



Welsh Affairs Committee

Oral evidence: [Broadcasting in Wales](#), HC 450

Monday 22 February 2016

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Written evidence from witnesses:

- [BBC Cymru Wales](#)

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Members present: David TC Davies (Chair); Byron Davies, Dr James Davies, Gerald Jones, Liz Saville Roberts, Craig Williams, Mark Williams

Questions 324–355

Witnesses: **James Purnell**, Director of Digital and Strategy, BBC, and **Rhodri Talfan Davies**, Director, BBC Cymru Wales, gave evidence.

Q324 Chair: Gentlemen, Messrs Davies and Purnell, we have all obviously met many times before, but thank you for coming along this afternoon to talk to us about broadcasting in Wales. I am going to ask Liz Saville Roberts to start the questions.

Liz Saville Roberts: Thank you very much, Chair. Looking at the last licence fee settlement, would you say that the BBC as a whole has suffered?

James Purnell: Do you mean the last five years? We have had to make significant savings so that over the whole of this charter period we will have saved £1.6 billion, 46% of our costs, but we have been able to do that in a way that has been mostly about productivity and tried to make some clever savings that meant that we have not started to degrade the quality of our content or our relationship with the audience. If you look at consumption of the BBC, the number of people who use the BBC every week is up a tiny bit to 96%. Audiences for radio and TV have been pretty flat. I think in a way you could say there has been a real productivity change at the BBC that, despite making those very big savings we have been able to maintain that relationship with audiences and to have a BBC that has great creative strength in terms of programmes, even last night looking at “The Night Manager” or the BBC Three programmes over the weekend. At the UK level, I would say that there has not been a diminishing of the BBC. Maybe Rhodri wants to pick up.

Rhodri Talfan Davies: I think it has been challenging. BBC Wales has delivered about £10.5 million of savings over the last five years. The way we have gone about it of trying to protect the output that has the biggest impact on audiences, and particularly focusing—take television as an example—the output primarily on BBC One, where historically we had ridden both horses, BBC One and BBC Two, when there are funding restraints going

where the audience is, I think has protected the majority of the impact on audiences. It has been tough, though. It has been a tough process.

Q325 Liz Saville Roberts: You have both mentioned that that was at the UK level, though. I wonder whether that has had a different impact at the Wales level given that the First Minister of Wales said that the BBC really should be getting £30 million extra funding. In an ideal world, if you were given £30 million extra funding, what would you do with it?

Rhodri Talfan Davies: I think there are a number of ways of approaching the challenge facing English language television. One of the big challenges that we are looking at, or one of the big questions we are looking at, at the moment is how we ensure that our network television services achieve better representation of the UK. In a sense, what has happened over the last seven or eight years spectacularly in Wales is that production has been decentralised and we have built a real centre of excellence, particularly in drama and factual. The challenge in this charter is to make sure that that economic and creative story also delivers a cultural dividend and that we see Welsh stories, our stories, reflected on screen not just in Wales but right across the UK. The review that we are doing of network commissioning across the BBC is looking precisely at that challenge.

Q326 Chair: Following on from that, Tony Hall said last April that Welsh national life is not sufficiently captured by the BBC. In November I think you said, Mr Purnell, that you were looking at how to address this with less money. Have you found the solution yet?

James Purnell: We are still looking, and it all depends on a financial reprioritisation plan that we are going through at the moment. As Rhodri was saying, I think there is, first, a big question about how we can make existing money work harder. We are now spending the proportionate amount on content made in Wales. We have had huge success with things like “War and Peace” or “Doctor Who”, and “A Midsummer Night’s Dream” coming up shortly—a whole range of studios—but I think we would say that that has done a limited amount for portrayal of Wales. We want to see if we can get that money to work harder for the portrayal of Wales to itself and to the whole UK.

We have said we are going to cut each of the nations less than we are the overall BBC, try to protect funding, because there are clear audience needs in Wales that we need to meet. We took as a very important input into the charter review the paper that Ofcom did looking at public service broadcasting. That issue of portrayal was one of the two big ones that came out of that research. We would like to find some more money for English language programming in Wales, but it is going to be quite tough given the overall cut in funding that we face. We expect to make some announcements in the forthcoming weeks.

Rhodri Talfan Davies: Can I just add to that? Whatever funding settlement we finally reach, I think one of the things that has really shifted in the last five or six years is our ability to work with others to maximise the impact on screen. If you take drama on BBC Wales over the last couple of years, there has been co-investment in “A Poet in New York”, the Dylan Thomas drama, and very significant co-investment from S4C and others into “Hinterland”. The whole industry is thinking much more creatively and entrepreneurially about how you bring funding together so that even when the funding

feels very constrained, you try to maximise the creative ambition on screen. I think we have had real success with that.

