Frankly, that limits the ability to exploit its commercial value, because you do not have any competition for the BBC’s programming distribution. It also limits ideas. It limits the creativity of international distributors, who may well find new platforms and avenues to distribute the BBC’s content. That is another example where the BBC trying to control everything acts against the interests of the licence fee payers, with less money coming back. It is also against the interests of the BBC and the sorts of things you are concerned about—the projection of the British brand overseas. It is a mindset issue, as much as it is regulation. It is a great brand. It does great content. It should not be afraid of distributing that as widely as it possibly can and relying on the fact that if it is ubiquitously available people will turn to it. People love it.

The Chairman: Lord Arran, do you want to squeeze in your question?

Q162 Earl of Arran: David Wheeldon has already mentioned this. Why do you think that the BBC should not be buying programmes in the US, from the brave new world, as opposed to anywhere else?

David Wheeldon: When I am sitting there late at night, flicking between channels on my Sky box, very often I go on to the Fox channel and watch “American Dad!”. If I flick over to BBC Three, I will be watching “American Dad!”. Why? Why is the BBC spending licence fee payers’ money acquiring content that is available on channels almost next door to each other? It just makes no sense.

Earl of Arran: Does it apply particularly to the US or to Europe or anywhere else they should go?

David Wheeldon: If the BBC wants to acquire Danish noir, it will not cost very much. It is a few thousand pounds. That could be a good example of where the BBC can help to establish a market and a presence for that kind of content. Having established that, it could step back and look at something else. That is not where that £91 million—or whatever it is—goes. Quite frankly, that is peanuts.

The Chairman: Will, do you have a final comment?

Will Harding: No—

The Chairman: On the US?

Will Harding: That is a TV phenomenon, rather than a phenomenon in radio. If the BBC produced more of the kind of high value speech content that we would like to see on Radio 1 and Radio 2, it would do a lot more to bring the UK to the rest of the world than playing pop music does.

The Chairman: Thank you both very much. There are a couple of questions still on our list, so we may ask you to give us written responses to those. Thank you very much for your very full replies to all the questions today.

Examination of Witnesses

Dorothy Byrne, Head of News and Current Affairs, Channel 4, and **Kevin Sutcliffe**, Head of News Programming EU, VICE News

Q163 The Chairman: Dorothy Byrne and Kevin Sutcliffe, we are waiting on a couple of colleagues who will return shortly. In the meantime, can I welcome you? Thank you very much for joining us.

Dorothy Byrne: Thank you very much for having us.

The Chairman: Our inquiry is looking at public purposes; that is our special emphasis. We are also looking at scale and scope, which we have a lot of questions on, and we have the odd question about the licence fee as well, if we may. It would be very helpful to us and to the record, because we are being transcribed and transmitted, if you could introduce yourselves with a few opening words about yourselves and where you are coming from. If you want to add a statement that relates to the day's questioning, please do that as well. Dorothy, could I ask you to launch off?

Dorothy Byrne: Thank you. My name is Dorothy Byrne. I am the head of news and current affairs at Channel 4. I have been at Channel 4 for 17 years, and prior to that I was at ITV, particularly "World in Action". I am very pleased to come along today to talk about news and current affairs, because everybody at Channel 4 believes that it is the most important thing we do and our most important contribution to British society and democracy.

Kevin Sutcliffe: I am Kevin Sutcliffe. I am the senior vice-president of TV and video programming for Europe for VICE, which is a bit of a mouthful. I have been at VICE for two years. I launched VICE News, the fastest-growing news channel on YouTube, which I am sure we can talk about a bit later. For nine very happy years, I was at Channel 4, working with Dorothy. Before that, I had a career as an executive producer and producer at the BBC.

The Chairman: Thank you both very much. Bishop, would you lead off?

Q164 Bishop of Chelmsford: I do not need to tell you that the Ofcom review of public service broadcasting concluded that news and current affairs remains the most important genre for public service broadcasting audiences. I will not bore you with all the background, as you know it, but it would be great to hear from you how important you think the role of news and current affairs is in the UK.

Dorothy Byrne: I think that it is absolutely vital for our democracy. There are many changes going on at the moment, but we should not lose sight of the fact that the vast majority of people still get their news from television. That is what they rely on, so we have an enormous responsibility. The BBC and Channel 4 have very specific remits, which state that they must supply a large amount of current affairs in prime time. That is really important. We have two different remits, but they are each very important for the plurality of the media in this country. Ours, in particular, is to stimulate debate through the different voices and views that we bring. That is very important to discourse in society.

