



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: Steve Holebrook and Anirban Roy

Rt Hon John Whittingdale OBE MP

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
 Baroness Bonham-Carter of Yarnbury
 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

Steve Holebrook, Director of Terrestrial Broadcast, Arqiva, and **Anirban Roy**, Director of Public Policy, Arqiva

Q199 The Chairman: We welcome Anirban Roy and Steve Holebrook from Arqiva. Thank you both very much. Arqiva are very well represented today. We are going to run for about 40 to 45 minutes, if we may. We will be televised and there will be a transcript of everything you say, so it is all on the public record. Would you introduce yourselves and tell us a little about yourselves, because the people watching from outside will not have had the excellent biographical details that we have? If you want to make an opening statement, perhaps summarising some of the things you are going to say later, that would be very helpful too. Let us start with Anirban.

Anirban Roy: Yes. Hello. I am Anirban Roy. I am Arqiva's director of public policy.

Steve Holebrook: I am Steve Holebrook. I am the MD for our terrestrial broadcast group. I have worked in many different parts of Arqiva over the years so I have a broad understanding of many parts of the business. It might be useful to do a brief introduction on Arqiva itself so that people can understand the role that we play. We work very closely with all the broadcasters in the UK. Predominantly, in the context of this Committee, we work on the Freeview platform. Fundamentally, the infrastructure, equipment, technology, the people who support Freeview and the distribution of the DTT network to 75% of the homes of the UK are our technology and our platform. We contract with the broadcasters to deliver those services. Equally, in the context of radio, we operate all the analogue and digital radio networks on behalf of the broadcasters as well, so we help them to get their content out to the UK public.

The Chairman: Thank you very much. The Bishop is going to start us off.

Q200 Bishop of Chelmsford: Thank you. It is good to meet you. The sixth public purpose of the BBC, as you well know, is "promoting its other purposes, helping to deliver to the public the benefit of emerging communications technologies and services and, in addition, taking a leading role in the switchover to digital television". Is this sixth public purpose still relevant in 2015 and beyond? Also—we probably know your answer to this question, but we do want

to hear you say it—to develop that a bit, should the sixth public purpose, however, be reworded, clarified or developed in some way? If so, what would that be?

Steve Holebrook: The very short answer to both of those questions is yes, from our perspective. To go back into it, if we look at the purpose of that sixth purpose when it was written at the beginning of the charter period, there was an expectation of significant technology change in the media space. As we look back now, 10 years hence, you will see that that has happened. The BBC has played a fundamental role in delivering that change; 10 years ago, we were just beginning to plan digital switchover; we had not started any of the works, and obviously that programme has been hugely successful, converting all the UK public into a digital-viewing public. The Freeview platform, which was just beginning to evolve at that stage, is now the largest platform in the UK; it reaches 75% of UK householders—the users of the platform—although we cover 98.5% of the population. The iPlayer was born only in 2007, so that has been a significant development as well. On the platforms as they are used, red-button services have come in to enhance the viewing experience to give more shots for live TV events, such as the Olympics, and you get additional services, music events and such like. Digital switchover has taken us from an era of five analogue channels through to 60 digital channels and 12 HD channels. That itself has been a huge success during that period. In the radio space, we have seen the expansion of digital radio listening. Now 42% of listeners consume digital content. The DAB network is now at round about 96% coverage. The purpose has been delivered as part of this.

As we look forward to the next 10 years, we will continue to see technological evolution, and we see and believe that it is important that this continues into the charter period going forward. We are looking at further evolution of the Freeview platform. As viewers' TVs get larger—in the last five years, the size of TV sets has grown significantly in that now 52% of the public have TVs which are up to 50 inches in scale—that demands better picture quality to be delivered into the home. HD services and the viewers are consuming more and more content, not just live, but they are looking for catch-up services as well. We think it is important that the platforms that we have invested in already are allowed to evolve and to meet those changing needs. The way to do that is to continue with this public purpose, although potentially reworded.

Bishop of Chelmsford: Do you want to suggest how you think that rewording may happen? Clearly, as it is, you can say for part of it, “We have done that”.

Steve Holebrook: The references to digital switchover for TV should be removed, but we should recognise that those emerging technologies that it was talking about at the time are mainstream now. The digital platform, the DTT network, is mainstream, but we cannot ignore the need to evolve and continue to evolve that so that it meets the viewers' changing needs going forward. Similarly, digital radio is not universal yet, so we need to ensure that the radio platform continues to expand its coverage so that all of the listeners around the UK benefit from it. We are quite close, but we are not quite there with equality to FM. If the Government make a decision around radio digital switchover, we need the BBC to be in a position to help with that and to receive the appropriate funds to enable that to happen. There are emerging technologies that are coming out, so the IP—the internet—and how broadcasters adapt and adopt that technology will also be important. We would like to see a slight change of emphasis to this, so that it is not just looking at the emerging technologies but making the most of the technology change that we have already been through and those platforms that have been established.

Bishop of Chelmsford: Anirban, do you want to add anything to that?

Anirban Roy: The only thing I would add is that, in the world today, 21st-century consumers expect good technology. It is a baseline of what they expect. The BBC absolutely needs to be part of that. The important thing about the sixth public purpose—it is part of what Steve was saying—is that the BBC needs to make sure it stays with its licence fee payers. It needs to make sure that it develops those technologies that are still growing today, and we have talked about the growth of high-definition services, on-demand services and digital radio. The BBC needs to stick with its licence fee payers and not run too far ahead of them.

Q201 Baroness Jay of Paddington: You have already talked about digital becoming mainstream. How do you react to the Green Paper suggesting that in those circumstances, and given the extent of digital switchover that has occurred, the BBC should, in a sense, not necessarily be providing all the services that it does?

Anirban Roy: There are a few aspects I would like to pick up on that. First, the BBC is a hugely valued part of an ecosystem. We need to acknowledge that there is a vibrant broadcast sector outside the BBC as well, but the BBC is a key part of that. Particularly when you look at TV, the BBC provides nine out of, I think, 300-plus TV services in the UK. They are highly valued, but nine out of 300 does not suggest that there is an excessive scope there. On the Freeview platform, they provide what we call two multiplexes-worth of content and that seems like a reasonable—

The Chairman: Explain what you mean by multiplex.

Anirban Roy: Steve, you can correct me if I am wrong and I will pass this over to you in a second. Essentially, on Freeview, the TV channels and the radio channels are transmitted on different spectrum frequency bands. Each multiplex will be carried on a particular frequency band. What you will have on, for example, a BBC multiplex is, say, BBC1, BBC2 and CBeebies, and you have a number of radio stations. You will then equally have commercial multiplexes that will, for example, carry straight commercial services. You also have multiplexes that will carry, for example, Channel 4 and ITV services. There are eight of them in total in the UK today, three of which are high definition and the other five of which carry standard definition services. How was that Steve? Was I close enough?

Steve Holebrook: This would be more of a layman's explanation. One of the benefits of digital is that it is a lot more efficient to be able to transmit TV signals. In the spectrum that we use to transmit five TV channels, we can now squeeze 60. The way you squeeze them is by producing a multiplex and then you share that multiplex across multiple channels—typically 10 channels or so. It is like having seats on a bus; there are six or eight buses and on each bus there are 10 seats. Each bus is, effectively, a multiplex, allowing multiple channels to be carried within the technology. That helps reduce the cost because you have 10 channels where you used to have one and each of those channels benefits from a reduced cost of service.

Baroness Jay of Paddington: Given the technology, which you have explained very clearly, thank you, do you think that the BBC's public service objectives are necessarily now going to need the technological part of it—their licence—that you have suggested? Does it need to be on all the multiplex arrangements that you have described?

Steve Holebrook: It is not on all of them.

Baroness Jay of Paddington: No, I know, but I mean on the nine, or whatever it is.

Steve Holebrook: Part of it, yes.