Q327 Chair: I think there is sometimes a feeling in the BBC that some people with a viewpoint like mine might be anti them in some way. I do pick this up and I would preface my next comment by saying that I think that some of the output, the stuff I listen to, is superb. I listen to the BBC-produced podcasts in the car all the time, and they are absolutely superb. So do not take this the wrong way, but isn't salaries one of the things that you might want to look at? One of the things I worry about is the amount of money that you pay to top stars, which is bound to mean that you are bidding against independent companies, ITV and so on, and you keep pushing the prices up and up. I look at the salaries that senior management get within the BBC, yourself no doubt excepted, people earning multiples of what the Prime Minister gets. I cannot help but think that maybe this is an area where you might want to concentrate some thought about savings.

James Purnell: Sure, and we have done that. We have significantly reduced the amount we spend on top talent. We have reduced the number of senior managers that we have had. We have reduced the pay of senior managers. At the end of the day, though, we operate in a market. Both Governments, Labour and Conservative, have been very keen for there to be increasing independent production, have put quotas on the BBC to commission from independent producers and have given those independent producers terms of trade so that they get a very attractive return from the programmes they have commissioned for public service broadcasters. Inevitably, we are in a market where we can pay less than people who are in purely commercial organisations, but there is a floor on how low we can go before we start to lose the talent that we need to make our content. In the end, I would say the thing that we need to be judged on is the quality of those programmes. It would be no good our saying we have given you a really cheap but not very good "Doctor Who". There are just some realities of the market that we operate in.

That allows us to then exploit those rights commercially. We can sell something like "War and Peace" around the world and then have money to go back into the licence fee, which means that the licence fee is £10 lower than it otherwise would be. We totally accept your point, which is that the amount of management needs to be as low as possible to be able to run the BBC effectively. We should pay less than the market and we do. We discount our salaries by between 25% and 80% and we track that, but there is a floor beneath which we cannot go before audiences would start to suffer.

Q328 Chair: You are fairly transparent, to be fair, about what you pay top management, but what about the actual stars of certain dramas and people who make guest appearances on certain programmes? Do you not feel you could be a bit more transparent about that?

James Purnell: I think it is very difficult because it would give our competitors the ability to know exactly how much to pay to get those people to work for them. We are genuinely in a market and we are always trying to balance transparency and accountability with the ability to be commercially effective. We have a proposal to take our in-house programme-making teams and put them in a wholly owned commercial subsidiary, and I think that would be a good debate to have with yourselves and with other stakeholders. What is the right level of transparency to have about pay in BBC Studios but also the right amount of

commercial freedom so that we can keep on pitching to make those programmes and have a really successful BBC Studios, which is the anchor tenant for the Drama Village that Rhodri was talking about in Roath Lock? There is a real balance to be had. We are very open to having that debate, but we do think that there is a level of transparency that would inhibit commercial effectiveness.

Q329 Dr James Davies: The BBC Trust has suggested to us that in future the BBC should be subject to external regulation. What is your thought about that and how might it affect the audiences in Wales?

James Purnell: We are very keen on having external regulation. We think that it will bring clarity to how we are regulated. We think that would be a good opportunity to deregulate the BBC. Once people are completely confident that they have an external regulator that has no particular relationship with the BBC, that can mean that, rather than trying to tie us down in rules right at the start, they can measure us according to some principles and then give the regulator step-in rights if we do not fulfil our obligations. We are very keen on that. We are keen on also having a unitary board. There has been some confusion between us and the Trust sometimes about who is responsible for what. Having a unitary board on plc principles I think will be good.

What effect would it have on audiences? I think for audiences it will be clearer who is accountable. It will be clearer who is regulating and who is in charge of the strategy. We have worked very effectively with the Trust over the last few years. I do not think we would say there is a fundamental problem that needs to be fixed right now, but we do think there will be benefits for accountability and transparency.

Q330 Dr James Davies: Our colleagues on the Culture, Media and Sport Committee have recommended that a unitary board, for instance, would not have Welsh representation. Do you have any thoughts on that?

James Purnell: We are against that. We are obviously hugely respectful of the Commons Select Committee and we do think that it is absolutely right to have nations representatives on the unitary board. That is important to reflect the range of perspectives from the nations. There have been nations representatives on the governors since the 1950s, so we think that is an important part of accountability.

Rhodri Talfan Davies: Just to add to that, I think you can see it with the current national trustee. There is a track record of individuals taking these roles who have a huge amount to offer the BBC beyond representing Wales. Elan Closs Stephens has recently conducted the Trust review of BBC Radio 4. She is a woman of huge professionalism and has an enormous amount to contribute. I have no doubt that we can find those individuals in future.

Q331 Dr James Davies: Would you accept that the BBC is or has been over centralised during its existence?