Kevin Sutcliffe: I would frame it slightly differently. The UK is not something to be seen in isolation any more. News, current affairs and documentary/factual programming is immensely important and immensely popular, but not just in narrow television terms. We are in a global market. Many people in Britain access their news, current affairs and documentaries in many different ways and will increasingly do so. Television is a very narrow definition. It is a screen on which content is viewed, but there are many other screens. I place that out there to start with, because I represent VICE and VICE News, which developed as a response to what was seen as a very narrow offering on television in the UK.

To go back slightly, I think that news, current affairs and, particularly, documentary in the UK is quite strong and has a very important public purpose, but for a long time it has not served a younger audience. The audience for terrestrial news and current affairs is older and has traditionally been quite old. Dorothy may want to elaborate on this a bit later, but it is a secret of a lot of the broadcasters that a lot of really interesting content is consumed by an older audience. While I was in terrestrial broadcasting, there was a perception that the younger audience was not particularly engaged with these issues. The emergence of VICE News and other online providers has proved the opposite. We see our provision to the UK in a global context, not in a narrow terrestrial context.

Bishop of Chelmsford: To tighten the focus a bit on the BBC, what do you think should be its provision of news and current affairs? Do you feel that it has more of a duty in this than other broadcasters?

Dorothy Byrne: The BBC should be a powerhouse of great journalism, because it has the budget, the reach and the remit. Absolutely. It has a duty to provide a lot of current affairs in prime time. We, as a publicly owned broadcaster, have an equal but different duty. Ours is particularly to bring diversity of voice, which we do partly through the fact that we work with so many independent production companies; 50 different independent production companies have supplied to us in the past year. That really brings great diversity. Key as well is that you have this in prime time and that you have a great deal of it. We broadcast more prime-time news and current affairs than any other channel. With great respect to Kevin, I do not think that news and current affairs on terrestrial television is narrow. What you do is great and adds to it—I really enjoy it, and it is very important—but we should not lose sight of the fact that there is enormous variety. Well done to BBC Three, for example, for the very interesting rape programme that they did the other night. So there is diversity. You are

adding to a diversity that exists. As public service broadcasters, we need to be held to account to ensure that we are supplying the right amount and variety of content.

Q165 Baroness Healy of Primrose Hill: There is concern, as the Ofcom public service broadcasting review stated, that “as licence fee income has fallen in real terms, the last few years have seen the BBC reduce its investment in programmes in some key PSB genres such as drama, current affairs, specialist factual and education”. Current affairs has been identified by Ofcom as an area where spend has declined, leading to industry experts stating that the genre is now “at risk”. What assessment do you make of that—and if you do think that it is at risk, is there anything that can be done to mitigate this?

Kevin Sutcliffe: You should not get tripped up by volume over quality. That is quite important, because the BBC puts out a huge range of programming. In current affairs terms, I would like to see maybe less but braver—more breakthrough—programming. It does not particularly break stories. Channel 4 has been a braver journalistic broadcaster over the last 10 years. Some of the issues that should be thought about when you are talking about provision are what provision you are arguing for, and what the role of that provision is. The BBC often expands into areas it feels it must go into and must try to provide, in the same way as the NHS seems to be for all. But it might be better suited to defining its remit more narrowly and then thinking about the type and quality of journalism that it does.

I would like to see a BBC that tells truth to power more clearly and regularly than it does at the moment. What I find when I go to the BBC current affairs output is that some of it is good and some of it is so-so; it is just all there all the time. So there is a different argument and I would argue differently. It is certainly important that it is kept in prime time and that its prominence is protected in some way, but there also has to be a really firm discussion about what it is—what the content is, and what it is trying to do. At the moment, as I have said before, it often feels a little beige and it passes you by: we have ticked the box, done the coverage, move on. As the BBC moves forward and is faced with the financial constraints that will be upon it, I am not sure that that is the right approach.