Anirban Roy: You have to look at what the alternative is. If we can say that the core of what the BBC does is about delivering TV and radio services, the alternative—and both James Purnell and Tony Hall were probably quite vocal about this—is that it is carried over the internet. That is a rather bullish assumption. Tony Hall said in front of this Committee that over the next charter period he expects there to be a tipping point where internet services will take over from broadcast services. There are a few aspects to that. Today, broadcast services provide a universal service. It is reliable and it is free. If you have an aerial in your house, you plug your Freeview box in and you will get TV services. The problem with the internet is that it does not meet those criteria. As to universality, ultimately one in five households does not have the internet today. There are many reasons for that, but the latest research from Ofcom suggests that most of them do not want the internet. That is a massive barrier to overcome.

As to reliability, we have all—or certainly I have—sat at home and tried to watch TV services and got this little circle spinning and no TV. That is not what you expect when you turn your TV on. For me, probably the biggest aspect is that it is not free. If you want to get TV through the internet, you have to pay for a broadband subscription. I do not think that the BBC has an answer to any of those issues. The BBC gets something like 2.2%, 2.5% or maybe 3% maximum of all viewing from the iPlayer eight years after it was launched, so for Tony Hall to say, “Within the next 10 years there is going to be a tipping point where that 2.5% will be more than 50%” feels like a rather bullish assumption.

Baroness Jay of Paddington: We asked him specifically whether he saw the BBC News channel going online. As you say, he said that was hypothetical but that within 10 years there might be a tipping point. Conversely, on the question, “Do you think the BBC is doing too much?”, to which you seem to be saying no, do you think that there are matters in the public purposes on which they are not doing enough in the specific areas that you are concerned about?

Anirban Roy: We have already talked a little about how we would see the sixth public purpose being defined. That is the one that we have focused on. We have not given a lot of thought to the other public purposes. One thing we would say is that the importance of getting services out to all the nations and to all aspects of the nations is very important. Particularly if we are looking to have some kind of digital radio switchover at some point in the future, it feels critical that the BBC can provide digital radio services to everyone who can get services over analogue, or over the FM network today.

Q202 Baroness Bonham-Carter of Yarnbury: Pushing a little on what Baroness Jay was asking you, looking at the next 10 years and likely technological developments, though I know we do not have a crystal ball and no one foresaw the world wide web, do you think the BBC is equipped, or being equipped, with the ability to deal with these challenges?

Steve Holebrook: The BBC is a very strong organisation. It has good technology and people. It has very strong relationships with technology companies as well. It makes the most of its relationships and knowledge. It is well equipped. As to whether the sixth public purpose should continue or not, in the array of challenges that it has, it is important that that remains one of the focus points within there, so that when it is balancing its budgets and looking at

where it needs to make priorities, there is a nod still to the technology point of view. If it does not have that as an express purpose, there is a danger that it will slip behind and not be able to support the changes that happen. The BBC and the UK are very fortunate. We have very good technology. We lead many of the broadcast markets in the things that we do and the BBC plays a very important part in that. It would be a shame for us to lose that leading edge.

Baroness Bonham-Carter of Yarnbury: Am I right in thinking that you feel, when setting the licence fee, that this is a very important element, because it obviously costs money?

Steve Holebrook: Yes.

Baroness Bonham-Carter of Yarnbury: This is my final question. You mentioned digital radio quite often. Are there areas in which you think the BBC should be investing more? I am wondering if digital radio might be one of those.

Steve Holebrook: Yes. Digital radio is going through an up phase at the moment. We have just had some results. We get quarterly results as an industry to see how it is performing, and in the last year 12% more listeners have moved on to digital platforms and 42% of all listening is now from a digital perspective. People are going there voluntarily. They are not being forced to go to the digital platforms. They are moving there because of the better content, the variety of content. Now that the networks have expanded to cover more areas, people can actually enjoy it. More than 50% of homes now have a DAB set in the home. It is something that people are taking voluntarily.

We are in the process of the whole industry investing at the moment. We are in a very busy phase for DAB. There are three network deployments that are happening at the moment. The BBC's national network is being rolled out further, so it is being moved out to about 97% population coverage. We are about to launch a new national multiplex from a commercial perspective. That is going to bring 16 new national radio commercial stations to the market, which itself will help to drive take-up because there will be interest in the likes of Virgin Radio coming into the market, talkSPORT 2 and Talk Radio launching. These are all brands that are coming back in that see the advantages of movement into digital. From a local perspective, the commercial radio broadcasters are also rolling out to about a 90% coverage. When we compare them with the analogue footprint, the commercial nationals have reached the target that they need to—the equivalence. The BBC has not quite got there, so it will be at 97%, but to achieve FM equivalence it needs to be about 99%. From a local perspective, local commercial radio has probably hit what it needs to do in order to get to FM equivalence, but local BBC in some parts of the country has not quite achieved that. We believe there will be a need in this next charter period for the BBC to continue to invest in DAB to get to the same point as analogue to give it the option to move into a radio switchover if that is what the Government wish to do.

Q203 Baroness Kidron: My question is supplementary to that. I am hearing an incredible tussle between you saying, “Invest in the existing technology”—really build it, Freeview, DAB, et cetera—and “Don't get ahead of the licence fee payer as they want it this way and are still watching through DTT”, and yet hearing the future is digital. Tony Hall came in and used the phrase, which I have heard a few times now, “riding two horses”. My question is in two small parts. One, are we in a transition period? Can you see that this is a specific period of transition, or do you think it is going to be for ever thus? Could you help the Committee

and perhaps suggest to Government beyond this Committee what kind of support and resource the BBC needs to ride the two horses, if indeed you think it should be riding two horses, which is what I am hearing?

Steve Holebrook: I will comment on a couple of those things. We believe that the emerging technologies from the last charter period should continue to be invested in. They are digital, so we are talking about a digital future—it is DTT and it is DAB—but we have more work to do. On the DTT perspective, we have had great success. It has been adopted by the vast majority of the UK public. The DTT platform is the largest platform in everybody's living room: 10.5 million homes have Freeview in their living room; 75% of homes have a TV which is a Freeview TV in their house, whether that is in the second room, a bedroom, the third bedroom or the kitchen. Freeview is a phenomenal success. Some 100 million receivers have been sold in the market. It is important, therefore, that we make the most of that with the public having invested so much in that platform. That means we should move more towards HD and make sure that we can give the public hybrid services that make the best of broadcast and live, but make catch-up easily available through the equipment that they already have.

There is a need to back that horse, but we see that there are emerging technologies and people want to consume things in different ways—specifically on mobile devices and tablets, where they are not in front of the TV and want to be able to catch up with other services. We absolutely believe in that. We just want to make sure that there is a proportionality around the focus that the BBC has. There are two horses: one, the DTT, delivers 44% of the BBC's viewing and therefore it is a thoroughbred and needs to be looked after; the IP is a growing service but at the moment represents about 2.5% of the viewing public. Therefore, we need to make sure it is done in a proportionate way, that the investments are made in both and that they are given the ability to invest in both to keep them going.

Baroness Kidron: When you say “given the ability”, from your perspective, do you think this is an unusual period and they need double investment, or is it about how they manage this transition, if indeed we are going to see a transition?

Steve Holebrook: Yes. It is about how you manage the transition. The vast majority of investment in DTT has already happened. As a set of stakeholders, we and the PSBs invested £600 million in the network to make DTT a success. We need to continue to invest but the scale of investment is significantly less; it is peanuts in comparison. It is to make sure that it continues to evolve and be developed. Radio just needs a little more investment to get it to the point of being equivalent to FM so that everyone can get the benefit of universality. I do not think massive double investments are required across any of this. It is a matter of looking at where the audience or consumers are, what the appeal is, what the reach is and how long it is going to take, and then apportioning that amount of money appropriately. Where something such as a decision to do radio switchover comes in, I believe additional money and support would be required.

Baroness Kidron: Thank you.

Anirban Roy: Can I make a brief addition to that? One thing you are talking about is a transition period. Certainly, in analogue, the transition from analogue to digital is here, but the BBC has been talking much more of a transition to this internet world. That is still highly speculative. We just do not know. We cannot sit here and say it is definitely not going to happen, but equally the BBC cannot sit here and say it definitely will happen. We do not

know, which comes to this proportionality point, which is why you need to support what is emerging. We all really enjoy using iPlayer, Netflix, YouTube and all those other services out there, but we do not know yet if that is where the future is going to be.

