



Welsh Affairs Committee

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

29 February 2016

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Written evidence from witnesses:

- [ITV Cymru Wales](#)

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Members present: David T.C. Davies (Chair); Chris Davies; Carolyn Harris; Liz Saville Roberts.

Questions 380–412

Witnesses: **Phil Henfrey**, Head of News & Programmes, ITV Cymru Wales, **Huw Rossiter**, Public Affairs Manager, ITV Cymru Wales, and **Magnus Brooke**, Director of Policy & Regulatory Affairs, ITV plc, gave evidence.

Q380 Chair (*Translation*): May I welcome Huw Rossiter, Phil Henfrey and Magnus Brooke from ITV Cymru? Thank you for this morning's visit.

(*Continued in English*) Thank you very much indeed for coming along. I think some of the panel may be talking in Welsh, but instantaneous translation is provided.

We had a very useful visit this morning, for which we are all extremely grateful, but can I put it to you that Ofcom's review found that the reduction in spend in non-network English language television in Wales was among the biggest decline recorded in any of the UK nations? I wonder whether you would like to comment on that, and whether you think that more could be done to produce non-network English language television at ITV Wales.

Phil Henfrey: Yes, I am happy to look at those points. Before I do get into that, though, I think that often when it comes to these things ITV Cymru Wales is sometimes defined by what it doesn't do. If the Committee will indulge me just for a couple of minutes, I'd like to just set out what it is that we do do.

ITV Cymru Wales is Wales's most popular commercial broadcaster. It is home to some of Wales's most loved programmes, from "Downton Abbey" through to "Coronation Street", "Britain's Got Talent" and now, of course, the Six Nations rugby championship. Of course, we also make very important programmes for audiences in Wales—programmes such as "Wales This Week" and "Sharp End". Of course we produce all the commercially available national news service for Wales, to rival the

BBC—a news service that has gone from strength to strength and grown its ratings for the last five years.

When we come to think of plurality that is a really important point to be making—that we do offer that choice. To come back to your original point, we are a long way away from when there were four television channels available. There is an estimate that I read over the weekend that says that a television viewer now has the potential to access 20,000 different pieces of content at any one time. Five years ago that figure was 5,000; 10 years ago it was 200. So the landscape has completely changed and, with that, the economics of broadcasting have completely changed.

One of the things that I would also say, when we are talking about our public service contribution, is, yes, we make the programmes that I have just described to you, but what they also provide us with is a platform to do other things as well. As a result of our being based in Wales, making programmes for viewers in Wales, we are able to produce programmes in the Welsh language, and so provide plurality in the Welsh language. On top of that, as some of you saw today, we also provide a digital news service, which is accessing and reaching people that perhaps we didn't reach before, just solely through the television news service.

So yes, it is true, we are not doing what we have done in the past, but it is also important to point out that the levels of programming that we do make have been stable since 2009; but the landscape in which we operate is changing year on year. As I said in my opening, I think it is really important that ITV Cymru Wales is framed by what it does do, and the contribution it does make in today's world, not simply the declines in the past.

Q381 Chair: That is a fascinating point, and I don't want to go off too much at a tangent, here, but I wonder if there is an analogy with music; because obviously music now is fairly generic around the world—you know, Beyoncé or whoever; I am not quite as up to date as my kids are. You could be listening to the same item of pop music virtually anywhere in the world, these days. Is there a danger—I think there is—that television could end up like that: that because everyone is now trying to produce for a world market, we are going to end up with generic television programmes that are all the same, and we are going to lose the national feel, and the regional feel, certainly, that many of us value?

Phil Henfrey: Again, I would say that that is one of the things that ITV does do. ITV spends £1 billion a year on UK content. It is content that quite literally changes by the day. We also produce programmes, in our particular case, in Wales. The schedule that we produce in Wales is distinct from the schedule that is produced for the ITV network. The programmes that we produce are being produced in Wales for audiences in Wales. That is a very successful formula for us. I said that ITV is the most popular commercial broadcaster operating in Wales. The ITV Wales schedule in particular is more popular and attracts a greater share of viewing than the ITV network schedule. It is one of the most popular of all the regional variations of the schedule.

I think ITV does something quite distinct amid the global marketplace, offering content that is really relevant to people's lives. In a Welsh context, when you look at

who else is providing that content, outside of ourselves and the BBC, there are no other broadcasters producing that kind of content. There are many commercial broadcasters available to audiences in Wales, but we are the only one with journalists, production staff and programme makers in Wales, making programmes for Wales. Our audience is responding to that. One of our purposes is to maximise our audience in the world we are in. Having Welsh content as part of the ITV schedule plays a part in attracting mass audiences.

Q382 Chair: In some ways, you are saying that those who criticise ITV Wales are perhaps comparing you with the BBC instead of with the 20,000 other broadcasters that are not in Wales and not producing Welsh stuff. Perhaps we should be looking at ITV more in that light. Is that a summary of your position?