Dorothy Byrne: The BBC still gets and will get a huge sum of money. We have much less money, but we have increased our spend. If you look at the last Ofcom review, we increased our spend on current affairs by 35%. Quantity and spend matter. Kevin talked about risk and bravery, which are really important. It would be good to come on to talking about risk and bravery, but you have to start with quantity, spend and commitment. The BBC has the licence fee. Channel 4 has its not-for-profit model. Other broadcasters have their commercial pressures. The public have the right to rely on the BBC and Channel 4 to provide them with a large quantity of current affairs in prime time. We overdeliver on our amount of current affairs. We did that last year, and this year we are going to do more. So if you are committed to it, you can do it. You have to believe in it. I can honestly say to you that if the head of drama, the head of features or the head of any other department at Channel 4 were sitting in front of you and you said to them, “What is Channel 4 for?”, they would say that our most important output was news and current affairs. That is definitely true of the BBC as well. It should be true. You have to be committed to it and to believe that that is the purpose of your public organisation.

Q166 Lord Hart of Chilton: Public purpose number 1 for the BBC is “sustaining citizenship and civil society”. How well do you think the BBC is performing in this area?

Dorothy Byrne: I do not want to attack the BBC, but when it comes to talking about the very important concept of sustaining citizenship and civil society I would agree with Kevin. The BBC must be brave. It must not be politically correct. It must not be looking over its shoulder and worrying; it must tackle the really difficult issues in our society, without fear or favour.

I will give you an example. When I first came to Channel 4, which was 17 years ago—a long time—one of the first programmes that I commissioned was secretly filming in Finsbury Park mosque, undercover. We filmed what was happening there and Abu Hamza urging young men to take down planes at Heathrow Airport. At that time, we came in for a lot of criticism for secretly filming in a mosque. Several years after that—because it is really important for a public service broadcaster to keep going on about what matters and what is important, even when people do not want to hear it—we broadcast a programme Kevin and I worked on together: “Undercover Mosque”. We were attacked by the Crown Prosecution Service and the police, who defended this dreadful man preaching vile, homophobic bile. We had to take legal action against the Crown Prosecution Service and the police to protect our good name. Wind forward 17 years, and here we are. Everybody is making programmes about this now. My message to the BBC is that you have to be brave and you have to tackle difficult subjects. It is not just for others to do that; you have to do it as well.

Kevin Sutcliffe: I concur with Dorothy. Given the amount of investment available, the BBC should be braver and it should be tackling and showing Britain in a way I often feel it does not. Very often I get the sense that there is a particular frame in which the BBC wants British citizenship to be viewed. We are in an incredibly diverse, internationalised world, and that includes the people who live in this country. Often I do not feel that that is reflected through BBC news and current affairs—since we are talking about output. People’s choices of where they consume their media now are global. The BBC is part of that. As a consumer of the BBC, I do not think that it gives me an authentic representation of what modern Britain is like now. That is a challenge for it moving forward. It is an admirable framework, but I suspect that it is out of time. If you look now at Britain, who lives here and the views within communities, they are not the ones that are reflected in how the BBC goes about reporting Britain.

Lord Hart of Chilton: The BBC Trust is proposing to change the service licences and to introduce “a single service licence for BBC News and Current Affairs which would make a series of public commitments for the BBC as a whole to deliver high-quality journalism across its services”. Do you think that that would help to clarify the BBC’s responsibilities in this area, or would it do the opposite?

Dorothy Byrne: It is not for me to say what the BBC’s remit should be. When I was preparing for this, I looked at the specific remits we have. It is obviously a very different situation for Kevin, but this is what I realised we have to do as Channel 4. It is in the remit that all of you have set for us. We have to be innovative and distinctive, stimulate public debate, reflect cultural diversity, champion alternative points of view, inspire change and nurture new talent. You could look at that and think, “Wow”—and I was slightly thrown when I read it all together. But having specific things we have to deliver on means that we rise to that challenge. We are publicly owned, and the BBC has a huge duty to the public as a corporation. I believe that having specific things demanded of you is good for you. People ask me why we often win many more awards than the BBC does. No wonder, if we are doing all those things and we are rising to all of that. I used to be a teacher, and being set things is good for you.