The other point you raised was: is this a particular moment in time? That has probably been said at every single charter period. In the last period we were saying, "We are about to move into digital switchover. We are going to move from analogue to digital". Before that, we had been talking about the launch of Channel 5. Before that, we will have been talking about the move from black and white to colour services, the launch of satellite and the launch of cable. One of the extraordinary things about the broadcast industry, both in the UK and globally, is its ability to adapt to the changing world. There is always a lot going on because people change and it is a vibrant medium that encourages creative people to come into it. That applies to the technology side just as much as to the content side. So, yes, it is a particular moment, but every time we have this conversation it will be another particular moment.

Q204 Baroness Benjamin: You both touched on digital radio earlier and the need for the service to be available to the whole country. How important is the BBC's investment in digital radio for the growth and sustainability of this service, and can it progress without the BBC investment?

Steve Holebrook: The BBC plays an important part and does make investment in digital radio, and is continuing to do so. It is supporting its own multiplex being expanded to 97% of the population and it is supporting the expansion of the local radio multiplexes as the BBC gets carried on those multiplexes as well. It is investing. Does it need to invest in the future? Yes, it does. We are not there yet with switchover criteria, so the Government have set criteria of 50% of listening and equivalence to FM coverage. We will probably get to the 50% listening point by about 2017 or 2018, based upon the current rate of progress. As to coverage and where we have got to with this latest set of expansion, it does not go to the requirement that has been set for switchover criteria, so further investment is required. Should it be the BBC? I believe it should be routed through the BBC because the BBC understands the best mechanisms to invest and where to invest in those digital platforms to reach the audience. It should be given the means to do that

Baroness Benjamin: You have mentioned the BBC. Earlier, you mentioned that commercial radio also made a huge investment into this area. What about the Government? Do they play a part? Should they be investing as well?

Steve Holebrook: The Government have made an investment in the expansion of the local layer. DCMS has contributed.

Baroness Benjamin: Do you think it should be a wider investment?

Steve Holebrook: We do need further investment. As to whether that comes directly from Government or is routed from Government through the BBC to do it, it might make sense for it to come through the BBC. One way or another, it needs investment.

Baroness Benjamin: That is money coming from the licence fee payer then.

Steve Holebrook: Yes, to ensure that all the licence fee payers benefit from the service. At the moment, you have a proportion of licence fee payers not being able to access these services. One of the principles of the BBC is universality, to ensure that everybody gets an equivalent level of service.

Anirban Roy: One of the important parts of this is the idea of universality. As Steve says, the services need to get out to all the listeners. The important thing is that the BBC is adequately funded for what it needs to do. If a key part of it is getting services out to the licence fee payers, then it should have adequate funding to make sure it can do that. It can sometimes feel quite aggressive to say that we must take a slice of the BBC licence fee to do various things. We would agree with—I believe it was—the Culture, Media and Sport Committee, when they did their first investigation of the BBC, saying that the BBC licence fee should be used to deliver the BBC’s core purposes. What they were talking about was that the last time round the BBC licence fee was used to expand broadband around the country. That does not feel like a core BBC purpose, but delivering BBC radio services to licence fee payers absolutely feels like a core part of what the BBC should do; so it should have adequate funding. On radio, James Purnell, when he was here in front of you, suggested that there was some kind of conflict between investing in content and the technology and distribution to get that content out to viewers. I do not think that conflict exists. The important thing is to have sufficient funding to make sure that you can develop great content that viewers value but also pay for distribution to get that content out to the licence fee payers.

The Chairman: Lord Sherbourne, we have covered quite a lot of the ground, but please continue.

Q205 Lord Sherbourne of Didsbury: This is directed to Mr Roy, because you talked about the need to have adequate funding for the emerging technologies. You have also talked about the uncertainty of emerging technology, as we never quite know what is going to happen next. How do you decide what is adequate funding?

Anirban Roy: This whole inquiry is about the public purposes and the licence fee, so you start from, “What is the BBC here to do?” From where we are sitting, there are three specific things that it does: it does TV, radio and the valued catch-up and on-demand services. As to sufficient funding, you need to make sure that not only can it continue to deliver the services—those Freeview services or analogue and digital radio services and the iPlayer services that it provides today—but that it has an adequate level of funding, as things move forward and the evolutions that we know about happen, so in TV moving to high definition and to hybrid services, to both sustain and grow TV platforms. When it comes to DAB, the digital radio, as we have talked about before, it needs to ensure the funding of what it does now but also make sure that it gets those services out to every one of its radio listeners. When it comes to on-demand services, it has talked a lot about how it intends to develop and expand iPlayer. From our perspective, we are working very closely with it on a product that we launched in the last six or eight weeks called Freeview Play, which is essentially going to be built into every Freeview TV and will allow those catch-up services to be accessed directly through your screen so you can just scroll backwards and forwards, for example—

Lord Sherbourne of Didsbury: If the BBC and the Government came to you and said, “You want us to provide adequate funding. How much are we talking about?” could you cost it for them and give them a figure?

Steve Holebrook: We could provide guidance around the services that we provide. I am not too sure we could talk about all the other things that they may want to do and be involved in, but we could certainly provide guidance around some of those elements. One of the challenges with an organisation like the BBC is that lots of manufacturers want to talk to it

about getting their content on particular devices. Lots of platforms want to talk to the BBC. There is no doubt that there is quite a challenge for the BBC. It has far more requests to spend its budget than the budget that it—

Lord Sherbourne of Didsbury: So “adequate funding” is just “as much money as is available”. You are saying it will never have enough money.

Anirban Roy: It is making very difficult trade-offs, and we can understand that. As Steve says, we can cost up the known knowns. We do not know what it intends to do around content and the number of different programmes and genres, for example, it wants to cover and the different radio programmes it wants to create. From our perspective, we can give our insight, should we be asked, on that narrow part on which we are involved with it, but, beyond that, there are many other things it provides. Ultimately—to coin a phrase—we provide the pipes to deliver that content, but it provides the poetry.

Baroness Kidron: Can I ask a question about training? In the area that you intersect with the BBC, does it train and bring new people into your world? We have been interested in that in another context.

Steve Holebrook: Yes. Both Arqiva and the BBC are looking quite seriously at the training requirements going forward. Both organisations have launched apprenticeship schemes. We are working closely with the BBC on its apprenticeship scheme. It has a number of partners—including ourselves and a number of other organisations—that provide placements to those apprentices. They are BBC apprentices and employees, but they come and work in the workplace with different organisations around the ecosystem and the value chain so they get a full understanding of how this all works from an end-to-end perspective. We are working very closely with them. They have a number of schemes going on now with Salford University and Birmingham University. Those are up and running and we are doing a very similar thing with our teams. As we see that the age demographics of our teams move toward retirement, we, the BBC and other organisations are trying to make sure that we bring new talent into the organisations.

Baroness Kidron: For those of us who do not understand, how important is the BBC in dealing with the deficit in digital skills that everybody talks about?

Steve Holebrook: The BBC has an amazing track record in leading a lot of the development in the UK broadcast area. A lot of people who have worked for the BBC end up working in different organisations. The BBC really does lead the way and it is good to see it launching these apprenticeship schemes to make sure it is fulfilling this deficit that is going on. I cannot remember the exact numbers. Is it 30 or 60 a year?

Anirban Roy: I am not entirely sure.

Steve Holebrook: It is a significant number it is moving through and it has committed to do it on a multi-year programme as well.

Q206 The Chairman: Thank you both very much. You have brought a different perspective from a lot of the people we have spoken to. You have made the case for investment in technology and distribution, to which other people have said, “We do not like the idea of the licence fee being top-sliced to pay for this kind of thing”, so we are very appreciative of that extra dimension. Can I ask you one technical question, as you are the technical people before us? You talked about your role with Freeview and now with the new Freeview Play,

the catch-up version, which you are running out right across the country. Am I right in thinking that, if there was ever a question of the BBC charging through a subscription for some part of the services that it supplies, your Freeview technology does not allow those boxes, or those in-built parts of a TV set, to be used for that purpose?

Steve Holebrook: Yes, but the current landscape is that the 100 million sets that are already in there were designed for a free-to-consume at the point of access, free-to-air arrangement. There is nothing within that technology that allows for those devices to be remotely controlled, turned on or off or anything like that, which you would require from a subscription-based type of service. That exists on the satellite platform because they have viewing cards that have to be put into the satellite receivers, but, as far as DTT is concerned, that has not been built in.