Phil Henfrey: Certainly, we are a commercial broadcaster. Everything we do is available in Wales in HD. It is available free to air. It is universally available, but it is commercially funded, so it is no drain on the public purse. That distinguishes us from the public service broadcasters.

Q383 Liz Saville Roberts (Translation): Thank you very much for giving us a tour of your news facilities this morning; it was very interesting. I accept that you make a key contribution as the other provider of news, alongside the BBC. ITV Cymru Wales has said that it is very difficult to make a commercial return on Wales-specific content—you just referred to that—and that provision other than news has declined. I think the Chair made reference to the fact that the output of STV in Scotland has increased in a context that is comparable to Wales. What is being done differently in Scotland? How can we emulate that in Wales?

Huw Rossiter (Translation): Looking at Scotland, it is different from the point of view of culture and geography and how these factors determine programming and scheduling in two distinct nations of the UK. STV in Scotland is a separate Channel 3 licensee but has similar licence requirements to ITV Wales in terms of its news and non-news provision. STV schedules most of its current affairs programming after 10.30pm. We broadcast most of our current affairs, such as "Wales This Week", and other popular regular programmes - for example, "Coast and Country" - in the middle of the evening schedule during peak hours. We prioritise many of our non-news programmes during peak times so as to maximise viewing.

There is perhaps greater diversity in the ITV Wales schedule on top of our regular current affairs provision. There are programmes such as "Coast and Country" and "Helimed", and others that will be shown later in the year that are back-to-back productions with our commissions for S4C. For example, there will be a factual series on the work of police detectives in Wales. This the kind of thing that we do that is perhaps not being done so much in Scotland. We feel that the programmes we produce are appropriate for the needs of audiences in Wales. That is how we are fulfilling our licence obligations.

Liz Saville Roberts (*Translation*): You named some of the programmes you produce. Will the 1.5 hours of programming that is not currently news increase?

Huw Rossiter (*Translation*): No, that is part of the 90 minutes per week. They will not be shown concurrently. The series on S4C will be broadcast first and the series on ITV will go out later in the year, but that is part of the strategy. We are able to create programmes and series back to back, which ensures that we reach Welsh audiences and the ITV audience in Wales. Both languages—the Welsh-speakers and otherwise—are catered for.

Q384 Carolyn Harris: You mentioned the detectives series, which is something I was really interested to hear about. It will be of no surprise to you that I am a great advocate for more programmes that show Welsh life for Welsh viewers. I am really interested in the fact that you do back to back, with English and Welsh. Do you think that the BBC and the independents could be doing more of that kind of work, to promote Welsh life?

Phil Henfrey: In some ways, that is a matter for the BBC. What does exist in Wales is that ability to be able to share production costs between two broadcasters, so that, in a sense, you maximise the resources you have available for a programme. But what it comes down to is that you are commissioning a programme that you think will work for both those channels. We all are seeking to do something distinctive—I would like to think. We are not there to be carbon copies of each other. We want to produce a schedule that is distinctive for our various audiences, so I would not want to overstate how often it can happen, but when it does happen, clearly that is a very good thing.

It is not necessarily limited to any particular genre. We specialise in current affairs, as Huw said, so it makes sense for us to look to do back-to-back commissions in current affairs. But if there were a drama idea that someone had, that S4C were to commission for example, and the ITV commissioner thought, “Yes, that would work for a UK audience as well”, you can see how that would be a terrific synergy. But we know, too, that with commissioning drama there are hundreds of ideas and only one gets commissioned. We do not operate any quotas; it is all a meritocracy. All we can do is say that the concept exists, that it can happen, but that ultimately it is down to commissioners to decide whether that is the kind of programme they want to put in their schedule.

Q385 Carolyn Harris: To go back to the back-to-back programmes, would it not be more cost-effective—not that I am advocating that you do this—to subtitle the broadcasts rather than have the back-to-back versions?

Phil Henfrey: If you take the detectives series, they will be distinct programmes. That is the point I would make. They are not simply one programme made in the one language and, in effect, translated into the other. The opportunity exists to share resources. With the detectives series, what are we sharing? We are probably sharing the research that sits behind it—the research of the stories—and we are probably sharing a lot of the filming, but they will be put together as distinct programmes. They will have different presenters, for example, and I think that that is right.



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In terms of back-to-back productions, when it comes to drama it might very much be that what you are doing is translating the voice, as it were. But this is really about maximising resources rather than necessarily about cutting costs, if I could put it that way.

Q386 Carolyn Harris: I am with you 100%. It is just a question I needed to ask.

Huw Rossiter: They would also be distinctive to those audiences that we are serving. You have small nuances but it is very important having different presenters. Mali Harries from “Hinterland”—“Y Gwyll”—will be fronting the Welsh version of that series, and Jonathan Hill, at ITV Wales, will be fronting the English version on ITV. So we are serving those distinct audiences but, as Phil was saying, sharing some resource.