Kevin Sutcliffe: I tend to agree. If you have some horizon or benchmark that is set, you can measure yourself and be measured against it, particularly in this area. The thing we have not talked about is some of the internal mechanics of how television works. If you are a producer, or to some extent a commissioning editor, the popularity of making current affairs with a channel controller is quite low. You are not the first one they want through the door, because you are not bringing ratings. Sometimes you might be bringing trouble. You can see in the schedule sometimes, if you are a student of scheduling, just where these products—and they are products—are pushed, away from prime time. Unless you are really on to something big, you will be sidelined. I know Dorothy will tell me that there is a commitment to prime time at Channel 4, but you can see where difficult and challenging programmes are shifted around the schedules by channel controllers who are worried about their ratings. Anything that will make them think twice—“Just a minute. If I do that, at the end of the year somebody in Ofcom or somebody at the Trust will start adding things up and asking me questions”—can only be a good thing. That would be a worthwhile exercise, because when you are a channel controller battling against ITV or another channel, there is a tendency to put in another very popular-rating thing at 8 pm on a Sunday, as against something that is important and you are committed to. On a daily basis, that is a very difficult balancing act for a controller, so it is an interesting idea to have another voice there and to know that at the end of the year you will have to look at whether you have met your commitments.

Q167 Baroness Benjamin: Earlier you referred to a BBC programme about rape, which was targeted at an audience of young people. “Newsnight” had some young people as guests discussing the programme, which was quite unusual. During our evidence process, we have asked some young people to give us their views on how they relate to the BBC. Across the industry as a whole, are there specific problems related to engaging and attracting a younger audience? If so, what do you see as the problems?

Dorothy Byrne: First, we should step back and realise that the majority of 16 to 34 year-olds still rely on television news. We must not lose sight of that. In a year, two-thirds of young people will watch “Channel 4 News”. We are by far the youngest news. At the same time, we have to recognise that we have to go out and find them where they are. For example, our online offering, other than our basic service, is now entirely targeted on going out and reaching young people where they are, particularly on Facebook and YouTube. In the past year, we have had a fivefold increase in our Facebook views and a threefold increase in YouTube. To a large extent now, we see that we have to take that special Channel 4, in-depth, very high level of international output and work out how we can really sell those films and values to young people. The really good news is that they want it. Before coming here, I looked at what were the top 10 subjects viewed on “Channel 4 News”. Almost all of them were really serious subjects—for example, about refugees in Germany—just as what Kevin does is very serious. One of our most watched things on YouTube for news and current affairs in the past year was about a boy in Uganda who could not speak—27 million views. If you create the content and give it to people in the way they want, they want serious news. We have to reach out to them, but we must not forget television. That is very important for us as public service broadcasters. As commercial terrestrial broadcasters are coming under so much pressure, it is more and more important that we have that remit on TV, while also taking our material and competing with Kevin.

Baroness Benjamin: The programme last night on rape really had young people going, in quite an unusual way. They were quite articulate about their views. How are you planning to

engage those young people in the future, perhaps with a programme covering an issue that really fires them up?

Dorothy Byrne: To give you a terrific example, yesterday we launched something called “Two Billion Miles”, which I really urge you to look at. I do not know whether any of you have seen it. One element of it is a short, beautifully made film showing that in this year refugees have travelled 2 billion miles altogether. It tries to get young people to understand the overwhelming meaning of that. It is 80 trips to the moon and back. The final question on the video is, “What would you do?”. Then you go on to a much more complex piece of work, also available online, which is interactive. You think through for yourself what you would do if you were in Syria or in Eritrea. That is to help people really think. Yes, we will have to rise to the challenge, but I believe that we are doing that. I pay tribute to BBC Three, actually. It is a very interesting channel.

Baroness Benjamin: That is what I was going to ask you. Do you think that the BBC should play a bigger role on this issue?

Dorothy Byrne: The BBC is so huge that of course it must reach out to young people. It must not become a series of channels just for older people.

Kevin Sutcliffe: We are in a slightly different position, because VICE has been online for 10 years. VICE News grew out of simple demand. We know our audience, because we communicate with it online, very democratically. There was a demand for serious long-form and short-form current affairs and documentary, which has been proved by the launch of VICE News and the fact that it has grown so massively so quickly. It has 1.6 million subscribers on YouTube and had 316 million video views¹ in its first year and a half of life.

Partly that is to do with tone. Dorothy is right about reaching out. She is reaching out from a different place—from terrestrial television, out into the internet; we are reaching out within an audience we know. That audience had moved away from television and felt that television news and current affairs was older, talked down to it and was formal and stuffy. It did not speak to the millennial audience with a voice that it recognised or understood. We have moved into and filled that area, and we continue to grow.