The Chairman: So 100 million sets would have to be replaced.

Steve Holebrook: Yes.

Anirban Roy: I would add that our basic position, as we have talked about, is the concept of sufficient funding, so we are not getting heavily involved in a discussion of appropriate means of funding the BBC. We would note that if the BBC is meant to be universal and accessible to everyone—if that is what public service broadcasting does more generally—a subscription service would potentially damage that principle of universality. It is something we would be very cautious about because, ultimately, we have talked about the universality, reliability and free-to-air aspects of public service broadcasting and subscription cuts across at least one of those.

Baroness Jay of Paddington: Does all of that argument apply to iPlayer? There has been discussion about somehow integrating a special screen licence fee for iPlayer? How would that work from your technical viewpoint?

Anirban Roy: Steve talked about the technology potential, but how do you deal with the anomaly that people are currently accessing BBC services without paying the licence fee at all? It feels like it is the consequence of moving into more of an internet age. The idea of charging for access to iPlayer and making sure it is focused on dealing with the specific problem of how you get people to pay for the BBC services that they are accessing seems to be very sensible.

Steve Holebrook: From a technology point of view, because it is an app that can be refreshed and downloaded, if the BBC wishes to put a subscription on there, it could send out another app; it would be available for it to do that. Obviously it would not be against the principles of universality.

Baroness Jay of Paddington: I appreciate that. I was just thinking the same technological inhibitions obviously do not apply, but when you talk about Freeview they do.

Steve Holebrook: Yes.

Baroness Benjamin: Can I follow up on that question? The BBC talks about having a special children's iPlayer, so they will have their own safe area. Do you think, from what you are saying, that we might need to find ways of being able to access that by having to pay for it?

Anirban Roy: Not necessarily. If it is for children, then they would be part of a household that would already be paying for the iPlayer or paying the licence fee. The licence fee is charged by household, not by individual, so I would not see that as being necessary. We

have done lots of work elsewhere in Arqiva looking at child online safety, and to have a safer space for children would seem eminently sensible.

Baroness Benjamin: For the BBC to make this provision it is going to have to find the money again for that separate area for children because there are going to be two separate iPlayers. That is the intention, for the children to have their own provision, so, again, it is going to be money to be provided from the BBC licence payer to make that provision.

Anirban Roy: Yes, but this is something the BBC has said it wants to do. It wants to develop the iPlayer. It sees that as a big part of its future. Once you have the basic platform that is iPlayer—I do not know exactly how it would want to do it—it would be an incremental investment for significant benefit, hopefully, to children in that context.

The Chairman: Are there any final thoughts you want to share with us that we have not quizzed you on?

Steve Holebrook: No. The one thing that we would point out is that Arqiva has a very broad relationship with the BBC. A lot of the services that we provide are essential to help it reach its audience. When we comment on these, it is around ensuring that that continues, that its ability to reach the audience is not damaged in any way and that we can help it to provide its purpose and mission and those types of things. We believe the BBC has done a fantastic job over the last 10 years helping to navigate through this technological change. It is a very big part of the media industry in the UK and we want to make sure that we see its full involvement over the next charter period as well in helping to drive the UK's media industry as best we can.

The Chairman: Thank you very much.

Anirban Roy: The only thing I would add is to ask the Committee to remember that the BBC is part of this wider ecosystem. One thing about us as Arqiva is that, yes, we work an awful lot with the BBC, but we work an awful lot with everyone else in the media industry as well. Obviously the BBC is this very particular body, a publicly owned and publicly funded broadcaster, but we also have, in the form of Channel 4, a publicly owned and advertising-funded broadcaster and we have ITV, which is privately owned but with its particular obligations. We also have a highly valued purely commercial sector. This wider vibrant ecology is part of what makes broadcasting great in the UK. That is not even touching on the radio side, where obviously there is a huge amount of BBC content out there but also a hugely vibrant commercial radio sector. From our perspective, when you look at digital radio, the BBC has—I forget what it is—its 8 or 10 national radio services. We are about to launch 16 more national radio services in spring next year, all of them commercial. This is an ecosystem that works very well with the public and private sector working together.

The Chairman: On that very positive note, thank you both very much for joining us. It was really helpful.

Examination of Witness

Rt Hon John Whittingdale OBE MP, Secretary of State for Culture, Media and Sport

Q207 The Chairman: Secretary of State, we are delighted to have you with us. Thank you very much indeed for joining us. You are more than familiar with these occasions. This is not the first time you have been here in that hot seat. We will be transcribing and televising everything today. It is all on the record. As you know, we are looking at the public purposes of the BBC. We are looking at the licence fee and the processes for setting it, and, in between that, we are looking at scale and scope for the BBC, on which I have heard you speak on many occasions. I do not know whether you wish to make an opening statement—we would be delighted if you did—but, if not, we will go straight into questions.

John Whittingdale OBE MP: Thank you, Chairman. It is a pleasure to be back before your Lordships. It was not that long ago that I appeared on what was a valedictory appearance and I had not anticipated being back quite so soon in a different capacity. One thing we spent some time on last time in talking about the BBC, on the back of the Commons Select Committee report, which I oversaw—and now the Government's approach is, in large part, based on the same issues that we flagged up in that Select Committee report—was that I was extremely keen that we should have as wide and open a consultation as possible. That is why we published the Green Paper as a series of questions. We are receiving an extraordinary response, which is good, but we are extremely interested to hear from those with more expert views, and I certainly put the Lords Committee on Communications in that category, so we will be very keen to hear whatever conclusions you reach.

Q208 Lord Sherbourne of Didsbury: Can I begin by picking up the point you just made on the response you have had from the public to your Green Paper? How are you evaluating the huge number of responses and, in particular, how do you give weight to the intensity of feeling? I ask this question in the light of, from time to time, hearing “Feedback” on Radio 4. We all know how strongly people feel about certain things and I would be a little worried if the people assessing the responses were simply doing a weighting of general responses without being able to evaluate the strength of feeling in particular areas.

John Whittingdale OBE MP: It has proved a greater logistical challenge than we had expected simply because of the sheer volume. We have had, as I think is known, 192,000 responses. It is second only to the government consultation on same-sex marriage, and whereas that was a relatively simple question where people were either in favour or not, as you know there are a large number of questions and people have not just produced stock answers; they have taken the trouble to produce their own individual views. We are determined that each one of those should be looked at. As to how we analyse, we will essentially break it down by question and assess generally those who are largely in favour of the status quo or have strong views in one direction or another. In due course, we will publish some kind of summary of the responses we have received. At the same time, we have had a series of meetings with interested parties. Obviously, the BBC itself has produced a response, both the executive and the trust. I am holding meetings with a number of different sectors within the broadcasting landscape—the commercial broadcasters, the commercial radio sector, the creative industries and the music industry. We are not short of people expressing their views and we will take account of all the views that are expressed.

Lord Sherbourne of Didsbury: In the process of moving towards final decisions that the Government make on the charter renewal—I am thinking of the debate that has taken place about whether it should be done by royal charter or by statute—do you see a very important role for Parliament in this process?

John Whittingdale OBE MP: Certainly, there is a very important role for Parliament. One of the reasons, as you know, that the BBC is governed by a royal charter is to put a bit of distance between Parliament and the BBC, which is sensible in order to protect the editorial independence. That does not mean that Parliament does not have a very important role in scrutinising the work of the BBC. That is done in large part by this Committee and the Committee that I chaired in the House of Commons. We used to have an annual session with the trust and the director-general. Then we had additional sessions whenever issues arose. There is no shortage of debates on the BBC in both Houses. I know that your Lordships in the Chamber have had several debates on the BBC already in the last few months and I have obviously looked at those. Parliament is perfectly entitled to express views and to hold the BBC to account, but it is also sensible, as to the instruction to the BBC, that there is that distance between it and Parliament, which the royal charter provides.

Q209 Baroness Bonham-Carter of Yarnbury: Picking up on that last point—obviously the independence of the BBC is something that we know the public value enormously—due to an odd combination of events, which is fixed-term Parliaments and the last charter being 10 years, renewal bumps up against general elections in a possibly awkward way. I do not know. Should the timing of the charter process be uncoupled from the general election cycle, and do you have any plans for this to happen?