James Purnell: That is a good question. No, I do not think that is right. There are huge benefits in terms of economies of scale to having broadcasting organised on a UK basis. There is a huge part of our role that is bringing the UK together to debate cultural, political, artistic questions, but there has always been a very important tradition and part of the BBC that is about nations and regions as well. It has ebbed and flowed in its history. In the previous charter the BBC made huge strides in terms of decentralisation. The commitment to network supply review, which means there has been a tripling of the amount of content made in Wales, the relationship with S4C and with Alba, means that we reflected devolution as it was in that period. Our principle is always to get neither behind nor ahead of how constitutional change is happening. I think there is now a need to do more to reflect the way the country has changed again. It is not just that we bring the country together around comfortable, positive issues. We should also be there to talk about what is difficult and what is changing and what divides people. You can bring people together through separateness and division and difference as well as by talking about the things that unite us.

Q332 Liz Saville Roberts: If I remember correctly, the chair of the BBC Trust, Rona Fairhead, told us that the concept of a separate body regulating the BBC removes the interest factor that one has with the BBC Trust at present. Is there not a concern that if the regulation is removed, it becomes a tick-box exercise, and it is always responding, and it is always responding later in the day, whereas the Trust as it stands is nearer to the cause? From what we understand, the unitary board is going to have only 12 members on it. Again, those day-to-day decisions affect Wales, but they will affect the other nations, and there will be other groups that should be in there at the heart of decision-making from day to day. There are two issues. You can see the argument for why it is being done, but there are risks in both cases.

James Purnell: I think that is absolutely right about the unitary board. We are really interested in how we can have a much more rounded relationship with the audience, a much more day-to-day relationship with the audience. The BBC has always been a one-to-many broadcaster. We are now asking people to sign in. People can sign in to the iPlayer, to the sports app, to get newsletters from the BBC. That is the start of a really exciting transformation over the next charter period where we can get 10 million more people to sign in to the BBC and be in a two-way relationship with us. For some people, that will just mean, “I want to get better recommendations about the iPlayer”. In terms of Welsh broadcasting, it will mean that someone who is interested in Welsh broadcasting who lives in Norwich would be able to get better access to content that is relevant to them. A significant minority of those people might want to get involved in our governance as well. The Trust has done really good work in involving the audience but mostly through research. I think we can now do that very effectively by having people involved day to day with deliberative juries, online forums, getting people to test products. We already have quite a lot of audience feedback on programmes; we can get even more of that. We would like to have something that is much more day to day, much more holistic, not one-off interventions, while also having governance and accountability that properly involves each of the nations.

Q333 Gerald Jones: A question regarding service licences and how the current system works and whether you think having service licences for Wales specifically would help to improve the portrayal once we—

Rhodri Talfan Davies: It partly picks up the previous question about centralisation. One of the challenges of the current service licence structure is that it takes quite a rigid view of the services. We review BBC One. We review BBC Two. What that licence prevents or that structure prevents is looking at the provision for Wales in the whole, in the round. It also makes it in a strategic sense difficult to think about how we adapt the services in Wales to respond to digital changes, audience changes. There is a certain rigidity because you have television in this silo, online in that silo and radio in that silo.

One of the proposals that we are advocating is the introduction of an integrated nations licence that contains the totality of the dedicated services we provide in each nation. I think one of the things that will do is enable us to articulate what we are trying to achieve with audiences, what we are trying to deliver, but also enable us to look at the trade-offs. Where should we be moving investment? Where should we be adapting the portfolio of services that we offer? I think at the moment that structure is probably a bit straitjacketed in terms of thinking about the individual nations.

Q334 Gerald Jones: Do you think a new system would give you the flexibility to be able to support the portrayal of Wales?

Rhodri Talfan Davies: I think so. If you think about the landscape at the moment and look back at the last two or three years, I do not think there has ever been a moment of more radical change in terms of technology, the take-up of devices. You are thinking very much in a live way about how you move and reprioritise, how quickly you accelerate into the online space. If your regulatory structure is very platform focused, it is very television, radio and online, that can prevent you moving at speed. Yes, I do think there will be quite considerable benefits.

Q335 Liz Saville Roberts: This is coming back partly to the question about governance again and the implications of not having a specific individual talking for and answerable to Wales, if you like. What we heard from Huw Jones, the chair of S4C, is that after initial concerns—possibly not on his part but on other people’s—none the less the relationship between S4C and the BBC has proved effective, in his own words. He is then concerned about what exactly is the relationship of S4C with the BBC and the means of communication. If the BBC Trust were to be abolished, what do you think would be the impact on the future operational activities and connections with S4C?

James Purnell: It is quite hard to answer that ahead of David Clementi’s report into governance and regulation because it is a bit hypothetical. We do not know what model we would be designing into. On that one, we are waiting to see what he recommends and, depending on that, we will want to work with the Government, the regulator and S4C to work out a way of trying to replicate the success of what we have had in the last charter period.