What does that look like? It is a very authentic, street-level, immersive form of journalism. If you put it against a piece of BBC journalism, it contains all the same requirements of reporting to a quality and standard, but it has a different way of story-telling and relating. By talking to our audience and understanding it very well, we found that they were desperate for this change of tone. That is a really important challenge for the BBC going forward—particularly BBC Three, but all BBC channels. The news itself is very formal and old-fashioned. It has not really changed its format in 30 or 40 years, although it changes its graphics every so often.

We have a different approach and a different way of viewing that. We are in the same market as Dorothy, because if people do not like our product they will go somewhere else, and we recognise that. We are in a global market for young people. They are not just in the UK; they are global, and we can track that. We can track where they are watching and how they are watching. More importantly—this speaks to the slight obsession with television—if we spin forward five to 10 years from now, the role of the phone and of other screens such

¹ Amended by the witness on 12 November 2015. The figure of 150 million video views quoted during the evidence session was incorrect. Source: YouTube <https://www.youtube.com/user/vicenews/about>

as Facebook, YouTube or whatever the next platform is are the things to think about, because those are the things that the next generation is accessing. Sixty per cent of our referrals are from Facebook; they are not through the front door of our website. The way things are consumed is really important to us. I presume that, moving forward, the BBC will be strategising about that as well. Television is still a very important and large part of people's lives, but it is increasingly only one part. The content that they consume is consumed in many different ways.

Baroness Benjamin: If the BBC were to do more, would that be in direct competition with you? Do you think that it should do more in this area?

Kevin Sutcliffe: We do not look across slavishly, because we have a path and we know what we are doing. We have our own news values; we do our own thing. BBC Three making that film—it has also done some other popular current affairs—is a good thing. If the BBC decides to get behind something, like that subject, that is great, because of the resource that it has and because it has such momentum and such reach. One of the things that I often find disappointing is that it fails to say something. What I often think about campaigns and things is that they nearly get there. You then want them to say what they actually want from this—what they are trying to say. I did not see last night's show, but that is my overall impression. My sense is, yes, they have the heft to get behind something really important. They should then show commitment to it and really push it. In the past, when Channel 4 campaigned on things, you really knew what it was about. It had an outcome: what is it trying to do? Dorothy may disagree, but I think that sometimes the BBC slightly pulls its punches. It has an amazing amount of reach, much more than we have, or even than Channel 4 has. I would look to it really to become more impactful when it gets behind something.

Dorothy Byrne: Yes. We say sometimes that you have to be duly impartial, but we are against wickedness, so you do not have to pull your punches quite so much.

Baroness Kidron: You say that it has reach, but do you both feel that the BBC has the editorial independence not to pull punches? I am curious about what you are saying. You are saying that it fails to say something. Is impartiality holding it back, or is it some other factor?

Kevin Sutcliffe: There is quite a debate about impartiality, isn't there? In fact, I was talking to somebody at the BBC about that. We go for a different approach, which is authentic story-telling. Within that authentic story-telling, our audience takes away what it wants. Our audience is not stupid; it is a very intelligent, clever audience. So we are not bound by what appear to me to be constructs. What is impartiality? It is a construct, and I worry that as a construct it may have had a function at some point, but I am not sure what it is now. The audience is much more sophisticated in the way that it consumes stories and journalism, so I am not bound by that narrow notion of what journalism is. If that is what BBC journalism is, that is fine, but that is not what all journalism is.

Dorothy Byrne: It is only supposed to be due impartiality—it is not absolute impartiality. The key thing is that all the independence is written in there; you must just not look over your shoulder and worry about politicians. We often film politicians, in all sorts of different ways—I will not go into them now. You cannot think, "If we film politicians, we are going to upset them". You just cannot think like that. I will give you an example of a programme that we made. Peter Hitchens made a programme saying that David Cameron was insufficiently right-wing. You can see Peter Hitchens on the TV. Sometimes people are surprised to see right-wing people on TV, because they think it is full of lefties, but you can see him. You can

judge for yourself what he is saying—he has to put the alternative view in there—and then you can decide for yourself, because audiences are intelligent. You do not need to have 50% of your programme saying this and the other 50% saying that. I can hear the arguments—I am quite clever—and then I can work it out for myself. So people who think that you cannot say things are wrong, because you can. There is no rule that stops you saying anything, unless it is illegal.