John Whittingdale OBE MP: It is one of the issues raised in the Green Paper, so obviously we would be keen to hear views, including your own, on it. I can recall that there was a general agreement among the parties at the last election that none of the parties went into great detail about their views of the future of the BBC. It was always accepted that that would be one of the items at the top of the in-tray of whoever became the Secretary of State. Prior to that, the only real detailed analysis was in the Select Committee report, which, of course, was a cross-party report. I can see the arguments, particularly now we have moved to a position where elections are more predictable. There is also a separate argument, but which none the less affects this, as to whether or not, given the pace of change in the broadcasting world, 10 years may be too long. It may be that things are moving so quickly you would want to come back and look at it sooner than 10 years. At the same time, I do not want to create huge ongoing uncertainty. You do not want to have a position where as soon as you have one charter you are campaigning on the next. These are all issues about which we will want to think very carefully and listen to what is said.

Baroness Bonham-Carter of Yarnbury: You anticipated my next question. What I am picking up from you is that you respect the fact that the BBC needs a certain length of time to be able to forward plan, and indeed the fact of technological change does not negate that.

John Whittingdale OBE MP: It does not, although one of the reasons why it was right to have a pretty fundamental look at the BBC is that, if anything, the pace of change has accelerated and continues to do so. If you look at what has happened since the previous charter was drawn up, the world is utterly different. If we are moving, for instance, towards the day when television will be delivered via internet protocol, that will inevitably bring changes with it. Whether or not you should say that despite that there is a fixed term of 10 years, and therefore we have to abide by that, is the kind of extremely important issue that we need to think about.

Baroness Bonham-Carter of Yarnbury: Contrary to what has been said over and over again—every decade, it seems—people still watch linear TV in large numbers.

John Whittingdale OBE MP: They do, but it is changing. The figure is about 69% of the population as a whole, but it is down to 50% for younger people. Certainly, to my children and people in their late teens the idea of scheduled television seems a very antiquated concept. They decide what they want to watch and when they want to watch it. Nobody gets out the newspaper and thinks, "It is 8 pm. What is on the main channels?". That is going. It is still there for a large proportion of the population, and one should not forget them, but the fact is that the technology is allowing people to have much more choice. There are some people who like the traditional way of watching television and they need to be taken into account as well, but it is moving very fast.

The Chairman: Let us go to the public purposes, fundamental to our inquiry, and Lord Goodlad.

Q210 Lord Goodlad: The BBC public purposes were designed to be a new performance measurement framework. How do you think those public purposes have achieved their objective?

John Whittingdale OBE MP: They were a good innovation. They were designed to give people a general idea of what they should expect to find on the BBC. They are very broadly drawn. It is difficult to think of any programme that it could be argued does not meet one of the public purposes at least. Therefore, it may be that they need to be more focused. There is a sort of cascade. You have the public purposes in the charter, which are very broad. Then in the agreement you have more detail attached to what each of the public purposes entails. Then, of course, you have the public service licences. Those, I think, are a valuable innovation because it is much clearer as to what each channel is there essentially to provide. It is one of the critical areas of charter review in giving the public confidence in what the BBC is there to deliver and in meeting some of the complaints that we have received from the commercial sector that the BBC is straying too far in that direction. There will also be this difficult line to draw between universality and distinctiveness. It is one of the critical issues that is part of the charter review.

Lord Goodlad: Thank you. The first question that was put in the Government's recent Green Paper is, "How can the BBC's public purposes be improved so there is more clarity about what the BBC should achieve?". Have you any preliminary thoughts about the answer to that?

John Whittingdale OBE MP: As you rightly say, it is the first question in the charter review document, so I am anxious to hear. There is no question that a lot of views are being expressed, including by the BBC. It is interesting that the executive are largely supportive of the existing ones, the trust is suggesting some clarification and others want it to go further. I think there is a case for making them a little more focused, but I am getting an awful lot of responses. I welcome the fact that you have decided to focus on that as one of the key areas for charter review, and I think it is right that you should do so.

Q211 Lord Goodlad: It has been suggested by some that the BBC would be better served by a set of key principles, or values, such as those in the original *Building Public Value* document: namely, universality, fairness and equity. Do you think that this would be more effective than a set of quantitative measures?

John Whittingdale OBE MP: We have not reached a view. It is one of the suggestions and we are keen to hear. I am keen that they should be meaningful. When I say that, I mean that it

should allow you to have a clear understanding of what the BBC is there to deliver. That was the original purpose of the public purposes as set out. But there is, I think, a legitimate criticism that they are so broad and all-encompassing that they do not give you very much idea of what the BBC should be doing as against others. That is something that I am keen we should look at.

Q212 Lord Hart of Chilton: Good afternoon, Secretary of State. Can I take you down memory lane to the moment that you were the Chairman of the House of Commons Committee?

John Whittingdale OBE MP: Indeed.

Lord Hart of Chilton: You produced a report and I am sure that the paragraph I am about to read to you is seared in your memory banks: “No future licence fee negotiations must be conducted in the way of the 2010 settlement: the process must be open and transparent, licence fee payers must be consulted and Parliament should have an opportunity to debate the level of funding being set and any significant changes to funding responsibilities. We recommend that the independent panel and Charter Review process consider the appropriate length of licence fee settlements and the period in which they should be reviewed and changes made”. Bearing all that in mind, how on earth did the events of July 2015 in the settlement there happen?

John Whittingdale OBE MP: As I have said on previous occasions, the Government have been clear that the charter review process is the opportunity to have as widespread consultation as possible and for Parliament and others to input into that. That we have achieved—indeed, beyond our expectations with the volume of response we have had. What happened in June was that the Government were elected with a very clear remit to address the deficit and find savings. The welfare budget was clearly the area where it was going to be necessary to find significant savings and a big chunk of money was going from the welfare budget to the BBC. The Chancellor felt that it was not unreasonable to ask the BBC to make its contribution to the overall objective of trying to reduce the level of government spending to reduce the deficit. I was very anxious that this should not mean that what I saw as being an important part of the charter review process should be closed off and determined before we had even started it. That is why, in the agreement that was reached between the Government and the BBC, it says that the BBC can look forward to an expectation that the licence fee will begin to rise again after the expiry of this charter, subject to the conclusions of the charter review. The document is in black and white. It says very clearly that the charter review still may have some impact on the level of licence fee once we have considered things, particularly the purposes and scope.

Lord Hart of Chilton: I have three observations on that. Did you not feel a wee bit squeamish, having regard to that clear statement that your Committee at the time produced, when you came to do something of a volte-face in 2015?

John Whittingdale OBE MP: As I sought to explain, I do not regard it as a complete volte-face. Was I happy that the BBC, within a few weeks of my taking up the job, was going to be asked to find major savings? It is not something I would have chosen, in the same way that I am not terribly happy that I may have to ask other institutions that the department funds to make similar savings when the spending review is published, but I accept and agree that the overriding priority was the need to address the deficit. One of the—I suppose—advantages

and disadvantages of my taking on this position is that, on the one hand, I have spent a lot of time, indeed 10 years, looking at the policy of the Department for Culture, Media and Support. On the other hand, I am on the record on an awful lot of subjects. I am perfectly resigned to the fact that my opposition friends will frequently quote things that I have said in the past. I try not to be inconsistent, and in this case, as I have said, I was keen that this was not the licence fee settlement. It was a statement that the BBC could expect the licence fee to start to rise again, but it was subject to the conclusions of the charter review.

Lord Hart of Chilton: Is it not rather odd that something like the BBC should be taking on a welfare responsibility of the DWP? Do you not think that is odd?

John Whittingdale OBE MP: The BBC enjoys the revenue of the licence fee. It was a decision taken some time ago that those over 75 should not have to pay the licence fee. My party committed that that would continue should we be elected. It was a DWP expenditure and I think there is an argument that as long as the BBC, or any broadcaster, depends on direct government transfer, they are vulnerable to exactly the kind of pressures that have occurred in this case, that when a Government need to find spending cuts they will look at those kinds of areas. To some extent, that is why the licence fee is something of a protection. When we examined the possible options at the Select Committee inquiry of moving towards direct Exchequer funding rather than having a licence fee, we concluded that was not attractive precisely because, as happened in Holland, when they did move to direct Exchequer funding, despite all the assurances, within a few months a massive cut was imposed.