I think this may be worth a word on the partnership because it has worked really well. The way it is set up at the moment has the beauty of encouraging us to find ways of finding win-wins. S4C being on the iPlayer has led to 5 million more requests for its content. I think it has benefited its services as well. The same is happening for rugby at the moment where I understand that the rights to the Six Nations are being played out on S4C as well. There is a nice thing at the moment about property, trying to see if we can work together on that as well, which encourages both sides to try to find win-wins. It is better, we think, than a formal top slice where the money is just separated at source into an S4C bucket and a BBC bucket. How you do that in the new regulatory arrangement is something we will turn our minds to once we have seen what David Clementi recommends.

Q336 Liz Saville Roberts: Does it as a matter of principle have to go through the BBC?

James Purnell: It does not as a matter of principle. You could do it in different ways. We are, at the level of principle, wary of top slicing because we think it does create a dangerous precedent of money being allocated by bureaucrats—not in this case but potentially—according to lobbying by the industry rather than according to the audience. We do have a prejudice against top slicing. I think there is a real virtue in doing it on a partnership basis because, as I say, it encourages both sides to try to find mutually beneficial improvements in our services, which I think we have done well this time. It is partly a bit of in principle questioning of top slicing. It is also the practical experience of it having worked quite well.

Rhodri Talfan Davies: Just to pick up on that point, the key point is that it works and the most important thing is that we find a solution that enables that to continue to operate effectively. When the last licence fee was agreed, a lot of people thought it could not work. What has been demonstrated through real hard work and goodwill on both sides is not just it can work but it delivers something greater than was being achieved previously. I am not sure “Hinterland” would have been achieved under the old arrangements. Certainly the iPlayer would have been very difficult to achieve without the unique relationship and partnership structure that exists between the two broadcasters. For me, the priority, given the challenges in Welsh language broadcasting, given the speed of technological change, is to maintain that strong partnership bond.

Q337 Chair: Rhodri, would you go a bit further and say that many of those people expressing concerns the loudest about a future change to a situation that works are the people who said that this current situation would never work at all?

Rhodri Talfan Davies: I think they were legitimate concerns at the time. Let us not forget it was the licence fee that surprised many people. S4C clearly had concerns about the level of consultation that happened around it. There were genuine concerns and there was a lot of anxiety. Perhaps the quality of the structure of the partnership that emerged reflected the fact that we went out of our way on both sides to try to meet in the middle and come up with a sensible working relationship. I do not want to be dismissive of those concerns, but if the fundamental question is has that partnership delivered tangible benefits to the audience, without a doubt, not only in the last three or four years but we are now working on whether we can share our personalisation technology with S4C, the myBBC technology. We are doing a lot of work looking at whether our archives can work more

closely together. In a landscape of great change, I think there is real benefit from the two broadcasters working side by side.

Q338 Dr Davies: The charter review next. We have had some representations as to the fact that there is insufficient Welsh representation again, this time on the Culture Secretary's group of advisers. The Welsh Language Commissioner also thinks that there is not sufficient understanding of broadcasting in Welsh, for instance. What has the BBC done to put over the needs of the Welsh viewers and listeners?

Rhodri Talfan Davies: A number of things. For the very first time there was a memorandum of understanding agreed between the UK Government, the BBC and the Welsh Assembly, which enshrines for the first time a formal consultation framework. Those conversations between the BBC and Welsh Ministers have a number of sessions and a number of future sessions planned. There is clearly a very extensive public consultation conducted by both the BBC Trust and DCMS, which I think has elicited about 200,000 responses in total, so a very extensive response from the audience. We will continue with that consultation process until we get through the White Paper. We will continue to listen to the arguments being put forward. You will not be surprised, and you will be aware of it from the previous session, that people have not been shy in coming forward and saying what they think of the BBC. That is a great thing. It is the wonderful thing about the institution. People care about it very passionately and have very strong views about what they want from the BBC.

James Purnell: I suppose, as you were saying just now, there is also now the review of S4C to look at the Welsh language aspects for S4C specifically. It is not like that will all have to be addressed through charter review.

Rhodri Talfan Davies: It is worth recording that since you had S4C here the BBC Trust has put in place that one-year agreement on the funding, which will take S4C up to the period of the independent review and through it.

Q339 Gerald Jones: We have touched on this subject a little bit earlier. It is regarding the portrayal of Wales in English. There has been some concern over a number of years that the number of hours has declined on television, both domestic and network. I suppose the two questions are: why do you think this issue has not been addressed and what measures do you think can be put in place to make sure that this does not continue in the next charter? In fact, how can we improve upon it?

Rhodri Talfan Davies: As James said, we are looking at the moment at what funding may be available, but clearly it is a very constrained landscape and the BBC is facing quite significant savings challenges. We have already made clear that each of the nations will face lower savings targets than the rest of the BBC.