Kevin Sutcliffe: I think that you may be asking whether we feel that the BBC pulls its punches because of pressure, for example. I worked there for over a decade and I would say that it is an organisation that is very alert to the political ramifications of what it does. There is a level of alertness to what might happen if we do something or make it in this way or this manner. That is in play. This may be out of date, but from watching it, particularly if I watch a lot of BBC political coverage, I am very aware that it appears to be not quite the crusading, open journalism that I would expect of political reporting that I read in other places, such as a newspaper.

The Chairman: Baroness Jay, your question follows on from that.

Q168 Baroness Jay of Paddington: Yes. We are really talking about the same questions—specifically on the BBC, if we can—of bravery, risk-taking and all those things. You have both been pretty robust in what you said about its current inability to do that, and you mentioned the possibility of political pressure. I wonder whether you also feel that there are particular pressures created by the application for the licence fee and charter renewal. I know that is pretty short term, but does it hang over the BBC in terms of its approach? Dorothy, you explained how you have challenged regulatory matters, but the regulatory environment both for you and for the BBC is far stricter than it is for VICE. Presumably you would agree, I hope, that that would have an impact, but maybe you feel that it is just lack of bravery, too.

I will be specific. Kevin, you have talked about how BBC current affairs should be “taking the tiger by the tail”, and “Panorama” needs to be “more in your face” and so on. I suppose I should declare an interest, as we say in the House of Lords, having been a “Panorama” producer. I do not think that we were particularly beige, which is the word you used before, but maybe that was just the old days. There is a question about those two specifics and about whether you are just looking for what you called a change of tone in the way the BBC does some of its current affairs, or whether it really is much more mealy-mouthed, in the way that you described.

Kevin Sutcliffe: As a former “Panorama” producer myself, I feel that the BBC is very alert managerially to implications—to overthinking. It is obvious that in the past it was subject to political attack—not necessarily pressure, but attack. You can see that. You are right: there is a tight regulatory structure around, which can be used as well. You only have to look at how to complain, to keep the BBC tied up. When I went to work for Channel 4, it still felt regulated but, in a way, a slightly freer environment—a freer thinking, more open and risk-taking environment. So it is partly institutional. The institution itself is inward-looking. It is a bit like a mini-state. That mini-state has all the machinations of a state in how it sees itself. I feel very strongly when I watch some of the content that somehow the infrastructure of the state has produced the content in this way.

Baroness Jay of Paddington: Apart from the regulatory structure, the political antennae and all of those things, do you think that that is very directly affected by the licence fee—not

specific negotiations, but just the feeling that these people are paying for us, so we had better be careful what we say?

Kevin Sutcliffe: I think that their direction of vision is here, more than anything else. Their antennae are attuned very much to here. I am just a licence fee payer, so what do I know, but to me the whole licence fee discussion feels rather papal. There are lots of discussions in rooms that I am not privy to, and then something happens, a concession is made and everything carries on. As I have gone into a different part of media content production, that feels like a completely different place. It feels like a very small discussion, because something else is coming down the line. What is coming down the line is technological innovation and a generation that views and consumes content totally differently. Some of these discussions will feel slightly obsolete five years from now, in a way. A bit of me feels that. The BBC feels like a constrained organisation.

Baroness Jay of Paddington: You have spoken a bit about it before, Dorothy. Do you want to add something on this particular point?

Dorothy Byrne: I have never worked there. I have always been a free individual. I am sorry, but I do not wake up in the morning and worry about what you all think. I wake up in the morning and think, "What is happening in the world today, and what should we be doing about it?". However, I am very conscious that I am really lucky. At Channel 4, we have our remit and we have to stick to that, but you do not pay for us. We have this fantastic model. We are publicly owned, our news and current affairs is defended and then we make all our own money. That pays for the most important thing, which is, of course, what I do. We are really fortunate in that way. I have never particularly felt that I longed to join the BBC. They all seem to be worrying not just about politicians but about what their bosses think.

Q169 Lord Sherbourne of Didsbury: This is directed to Mr Sutcliffe. Following on from what we have been talking about, if you were at the BBC now and were given a freer hand, what would you like to do in terms of current affairs, for example? Where would you make the BBC a bit more adventurous and exciting?