Lord Hart of Chilton: Last of all, we have heard that the BBC was under the impression that it had done a deal with you, and what you have said this afternoon confirmed something you also said recently, that in fact it was not really a settlement: it was a settlement subject to whatever was the outcome of the charter review. So we could be back to square one again.

John Whittingdale OBE MP: No. The BBC did reach an agreement with the Government. It is set out in the letter that was signed by me and George Osborne. It states that the BBC will take on the full cost of the over-75s, although that is phased in—it does not even start until 2018—and at the same time the BBC will be relieved of some of its current costs, particularly the broadband ring-fence, which will be phased out; and the BBC will be protected against the growing loss of income that comes about as a result of the iPlayer loophole. But the agreement, which is very clear, states that the Government anticipate that the licence fee will rise in line with CPI over the next charter period, subject to the conclusions of the charter review. That is the agreement. It is set out, and both the BBC and—

Lord Hart of Chilton: Does that work both ways? “Subject to” could mean that the DWP takes over for old-age pensioners such as me—

John Whittingdale OBE MP: No. That is not an issue for charter review. If the charter review concluded that there is a need for the BBC to do far more than it is currently doing, the BBC could make an argument that it would need a greater income to meet that. It says the conclusions of charter review in relation to the purposes and scope of the BBC.

Q213 Baroness Benjamin: The House of Commons Culture, Media and Sport Select Committee report criticised the BBC Trust for accepting the settlement in 2010 by stating, “Irrespective of any Government pressure, the BBC Trust breached its Charter duties and often-stated commitments to reflect the interests of licence fee payers first and foremost, in agreeing the settlement in the manner it did”. Do you feel the same thing could be said

about the settlement made in July 2015, and what would have been the repercussions if the BBC had not agreed?

John Whittingdale OBE MP: That is hypothetical, although the Government were very clear that this was a necessary requirement in order to contribute to the overriding objective of reducing the deficit. But the BBC was not a pushover. There were discussions. The BBC, we felt, made some very valid points about the size of the additional costs it was being asked to bear and therefore it asked for certain things in return—the phasing out of the broadband ring-fence. One of the things that the Select Committee I chaired had criticised in the past was the use of the licence fee for non-broadcasting purposes, of which this was an example, and that is now being removed. It also pointed out that it was in a growing threat that its income was going to be reduced because people would choose more and more to exploit the loophole that existed, and still exists in the law, that if you watch TV on demand through catch-up rather than live streaming you are not required to pay for a licence. There was a fear that more and more people would see that and therefore avoid having to pay for a licence. The BBC made the case that that was never intended, because when the licence fee was designed catch-up did not exist. Nobody had thought about it. We agreed that that was a fair point to make and that it should be addressed, so we have agreed that we close the loophole. Then the BBC came back and said the licence fee has been frozen for 10 years and that the time is right for an increase after that period. We said yes, in line with inflation. It can expect that that will happen, subject, as I say, to the outcome of the charter review.

Baroness Benjamin: You have not answered the question.

John Whittingdale OBE MP: The BBC came back and said that this was a good deal. You will remember that Tony Hall was very clear and said that this was a good deal for the BBC. As I say, it was the result of negotiation over a time. The BBC made clear that it would need certain undertakings in return for taking on this responsibility and we agreed to give it those undertakings. It was not just the Government saying, “Tough. It is going to happen. Lump it”. Had the Government done so, maybe the trust or management might have felt unable to accept that, but they told us what they needed in order to meet that responsibility and we found an agreement that delivered that.

Baroness Benjamin: Do you not think that in the process you went through, as far as the general public were concerned they felt that the BBC was put under duress? Would you agree that the settlement—the process that was used—could have been made different and more transparent, rather than looking as if the negotiation was done under duress?

John Whittingdale OBE MP: The Chancellor had to deliver an emergency budget in a very short space of time after the general election and this was an element within that. As I say, I was keen that the charter review would be open and allow as many people to express a view as possible, including Parliament. I was very clear that we must not close that off. It was not something necessarily that I would have chosen to do, but that was the overriding economic priority at the time.

Baroness Benjamin: Is it something that might happen again in the future?

John Whittingdale OBE MP: No. The one thing that we have now achieved is that the BBC is no longer dependent on direct Exchequer funding. The BBC’s income in the future will come from the licence fee. That is therefore again a sort of arm’s-length protection so that the

Chancellor will not come in and say, “I need to save government money. Where is an area I can look for savings?”, because the BBC will no longer receive direct Exchequer funding.

Q214 Baroness Healy of Primrose Hill: Do you feel that the reclassification of the licence fee as a tax, for National Audit Office purposes, in 2006 has led to a difference in the way that Government and the public view the payment? Does this change strengthen the argument that Parliament should have a chance to properly scrutinise it?

John Whittingdale OBE MP: As far as I am concerned, the licence fee was a tax. Whether or not the ONS classify it as a tax, which it does, it is a payment that you are required by law to make. That, by all definitions, to me, is a tax. The NAO involvement was highly desirable, whether you call it a tax or not, because this is a significant amount of public money and it is right that an institution that benefits from that amount of public money should be subject to the same requirements to make sure that it is efficiently spent and that the licence fee payer obtains value for money. That applies in all publicly funded bodies. I saw no difference at the BBC from any other. It does not affect the editorial independence. This is simply about whether or not waste or mismanagement is occurring. The NAO has been very valuable. I think the BBC would recognise that, since the NAO has had greater access, the NAO has identified areas where waste has occurred and savings can be made.

Baroness Healy of Primrose Hill: You do not think there is any case for decriminalising the non-payment.

John Whittingdale OBE MP: That is a very different matter. There is a strong feeling among many—in both Houses, indeed—that the licence fee should no longer be enforced by criminal sanction. However, the Government, under my predecessor, asked David Perry to carry out a very detailed assessment of the consequences of decriminalisation, and he has come up with some very strong points, which I think would need to be addressed if we go down that road. Again, it is part of the charter review. We are considering it, but David Perry’s concerns will need to be addressed if we are to adopt that policy.

Q215 Baroness Jay of Paddington: Secretary of State, can we go back to the area that we began with about the consultation that you are undertaking in relation to charter review? You have already spoken about the enormous volume of public responses. In the summer, you appointed an advisory panel on this subject on the future of the BBC. There are questions about that advisory panel. To start with, what do you expect their findings to be? Obviously, I am not asking you to pre-judge what they will say, but what is the context of the output that you would expect from them, and will that be made public?

John Whittingdale OBE MP: I am not expecting findings. That was not the role that I was seeking. I wanted to have a group of people, each of whom brought a quite detailed knowledge and experience of different aspects of the broadcasting sector simply to act as a discussion group where we could throw ideas around. It is an advisory panel. It is not producing a report. It is not making recommendations. It is a sort of sounding board, if you like. The advisory panel will probably have about six meetings. In the same way, I am having round-table discussions with a number of other groupings. All this is feeding into the process. The advisory panel does not have a formal role.

Baroness Jay of Paddington: There is obviously going to be an agenda for these brains trusts or advisory panels. When will you expect to have a meeting? One of the other issues that arises is that people have criticised the membership of the panel, saying that they are

somewhat biased toward the commercial sector or those parts of the broadcasting industry that might be only too pleased if the BBC's remit was cut back.

John Whittingdale OBE MP: I do not think that is fair. If you look at the composition, they represent a very wide cross-section, including people who have worked for the BBC and then people who have worked in other organisations that have dealings with the BBC. As to the agenda, we are probably going to have five or six meetings. We have generally focused on each of the four big topics and then, once we have a better idea of the direction in which we are likely to go and we have taken account of the consultation and the input from other bodies, including your own, I would want to discuss with them the general thrust of where we are going and listen to their views. They do not have a formal say over it. At the end of the day, it will be for the Government to decide.

Baroness Jay of Paddington: Would they, for example—I am trying to get at what they would be discussing—have an authoritative role in the creation of a White Paper that we are all expecting?