I think there are a number of things that we can do. One of the things I have touched on already is being more open to coinvestment opportunities and making sure that we make our money work as hard as possible. The second point is the review of network commissioning. How can we make sure the existing investment we already have in television can work even harder to reflect the different parts of the UK? There is also

thinking about what opportunities new technology provides. One of the things the Director-General has already talked about is delivering online on-demand digital channels for each of the nations. We have seen just this week BBC Three going online. The younger audiences space is very interesting for us. For example, some of the programmes that we currently broadcast on BBC One Wales, particularly those for younger audiences, will perform as well if not better in the online space than they do on the main channel. We need to think in a more joined-up way about how we channel our investment at the right platforms and the right devices rather than thinking in too structured a way about broadcast, online and radio.

Q340 Chair: Mr Davies, the evidence we had from independent TV companies was that they were a tad critical of the BBC's commissioning process. Would you agree that there is a bit of a disconnect between the BBC in Wales and London that impacts on the commissioning of programmes for the network?

Rhodri Talfan Davies: There is always room for improvement. What I would say is that over the last three or four years the dialogue between our local commissioning teams in Cardiff and network commissioning teams has improved very significantly. There are a number of projects. There is a series going out at the moment by Will Millard on "The River Taff", which is a direct joint coinvestment between the network commissioners and the local commissioners in Cardiff. I think there is room for improvement but "Hinterland" and "The River Taff" are examples of programmes where both network teams and local teams have been involved.

Q341 Chair: Incidentally, I have been watching "Hinterland" on Netflix, which is very good, but I am surprised I cannot get it in Welsh. I am sure it is not your fault or anything, but I think that is a bit strange because most things are subtitled, aren't they? If it is not too tangential to this inquiry, do you know why that might be?

Rhodri Talfan Davies: I could guess but I probably should not guess in a committee inquiry. There are two versions of the series. One is fully Welsh language and one is obviously a bilingual version. I think in the majority of the international sales of the series the buyers have chosen the bilingual version.

James Purnell: I think it is worth saying some of those frustrations about commissioning are ones that exist on a UK-wide basis, so it is not just to do with Wales. I think it is well known that we are looking at simplifying the BBC and putting in place a structure that would address some of those concerns about a simpler and more efficient form of commissioning to get quicker decisions and also to save money.

Chair: Yes, I think we are going to come back to that in a roundabout way in a minute. Could I go first to Dr James Davies?

Q342 Dr Davies: Could you reassure me and others on the value for money of Welsh language productions that the BBC produces in view of, for instance, listening figures for Radio Cymru?

Rhodri Talfan Davies: Yes. I think the case for investment in Welsh language output, be it radio or television, is stronger than it has ever been. If you look historically at the use of the language, many of the traditional gathering spaces such as the chapel and local communities have disappeared. The media and the broadcasters play an absolutely critical role in giving the Welsh language a shared space where people can use and enjoy the language.

The other thing to say is that there are lies, damned lies and statistics. The truth is that Radio Cymru is more popular among Welsh speakers than Radio 2 and Radio 2 isn't doing too badly on a UK level. Radio Cymru alone generates about a million hours of listening every single week, about 11 hours a week per listener. It has a phenomenal role. If you take all the listening and viewing of Radio Cymru and S4C together, it delivers about 60% of that consumption, so it is a very vital and successful service. There is no doubt there are challenges. You will know from other committee sessions that levels of fluency are declining, so the challenge is significant. As I say, I think broadcasting has an even more important role in that quite challenging context.

Q343 Liz Saville Roberts: Do you have anything to say about the methodology of measuring viewers? That does seem to serve Wales particularly badly, to be fair, in the sense of particularly Welsh speaking of S4C, which perhaps is not so relevant to you, but it does not seem to be particularly effective for Wales. Also, the question about the new digital platforms: again, the smaller the audience the larger the impact they have and the more difficult it is to measure them.

Rhodri Talfan Davies: James might want to say something about this as well. I think measurement is becoming one of the biggest challenges of all because the way that people consume is becoming so fragmented. Let's take the Six Nations tournament at the moment. You can measure the television viewing. You can use BARB. You can measure the radio listening, but you can only measure it over a three-month period so you do not know what the individual programme audience is. You then have Facebook, Twitter and iPlayer. There is a myriad of different devices and trying to get a complete picture of usage is a challenge that all broadcasters are facing.

James Purnell: Yes, and it is something we are looking at very actively, as Rhodri says. You can basically measure what people are doing on each platform, but it is very hard to measure what that person is doing with all of their time. Ofcom did a fantastic study last year that looked at that, which was great to have on a one-off basis. We want to try to do that on an ongoing basis because at the moment we have fantastic measures of TV, for example. Everybody at the BBC pretty much gets an e-mail in their inbox in the morning saying, "This is what the programme did last night compared to their slot average" and all this kind of stuff. Radio is much less timely. It is every three months, as Rhodri says. Then online you know the number of unique browsers, but because the internet population is going up those numbers are always green as in they are always getting better. Getting to a single picture is something that we are putting quite a lot of thought into.