Kevin Sutcliffe: They have a very capable new head of current affairs in Fiona Campbell, who is a friend of mine, so I am loath to offer her any instruction or advice. For me, it goes back to tone, fearlessness and very simple things about being a journalist, direction of travel and the freedom to feel that you can take risks. The difficulty, which relates to the Baroness's point, is that the BBC is under such a spotlight all the time that, when those risks are taken and they go wrong, it does not take risks for a very long time. For me, it is about leadership and a clarity of vision about what is news and current affairs for the BBC moving forward in a Britain that I recognise in the next 10 years. What is it trying to do, and what are its purposes? Is it a cover-all? "We covered all the news today", so you are happy that you have a digest. Is it something slightly more pointed? "Look, this is what Britain feels like. We want to show you and challenge you about what Britain feels like. Here are some uncomfortable truths about Britain". It goes down to that editorial leadership.

Lord Sherbourne of Didsbury: I want to go down the scale a little, below the leadership. With your experience, having worked for the BBC and not, do you feel that people's mindset on how they approach things in the area of news or current affairs changes when they move from the BBC to another channel? That is really interesting.

Kevin Sutcliffe: At “Channel 4 News”, there are a lot of people who have worked for the BBC and then worked outside, in the independent sector. I think they feel less beholden to a bureaucracy that is managing everything—managing their journalistic ambition. I would say that at Channel 4, and certainly at VICE as well, journalistic ambition was paramount. That was the thing; you encouraged the talented people you wanted to work with. That is not paramount in the BBC at some points. That is an observation I would make. As Dorothy said, the most important thing is to get out of bed and think about what you are cross about today: “Let’s make a programme about it and really do something about it”. That is the most challenging thing to keep hold of in a bureaucracy such as the BBC. There are so many voices, so many layers and so many reasons not to do something.

Lord Sherbourne of Didsbury: Dorothy, you have had people move from the BBC to Channel 4. Do they feel liberated under your regime?

Dorothy Byrne: I find that, when they come, they are always asking what the boss thinks: “What do you think the boss will think?” I will not even name the various bosses. I say, “I do not know what they will think. What do you think? What do you think you should do?”. It is almost like they have been liberated from a camp or something. It is just about getting them to think for themselves.

There is another thing. I know it is about what we do—we are about diversity of view—but I remember saying to one person who had worked for “Panorama”, “Yes, that is a good idea. We will have your idea”. They said, “Who will be in charge of editorial policy?”. I had never even heard the term. I said, “Well, you—and you had better get it right”. Sometimes they think that we are all going to think the same thing and all the programmes will say the same thing. They need to get used to freedom. As I said, in a year our department alone works with 50 different production companies. You are not just working for Channel 4. You will be working in a production company, which might be a foreign production company. You can see that it is possible to see the world in different ways, and it will not be just your boss who defines what that way is. That is what I find about them—although not, of course, with Kevin when he joined.

Q170 Baroness Kidron: I was going to ask a number of questions about the online space, some of which you have already tackled. If you have, please skip over. Let me give you them all at once, and maybe you can pick up what you think is interesting. First, how important is it for news and current affairs to be online? I think I know your answer, but it would be good to hear, because there is some conversation about whether the BBC should be in this space. Is it possible to be a news and current affairs organisation without considering online in a massive way?

How do you feel about the multiple sources of news? As you have already explained, you can get it from Facebook, Snapchat or wherever. How about the idea of trustworthiness and quality of information? How do you see that issue from your point of view? What role does the BBC play? Then there are two small, very specific things you will be very aware of. One is the accusation that the BBC is crowding out other players. The other is its announcement about the 100 journalists. That is quite a lot of questions. Maybe you could pick across them.

Dorothy Byrne: Trust is absolutely essential. Both the BBC and Channel 4 have incredibly high levels of viewer trust in all studies that are done. We made a decision at Channel 4 several years ago that our online offerings should all subscribe to the same regulatory

framework as we do on television. I am not saying that everybody should do that, but it is really crucial for both the BBC and Channel 4, as brands that people absolutely know they can trust to be duly impartial. Our news and current affairs has never lost an impartiality case. It is really important for us, when we go out there as our organisation, to go out with the same responsibilities as we have on television.

Kevin Sutcliffe: Brand trust is very important. We come at it through authenticity of journalism. In the last 18 months, we have built a news brand where there is no question at all that the journalism is of the highest standard. As soon as it is not, people will go elsewhere. It is a market, so we are very aware that we have to work to the highest journalistic standards, which we do. Surprisingly, they are not dissimilar to Channel 4's, given that that was my last employer.