John Whittingdale OBE MP: They will be providing views. They do not have an authoritative role—only that they bring a great deal of knowledge and experience, which makes them interesting people to hear from when we come to discuss these things. Almost every member of the advisory panel brings a number of different backgrounds and experience, each of which is quite interesting. On the one hand, you have somebody like Darren Henley, who previously worked in the commercial radio sector for Global but is now chief executive of the Arts Council, and, on the other, Colette Bowe, who was the chairman of Ofcom but is now president of the Voice of the Listener and Viewer. They do not come representing a particular viewpoint. All of them have quite a detailed knowledge accumulated over a long experience in different bodies or companies involved in broadcasting, and that makes them valuable people to hear from.

Baroness Jay of Paddington: I can understand that, but in this suspicious world, when we talk about the transparency of process, it is slightly surprising that these very influential people, who, as you have described, have a very wide role in the broadcasting industry, are in this very informal role and that there will be no publication. Presumably, those of us outside will not see any minutes or any kind of record of their deliberations.

John Whittingdale OBE MP: That is because they do not have a formal role in the charter review. They are literally a group of people whose advice and views I would value, but they are not exclusive in that at all. I am talking to a vast number of people, but they are all people who said that they would be interested and willing to provide their advice in an ongoing way as we go through the charter review process. As I say, they do not have a formal position. There was a case, which the Select Committee made, for a more formal type of examination, rather like the one Lord Burns undertook before the previous charter review, but one of the problems is that that would have been quite a lengthy exercise, and one has to bear in mind that the clock is ticking quite fast. The charter expires at the end of next year. I am keen still that, if possible, we should renew the charter before it expires.

Q216 Baroness Kidron: Secretary of State, building on that sort of thinking, I want to ask a couple of questions about the independence of the BBC, which seems to be very valued by the licence payer. What do you feel Government could do to keep the corporation free from political interference?

John Whittingdale OBE MP: As we have come to think about the issues across the whole range of the charter review, it has become clear to me that one of the most important issues that we have to address, and it has profound implications for all the other questions, is the issue of governance. One of the ways in which you ensure that the BBC is independent of the Government is to have a strong management within the BBC with clear accountability where the decision-making responsibility lies, but then you need an independent body outside that to exercise a regulatory function and also to consider when complaints are made. That may be complaints about impartiality or unfair competition. As to what that body should be, some would say it should be Ofcom. Others will say it needs to be a different body because the BBC is not like other broadcasters. That is a difficult issue. The way in which the governance will work is something that I have asked David Clementi to look into. He is conducting a very thorough examination. He is talking to everybody with a view. I will pay a great deal of attention to that when it comes back, when he produces his report.

Baroness Kidron: Are you willing to commit to say that this Government are absolutely determined to make sure that the BBC is free of political interference?

John Whittingdale OBE MP: The editorial independence is absolutely critical. The Government are quite right to have a role in making sure that £3.7 billion of licence fee payers' money is spent properly. That is why the NAO has a role and, of course, the Government do appoint, at the moment, the chairman of the BBC Trust but not the director-general. That arm's-length principle is one that I strongly believe in and would want to protect. I have found it a bit frustrating that some of the more lurid headlines that appear have said that I am going to tell the BBC that it can no longer broadcast this or that and that it should change the time of that. I do not have the power to do that and I should not have the power to do that. That is a question for the BBC's management.

Baroness Kidron: Do you have some sympathy for those people who were concerned about your own intervention about the scheduling of "News at Ten"? I think some of the headlines to which you refer came after your intervention there.

John Whittingdale OBE MP: I talked about the importance of the BBC taking account of the competitive environment that they are in and the impact they have, and I asked, "Is it sensible?". I believe very strongly in the plurality of news. It is incredibly important that while the BBC is always going to be an impartial, reputable public service news provider, it should not be the only one. It is important that there should be other news providers. For a long time, as you will recall, the news programmes were not broadcast at the same time. They are now. Arguments will take place about how many people watch one or the other. I cannot tell the BBC, but I thought it was an interesting question worth asking. I recall that a previous Secretary of State, Chris Smith, expressed profound concern when the BBC's news was moved. ITV's news was slightly floating around at that time, but ITV then decided to go for 10 o'clock and the BBC went for 10 o'clock, and he raised the concern about the impact that would have. It is the same concern. At the end of the day, I do not tell the BBC when its news should go out.

Baroness Kidron: I am very glad you raised the question of questions because we received written evidence that suggested the 19 questions in the document in themselves suggest that there is something broken that needs to be fixed. Earlier today I looked at them with that in mind specifically and found a plethora of words such as "improve", "justify" and

“reform” in the questions themselves. Do you feel comfortable that the questions that you have asked are not leading the debate?

John Whittingdale OBE MP: I do not think they are. The questions cover almost exactly the same ground that the Select Committee report did in the areas that are deserving of examination in the charter review process. Inevitably if you invite people to express views, you hope that they will provide suggestions of where they think change should be made. It is helpful if people come back and say, “No, absolutely everything is fine. We do not need to do anything at all”, but, in bringing the charter up to date, obviously, you are looking for suggestions of where things could operate better. But it was not intended to flag any preconceived view.

Baroness Kidron: The 192,000 people who have contacted you could have a reasonable expectation that there is no hierarchy of answer.

John Whittingdale OBE MP: No. Obviously people with a strong interest will have strong views. There will be other broadcasters, publishers and radio providers; they have all responded and we will look at those. Then there is the view of the public. As I say, we are equally keen to ensure that we go through and look at everything that is said and take that into account. It is going to be quite a challenge, but we are meeting it.

The Chairman: Can we ask you whether you have enough staff to look at the 192,000?

John Whittingdale OBE MP: We have had to ask for help from elsewhere. We are bringing in additional people in order to make sure that we are able to do it.

The Chairman: Might I be bold enough to ask whether there is any preliminary view in your mind as to the balance of the piles between the strong supporters and the advocates of substantial change?

John Whittingdale OBE MP: I am afraid I do not know the answer to that. I will be as interested as you are to see what the outcome is. I am in no way discounting it, but a huge number—something like a third—of responses came in last week. I know that there was a certain amount of encouragement by 38 Degrees to get people to write in, but that does not mean that they did not have perfectly valid opinions that they wanted to express. We are keen to take account of those.

Q217 Bishop of Chelmsford: Secretary of State, on a related theme, commercial competitors have claimed—indeed, to this Committee—that the BBC is “crowding out” the market. As I am sure you are aware, many refute this, including the recent research carried out by KPMG on behalf of the BBC Trust. What is your assessment of this?

John Whittingdale OBE MP: It is a serious concern that we need to look at. We are carrying out a survey of all the evidence, because there have been a number of reports over a time, some of which have been commissioned by the BBC, some of which have been commissioned by competitors to the BBC, and they have reached different conclusions, perhaps unsurprisingly. We are keen to have a general examination of all that. I think it is important—I come back to this issue of governance—that there is a robust, independent body that is able to look at complaints about market impact, and we already have Ofcom, which carries out market impact assessments of news services. There may be a case for not just restricting that to news services. For instance, in the last 48 hours, I have had a meeting with the commercial radio broadcasters. Radio is an area where the BBC is very dominant,

having well over 50% of the market share. They raise individual concerns, as have other groups. I think it is important that the BBC is essentially filling market gaps, but not exclusively. I am not saying that the BBC should operate in a niche and only do things that are unavailable elsewhere, but the BBC needs to take account of the fact it is a big player and that its intervention has consequences.

Bishop of Chelmsford: To try to get your assessment on this, if the BBC were to reduce its output, either by its own choices or, which I suppose is the fear from some, by some sort of charter restriction, what do you think the consequences of that might be, economically for the industry itself, particularly as the BBC is very involved in training, and I suppose also in choice?

John Whittingdale OBE MP: I am not necessarily saying the BBC will restrict its output. When we talk about scale and scope as being one of the questions in the Green Paper, obviously it is something that we would consider, but there is also a case for whether or not the BBC should focus its output more clearly on—and this is the word which both I and the director-general have used—distinctiveness. It is very difficult to quantify, but in the main you should be able to say of a BBC TV programme, radio station or online, “Yes, that is the BBC; it is obviously not a commercial broadcast”. That is not to say that the BBC cannot make extremely successful television programmes, but when the commissioners come to commission the programme they should not be worrying about ratings in the way that Peter Fincham has to at ITV.