I guess there is one interesting point that is worth making, which is that at least you know what audiences are on BBC, ITV and S4C. People have no idea what is happening on Netflix or Amazon or Facebook and we have no access to that data, which is a point that we make to them on a regular basis.

Q344 Liz Saville Roberts: Which makes you wonder whether there is a risk of comparing public service broadcasting with those sorts of platforms that might seem to be the ideal way ahead but we do not actually know how they are performing.

James Purnell: Exactly, and quite often they have different criteria. What really drives them is what will acquire customers and keep them. It is not always the programmes with the biggest audiences. Sometimes it is programmes that people have an absolute passion for. It is also slightly that we are doing different things, but certainly when it comes to talking to those partners about distributing our services over their platforms, one of the big things we say is that at the moment with the iPlayer we have fantastic data about who is consuming what. We can help people go from a really big, popular entertainment programme into a factual programme that they will find they like but might not have known otherwise. If we do not have data about our customers, we cannot do that kind of public service recommendation.

Rhodri Talfan Davies: Just one other point, if I may, because it is also relevant to the questions you are asking about Welsh language broadcasting in particular. You asked the question about Radio Cymru's performance. If you look at the take-up of our Welsh language online service, Cymru Fyw, that has seen a five-fold increase in its audience over the last three years. We now get about 50,000 browsers accessing that site every single week. Measuring the impact of Welsh language broadcasting is becoming necessarily more complex, but just as there are some challenges for what you might deem the traditional broadcast services, we are seeing both on iPlayer and through Cymru Fyw quite significant growth in digital.

Q345 Chair: How much of this can be accessed by listeners around the world? I know there are copyright issues, quite rightly so, about giving general access to BBC-produced programmes because you could be selling them, and we wish you all the best in doing that. I would suggest that there are not going to be that many people outside in the world listening to "Betí a'i Phobol" but there will be some.

Rhodri Talfan Davies: You would be surprised, Chairman.

Chair: Well, I would not be as surprised as you think because there would be some and we would like to help them. We met the Welsh language community in Argentina who would love to have that access. I wondered whether you might look upon this as something like the equivalent of a BBC World Service Cymru, Gwasanaeth Byd Cymru, and allow greater access around the world to Welsh speakers.

Rhodri Talfan Davies: Certainly, there is global access to much of the online sites, the websites. The challenge comes particularly around broadcast content with various talent rights and copyright issues. I should tell you I circumvented it last autumn by taking the entire BBC Patagonian archive out to the schools in Patagonia so they now have about 100 hours of BBC Wales's coverage from the last 50 years. In fact, we have probably done more on the Patagonian community than on any community in Wales over the last 50 years.

James Purnell: I think it is a really interesting point, though. Over the next 10 years, you will probably see a bifurcation between entertainment and drama content that has a big value overseas and we will exploit more and more and some more of the factual content for which probably the commercial value is less than the public service value. We would love to do more of giving that to the world as a part of our soft power.

Chair: I cannot speak for all of the Committee, but the Committee last time round felt that way.

Rhodri Talfan Davies: Of course, the most striking example of global impact of Welsh language is “Hinterland”, which you watch on Netflix. Netflix has taken a global distribution right there. They are showing it right across the globe. When was the last time a Welsh language programme had that type of impact?

Chair: True, but in English.

Rhodri Talfan Davies: Well—

James Purnell: It is a step in the right direction.

Q346 Liz Saville Roberts: One quick question to do with technology: what do you anticipate will be the impact of smart TVs, that technology, which is fast approaching, fast normalising?

James Purnell: We think it is already having quite a big impact. Particularly with younger people, younger people who use the iPlayer, about 30% of their consumption is on demand consumption, so smart TVs or on their tablet, on their phone or casting it to the TV. It is still worth getting it in context: 80% of consumption of TV is still live. There is large parts of the audience that do not do any on demand consuming at all. What we are trying to do is to ride both those horses of looking after the traditional broadcast services, making sure that they are as good as they can be, while also innovating and offering a bunch of new services that take advantage of the capabilities of on demand.

To the point that the Chairman was making, we have an idea for something called the Ideas Service, which would be taking the factual content that we have and making it widely available, including through online, so that if people are going on holiday to Sicily and they want to know about the influence of the Greeks and the Romans, can we get to a point where the BBC is offering that content either through our own platform or making it openly available so that if you have a guide to Sicily or a blog that you are doing you can link to our content as well? We are trying to do both and we think for the next 10 years you are going to have very strong consumption of traditional broadcast services but rising consumption of on demand services. We want to be agile between the two. The main point is that we are excited about it. We do not see this as a terrible threat of disruption. We see it as a way of informing, educating and entertaining in a more successful way.