The way we see it is through authenticity. We see that the audience that we are serving demands a different tone and approach. That approach, which we would characterise as authentic, has a different way of trying to tell stories and showing you how things are, which is not necessarily common across what could be called heritage media. Bear in mind that a lot of where we have developed from is a reaction against a much more marked formality in American television, where there is a great word—to bloviate, which is what they do most of the time. Basically, it means talking to one another in studios a lot. Our audience responded against that. We have grown a large audience by being authentic, but within that the journalism is very robust, solid and trusted.

Baroness Kidron: How about the BBC suggestion about the 100 local journalists?

Kevin Sutcliffe: It struck me as more of the BBC going off into other areas. I did not quite get what that was about, other than a sort of land grab. Can I go back to your other question about whether the BBC is this large entity that can squash out competition? Often there is a feeling that if you are a business—I work for a business that has had to raise money to launch a news and current affairs vertical—to have the BBC as a competitor is welcome, but it is not a competitor on a level playing field, because we have had to go to market and we have to live by financial rules that the BBC does not have. So when the BBC moves into a space, there is an argument about what the implications of that are in terms of a fair playing field. That is one thing. I am not sure that I want the rest of Britain to be flooded with BBC journalism, to be honest.

The Chairman: Dorothy, do you have any thoughts on the BBC's partnerships?

Dorothy Byrne: No, I do not think so. I began as a local journalist on the *Walthamstow Guardian*. I was a really good journalist because I was trained up and lived in Walthamstow. I worked for a little group of newspapers that came from Walthamstow, and we knew and cared about our area. Local journalism is incredibly important.

Kevin Sutcliffe: There is a crisis and a challenge in local journalism. I am not sure that that is the answer.

Baroness Kidron: On the skills issue, the BBC does a lot of training. Are your organisations willing to take on some of those responsibilities? Do you feel that the BBC does a lot of good work that you inherit?

Dorothy Byrne: The BBC is an enormous organisation. Its role in training people is incredibly important. The specific thing that we are doing at the moment is training investigative journalists, because there is a specific skills shortage there. We have been running an

investigative journalism scheme for about three years now. The BBC, with its big resources, should do some great training, and it does. That is very important as well for the independent production companies we work with all the time. They do not have the wherewithal to do that, so the BBC's role is really important there.

Q171 Lord Goodlad: The editor of BBC2's "Newsnight", Ian Katz, said, "The truth is that almost certainly BBC News has to do less. The output is vast". Do you think that economic constraints will—or indeed, should—lead to a reduction in the scale of BBC news?

Dorothy Byrne: They have billions of pounds of money, as I see it. They are such an important public institution. That is their core point and purpose, just as, for Channel 4, news and current affairs is our core point and purpose. You must not lose sight of that. There may be other things one reads about in the newspapers that they could cut before they cut the news.

Kevin Sutcliffe: It is not about just cutting the news. My sense is that it will expand. The BBC expands into all areas. It says, "Oh, I like that", or, "Look, VICE News has appeared. We should be doing some of that". He is right; it might be spreading itself too thin. With what is coming, there will be financial implications, so cutting the cloth and living within your means is a good exercise. You must also be really clear about what the core purpose is. As viewing habits change, people are not going to consume only at six, nine or whatever—they are going to consume differently. It is very important that the BBC responds to that. My sense is that it needs to not feel that it has to occupy all the journalistic space all the time. That is not really sustainable.

Q172 The Chairman: I have a final question about the licence fee. Do you think that the process we witnessed in July was satisfactory? Do you have any comments on it?

Dorothy Byrne: I am very glad that that is not how we get our money. We get our money from adverts, so we do not have to go through that horror, which it must be for many of them. For everybody involved, it is a very long process, is it not?

Kevin Sutcliffe: Again, spin forward 10 years. The millennial generation does not want to pay for content. They do not want to pay for any content, including what they would probably consider to be a tax. The next licence fee—or the next attempt, whatever the licence fee is—will meet a generation that has got used to getting things for free on the internet. That will be the next challenge.

The Chairman: That is a very good point. I have to declare an interest that I did not realise I had. There have been several references to the BBC Three programme on rape last night. My son, Will Best, was the presenter, so I put that on the record.

Thank you both very much indeed for an extremely stimulating session. We much enjoyed it, as well as learning a lot.