Baroness Benjamin: Very quickly, there are some real concerns among children’s programme makers about having the idea of a contestable fund for children UK’s productions. If this becomes a reality, is it intended that this fund will come out of the existing children’s budget—in other words the licence fee—which will mean fewer BBC-made programmes, or will new money be made available to fund commercial broadcasters? At the moment, commercial broadcasters only make a very small amount of children’s programmes. They spent 3% of the £90 million that is spent on children’s programmes. The BBC at the moment is taking most of the burden. If we do have a contestable fund, where will the money come from?

John Whittingdale OBE MP: The possibility of a contestable fund is something that we raised for consideration. It would not necessarily be exclusively devoted to children’s content. Children’s content is incredibly important and it has been a matter of some concern that the other public service broadcasters have in the main withdrawn from children’s programming, although not completely. ITV has now commissioned “Thunderbirds”, and there are examples on some of the others, but there is a lot of imported content and a lot of animation. There is nothing wrong with either of those, but the kind of children’s programming that you and I grew up with, which the BBC has always been very strong at, is even more important. I regard the BBC’s children’s programming as absolutely core to the delivery of the public service remit. As to whether or not there is a case for trying to encourage others to move into that market, one of the unintended consequences, although some did flag up a concern, was that when advertising is restricted in programmes that children are watching, that obviously leads to a reduction in the income of the commercial sector, which has contributed to their decision to withdraw from that sector.

Baroness Benjamin: Will the money be taken from the licence fee?

John Whittingdale OBE MP: That is absolutely undecided. I am not even saying that there necessarily will be a contestable budget. One of the questions was, “Should there be an element of that?”. Already the BBC, actually quite radically, has proposed to move to 100% competition in its commissioning process. Whether or not there is a case for going the next step beyond that and saying that part of it should be reserved, so that the commissioners out there are different and they could bid against the BBC, is an interesting possibility. That was the principle of contestable funding, which could be a small pot of money from within the licence fee, but that is something we will look at and see how people respond—what their reaction is.

Q218 Baroness Kidron: In talking about scale and scope you talked about the BBC as being a big player, but it is actually a very small player on a world stage. I am interested in your view about its role as a cultural beacon, both inwards and outwards, and whether you have any anxiety that clipping the wings of the BBC might have some negative effect on the world stage and that we may not be thinking broadly enough.

John Whittingdale OBE MP: There are different areas where the BBC operates on a global scale. Obviously, there is the World Service, of which I am a very strong supporter. The World Service produces a return way beyond the money spent, in relation to Britain’s influence overseas—soft power, if you like—and I am very keen and I welcome the fact that the BBC has come out with proposals to expand its services in certain areas where access to objective, impartial reporting is perhaps, let us say, more limited. Then there are the BBC’s commercial activities where Worldwide produces a significant income. Perhaps it could produce more, but the BBC has been phenomenally successful both in exporting programmes like “Sherlock” and “Doctor Who” and in exporting formats. I recently visited the set where they were making “Strictly Come Dancing”. That is on in 52 different countries. In some of those countries it is made by the BBC. In others it is made locally but they have paid the BBC for the right to do so. That is an important contributor to the BBC’s income. I do not want the BBC to lose revenue by restricting it. That is one of the shining successes in the influence we have in our television rights across the world. When the Chinese President was here we took him to see examples of BBC programming, and actually ITV programming as well, as the BBC do not have exclusive rights in this area.

Lord Sherbourne of Didsbury: Can I pick up the point you raised earlier on distinctiveness, which is clearly very important? People who are very keen about the quality of the programmes made by the BBC do not necessarily want the BBC to ape the commercial stations. They want the BBC to produce programmes of quality and content that are high. When you begin to formulate the substance of the charter, how does one begin to define what distinctiveness is in order to stop it being defined by the commercial sector?

John Whittingdale OBE MP: It is a really difficult challenge. It is one of those things that you know what it is when you see it, but framing it as a “distinctiveness” test is very difficult. The BBC itself has recognised that it is an important measure when it comes to make commissioning decisions; it is looking at how you define and assess distinctiveness, and we are talking to the BBC at the same time about that. I am very clear that it is an important consideration, but precisely how you achieve it is very much an ongoing examination.

Q219 Earl of Arran: Secretary of State, there has been an awful lot of talk about money, about cost, and on it goes. Do you think there is too much of this rather than the social benefits that are bound to arise from it, or is there a balance between the two?

John Whittingdale OBE MP: One has to keep in mind that the licence fee, for a lot of households, is not insubstantial and that there is no help. Every household under the age of 75 that has a TV has to pay the flat rate of the licence fee. That is one of the reasons why it is important that value for money is obtained, which is why we have the NAO and others, and the whole question about the future funding. The licence fee may well be the best way, certainly for the foreseeable future, but again that is something that we have asked people to contribute views to. I entirely accept that the BBC has benefits. It is an enormously important contributor to the success of our creative industries, which generates an immense amount of wealth for this country. It can have social impact in getting across public health messages, for instance. It has enormous benefit, as I was talking about earlier, in the perception of this country overseas and the influence that we carry. One should certainly not lose sight of any of those things.

Earl of Arran: Your judgment is that it is a balance between the two.

John Whittingdale OBE MP: Yes.

Earl of Arran: Secretary of State, you say, “The BBC is at the very heart of Britain. It is one of this nation’s most treasured institutions—playing a role in almost all our lives”. So say all of us, Secretary of State, but in that do you see a danger that the outcome of the charter renewal process could be a diminished BBC that perhaps could no longer fulfil this role? Would you confirm your answer as being no?

John Whittingdale OBE MP: I am not setting out to diminish the BBC. That has never been something I would like to see. Immense change has taken place: bear in mind the explosion of choice. It is not just a lot of more commercial stuff, although there is nothing wrong with that, but if you are an arts lover, believe in plurality of news or enjoy high-quality nature documentaries, the BBC is good at all those things, but it is no longer the only player. It is of enormous benefit to the viewer that there is that huge extra choice. In my view, that makes it sensible to look at the BBC’s place in that landscape as opposed to the landscape that existed 10 years ago, when that choice simply was not there.

Earl of Arran: Thank you very much. This is a question that has not been put in front of you, but out of curiosity, out of interest, can you give us some idea of what the syndication rights earned by the BBC across the world are?

John Whittingdale OBE MP: When you say syndication rights—

Earl of Arran: When you sell the programmes to other countries.

John Whittingdale OBE MP: There is the sale of a programme to another broadcaster to broadcast; there is the sale of formats, which is very successful now; then there is going to be the BBC’s own commercial income through deals with US cable channels for the carriage of BBC in America, for instance. The BBC is now looking at potentially making its content available on a paid-for, on-demand basis, both overseas and in this country as well through the BBC Store. The best measure of it, I suppose, is the income provided back to the BBC from BBC Worldwide, which is the commercial arm of the BBC.

Earl of Arran: It is a very helpful contribution to overheads.

John Whittingdale OBE MP: BBC Worldwide makes an extremely helpful contribution, yes.

Q220 The Chairman: Secretary of State, looking forward, as to the timetable for action, what can we expect with the White Paper and the parliamentary process?

John Whittingdale OBE MP: The White Paper is next. We cannot publish every consultation response that we have had, but we are keen to produce an assessment of the consultation responses and then a White Paper. As to the White Paper, we have a small issue around the electoral period, when obviously Governments are not meant to produce anything controversial, but I am keen that the White Paper should come out as soon as it can after that. As I say, the task, which you have rightly flagged up, of assessing this vast number of responses is proving challenging. It is my hope and intention that we will have a White Paper out in the first half of next year, and then we will move towards charter renewal before the expiry.

The Chairman: A report from us in February would not be out of time in any way.

John Whittingdale OBE MP: A report from you in February would be very helpful and I can give you an absolute assurance that we will take very close account of it.

The Chairman: Thank you very much indeed, Secretary of State. If there is anything else you want to add that you do not feel we have covered, please tell us.

John Whittingdale OBE MP: No. We have pretty much covered all the ground.

The Chairman: Thank you very much for all that.