Q347 Liz Saville Roberts: I am interested in comparing the way that Wales is presented with news about itself and about the world. I understand that there is a Scottish Six and this idea of presenting the news per se through the medium of English because, of course, this

happens through the medium of Welsh already. What would you think of the concept of a Wales Six and also possibly of other ways of presenting news, say, through Radio 2?

Rhodri Talfan Davies: We are looking at the entire slate of news services at the moment and I think the priorities are this. The first is the relevance of news. We know that the democratic debate and policy areas are diverging across the UK. How do we make sure that viewers and listeners and internet users in each part of the UK get as relevant as possible a service from the BBC?

For the BBC particularly in Wales there is an additional challenge, which is that the weakness of the commercial market in Wales means that there is probably a disproportionate responsibility on the BBC to reach out to audiences. As well as making sure we get the journalism, the specialism and the expertise right, we are also looking at what levers we could pull that would draw a bigger audience into Welsh news. One of the most salutary research sessions we have done in recent months showed that there are a lot of people in Wales whose grasp of the changing political context is quite slight. Their understanding of where power sits, their understanding of who holds power between Westminster and the Assembly is often quite confused. We are looking at a whole range of options.

If you are asking me particularly about the notion of an integrated Six, in a sense that is not such a radical proposal. It is what we do on “Good morning Wales” every morning; we combine global, UK and national stories. But to pull that into a single bulletin and present it from Cardiff, I suppose the question I would ask there when money is constrained is: would that have the biggest impact? If there is £1 of additional investment or £500,000 of additional investment, whatever sum might be available, would that have the biggest impact in delivering the most relevant news to people in Wales and driving the reach of our news services? I am not sure it would.

We are looking specifically at Radio 1 and Radio 2 and exploring the option of whether we can provide more tailored news bulletins there. It is not straightforward. There are transmitting issues we need to resolve, but we are looking hard at that. We are also looking at our existing services, Radio Wales, Radio Cymru, “Wales Today”, and asking how we can raise the bar even higher. How can we get those absolutely right so that the coverage, both of UK and Welsh news, is spot on?

Q348 Liz Saville Roberts: It is interesting. What you are saying in some ways is that affordability is the issue, not so much the concept.

Rhodri Talfan Davies: No, I am not saying it is affordability. I am saying that we need to be clear what our priorities are. If you are asking me what I think the priorities should be in terms of the Welsh context, the priority is building citizenship and to build citizenship, first, you need to get your journalism right but, secondly, you need to get your journalism out there and you need to reach the maximum number of people. I want to judge the recommendations against those two criteria.

Q349 Liz Saville Roberts: There is one other question that we have not brought up and I think this is quite important. Given the ever-increasing costs, what do you perceive is the

future of sport, particularly the big sports, on BBC and on public service broadcasting in Wales, premiership football, rugby, national games?

Rhodri Talfan Davies: I think sport is an absolutely essential part of the mix of programming that we deliver. You probably know the statistics better than me, but I think the BBC broadcasts about 3% of all sports and gets about 45% of all the audiences to sports. People come to the BBC expecting high quality sports coverage. The BBC has a very strong portfolio of sports in Wales. If we just take this current year, we have the Six Nations going out at the moment, an innovative deal with ITV to make sure rugby stayed free to air for the next five years, a very important deal, again partnering with ITV, in the summer for the Euro 2016 competition, and then the Olympics exclusively on the BBC in the summer. There is no doubt we are having to be more imaginative about how we make money go further and partnering with other broadcasters, but I think we have a very strong slate of sport and that reflects in Wales a real passion across a wide range of activities.

James Purnell: There is real super-inflation in sport now. You can see that in the last Premier League contract where that is costing more each year than the BBC spends on the whole of its television output each year just for the Premier League football for Sky and BT. It does mean some tough decisions for us. We cannot have the sports budget inflating faster than the rest of our content, so we have had to regretfully decide to not bid again for our rights to The Open golf. We have come out of the Formula 1 contract early. We are still very strongly committed to having sport because we think it is good for audiences but also good for those sports. The mixture of free to air access to get the next generation with the fantastic coverage that you get from subscription services is a really good balance. I think there is something important for MPs to think about here with listed events as well and whether the legislation that has protected those sports staying free to air is one that needs to be strengthened and whether there are some improvements that could be made to that as well.

Q350 Gerald Jones: It is a question regarding BBC Wales's statutory contribution to S4C, the 10 hours a week. I think I might know the answer to this, but could you outline whether you think it is an outdated agreement and what alternatives would you suggest?

Rhodri Talfan Davies: This is the programming supply to S4C, which I think has been in place right from the outset of the channel in 1982. There is no doubt it has been very successful. The BBC output, be it rugby, "Pobol y Cwm" or the news, is an absolutely essential daily part of the S4C schedule and is performing very strongly within the schedule.

Let's wait for this independent review to take place. Ian Jones, the chief executive of S4C, who was here a few weeks back, talked about wanting to look at whether S4C's remit is fit for the digital future and I think we should look at the BBC's creative contribution to S4C within the context of that review of S4C's remit. I want us to deliver outstanding output, outstanding creativity on to S4C, but it may well be that in future there are more imaginative ways that we might do it; sometimes, of course, through traditional broadcast services like news and sport, but sometimes perhaps digital services. It is interesting at the moment the 520, that contribution is rigidly broadcast, so if S4C want us to deliver interactive content that has to be done outside the agreement. If S4C wants to come on to the BBC iPlayer, that has to be done outside of that agreement. The question of whether

we need a more flexible arrangement in future is probably one to look at once the independent review takes a view on the remit of S4C overall.

Q351 Chair: As you will know, the independent TV producers in Wales have expressed concern about BBC Studios and the possibility that they are going to be crowded out. How are you going to make sure that when you commission programmes you are looking at a range of providers and only using BBC Studios if it is economic to do so?

James Purnell: It is a really good point, but I think there is a genuine improvement for those independent producers from our proposals. At the moment, we have an in-house guarantee, which means that 50% of programmes have to be made by BBC staff regardless of whether they are economically the most attractive or the most attractive in terms of quality. What we are proposing is getting rid of that quota entirely.

Q352 Chair: I can see that. In that case, your idea is that it will make a profit and that the profits go back to the BBC, but how will you know if it is making a profit or not?

James Purnell: This can sound like it is a very new issue, but it is one that we have been dealing with with BBC Worldwide for a very long time now. There is EU regulation that sets out the framework to make sure that what we are doing has no cross-subsidy, that Worldwide pays a fair value for the rights, for the arrangements that they have with us, the brand, for example. It is not only something that we are legally bound to do, it is something that we do already. We have made proposals to take those principles and apply them to BBC Studios as well.

We also—and I think this is quite significant—engaged in a detailed negotiation with PACT, who represent independent producers, and addressed their concerns to the extent that they have now reached an agreement with us, which means that they are no longer opposing the concept of BBC Studios, not least because we said that there will be a floor of the programmes that are currently made by the BBC that will be competed, so roughly 40%. I think we have really listened to those concerns.

I would say also to those independent producers—and I think the people I have met in Wales would agree with this—that having BBC Studios as a factual and drama cluster in Cardiff has helped to stimulate the industry. At the start, there were quite a lot of people coming down from London to be part of delivering those programmes. There is now a completely sustaining industry with Welsh talent. Just look at “A Midsummer Night’s Dream”, for example. That would not have happened without the base of talent that is coming from having Roath Lock there. I do not think there is a zero sum game. There is actually a win-win.

Q353 Chair: Will new employees who are taken on by BBC Studios be on a kind of private sector pension arrangement or will they still be on the BBC pension scheme?

James Purnell: I do not know if we have confirmed that, but they would be on the normal BBC pension. It is worth saying that that is now just a simple DC pension. New joiners do not join the old defined benefit pension.

Q354 Chair: Right. A couple of other members have arrived, by the way, and I do not need to tell either of you—

James Purnell: We know we are the main attraction today; we totally understand that.

Chair: We apologise to the Prime Minister for stealing his thunder with the Committee today. Do any of the members who have just arrived want to ask any other questions?

Mr Mark Williams: I am going to study the text of the transcript and then I will write to our visitors, if that is appropriate. But apologies for being late; it is not easy to get from Ceredigion at times.

Craig Williams: Apologies as well, Chair. If you touched the commissioning I will not jump in, but if you have not drilled into much depth about commissioning I would like to.

Q355 Chair: It is something we will no doubt come back to. The final question really follows on from this. It is the suggestion that you might try to work with journalists on local papers. I am not quite sure how that would work and perhaps it would take rather a long time to explain, but is it a further example of the BBC crowding out local news providers?

James Purnell: It is very important we do not do that. One of our core principles is that if we are to do anything in partnership with local newspapers or other providers of local content it should be investment that improves the service to audiences. For example, if they were proposals that would just substitute for newspapers investing in their own journalism, we are not interested in that.

Having said that, we do think that there are some areas where we could co-operate to the benefit of audiences. We would like to look at sharing our video content, see if newspapers can put that on their websites. Can we do joint investigations with people? There was a fantastic example last year of us working with local newspapers to look at data on cremations, which showed some problems in the way that that was happening around the country. Can we do more joint investigations? Where there are things we can do that allow us to do that, we are interested in working in partnership with local papers and we are talking to them about it. What we are certainly not up for is something that would crowd out their own investment and mean that we have to reduce our number of local radio stations or number of journalists who are, I think MPs would agree, a fantastically important resource.

Chair: Thank you both very much indeed for coming in today. We will no doubt be seeing you soon in various different capacities. Thanks a lot, gentlemen.