Carolyn Harris: Excellent. Thank you.

Q387 Chris Davies: Thank you, gentlemen, for the very interesting tour around the studios this morning.

Before I ask the question that I am here to ask, may I step back a time? When I was growing up, HTV, as it was then, and the BBC, prior to S4C’s creation, used to have Welsh language programmes on their main programme set-up, basically. Do you ever see the day when Welsh language programmes will be put out on ITV’s standard network? Is there pressure one way or the other? Do they have to go on S4C? Are you able to put out Welsh language programmes on your network and, if so, is the commercial aspect there and worthy of your doing so?

Phil Henfrey: S4C was set up nearly 30 years ago and I would say that it almost settled the debate of whether you do a mix of programme in both languages on one channel. S4C was set up precisely to enable programmes in Welsh to have their own channel, their own platform, and not be competing in that sense with English language programmes. As a broader answer to your question of whether we should hear Welsh in some of the programmes we make in the English language, I am a terrific advocate for that. This is a bilingual nation and when there are opportunities for Welsh to arise in our programming I am very comfortable that it should. ITV Cymru Wales produces programmes in both languages but we are very much a channel for the English language, precisely because S4C exists for the Welsh language.

Chris Davies: To come back, if I may; competition is good. You have already said that we have gone from having, 10 or 15 years ago, the opportunity of watching 500 programmes to now being able to watch several thousand at any one time. S4C is the only station to show Welsh language programmes, so would it not be good to give people an option, or is the commercial element not there?

Phil Henfrey: It really is down to the commercial element. To think about it in terms of the English language, which was touched on in an earlier answer, the economics of producing programmes specifically for Welsh audiences in the English language—of



course, that is a larger audience—are really challenging, to the point where, for a commercial broadcaster such as ITV, or any commercial broadcaster, it is very difficult to get a commercial return on that kind of programming. That explains, I think, why it is not being made.

Those economics become even more challenging in the Welsh language, because there are fewer people who speak the language. So the answer to your question is almost certainly no, from an economic point of view. One thing we would draw attention to is that the Channel 3 licence is a form of public intervention. The news and current affairs programming that we make probably would not exist if it were not for that arrangement, and there are no such arrangements beyond the news and current affairs programming.

Chair: Is there an equation somewhere that will tell you that you need x number of viewers in order to produce programmes costing y per hour? There probably is somewhere. I do not know whether you would share it with us if there is, or if you know it, but presumably you must have such a calculation somewhere.

Magnus Brooke: A lot depends on your projection of what the audience is going to be. Clearly, as a commercial broadcaster, we are trying to maximise the audience, because that is the audience we sell to advertisers. Therefore, you want to have as broad an audience as you can across the United Kingdom, or, indeed, across the whole of Wales if that is your particular target, because in the end that is what you are selling to the advertiser.

On the point about licences—this is very important—the ITV licence used to be incredibly valuable, so in the days of HTV this was not quite a licence to print money, but something quite close to that, and therefore there was considerable scope to put all sorts of programmes, whether it was drama in Wales or Welsh language programming, on to the main channel in Wales. Economically, the licence made that possible. In other words, you could make a good rate of return but also not necessarily run programmes that were going to maximise audience share at every point in the schedule.

In the world we are in today, the licences are far less valuable. There is no analogue spectrum left; we get the value of the digital spectrum and the appropriate prominent position on the EPG, and that is what underwrites our investment in news and non-news programming in Wales. That is the difference between us and 1,000 other broadcasters in Wales, none of whom provides that content. The truth is that the value of the licence is limited now. The benefits that come with the licence—Ofcom has looked at this twice in the last three years—roughly accord with the costs that we take on in delivering the licences in Wales. It makes economic sense for us to continue to do that in return for the licence, but, as Ofcom has found, there isn't any spare value in the licence which would enable us to do more, that is to do more programming and maximise our revenue.

Q388 Chris Davies: Thank you. To move on. ITV's first network commission for many years was the "My Grandfather Dylan" documentary in 2014. Why has it taken so many years to have an ITV where there is production on the network?

Phil Henfrey: Ultimately, it comes down to it's a meritocracy. We don't operate quotas, so it is about our having an idea that a commissioner feels is going to work right across the UK. I think that is the first time we have made a network programme as ITV Wales in nearly 20 years and that is going back a long time. What it demonstrates is that, in many ways, we have created a centre of excellence in Wales now. When looked at from a London perspective, they see a team that is very good at what it does. The trust is there and the relationship between ourselves and the commissioners is perhaps closer than it might ever have been in the last 20 years.

All those factors build your chances of success in a meritocracy in terms of commissioning. But it is a very tough world. For every one idea that we are coming up with, a whole host of production companies across the UK are coming up with ideas as well. It is incredibly competitive. It is terrific when it happens and we are constantly working to increase that from an ITV Wales perspective.

On the broader point about the number of productions on ITV from the Welsh independent sector, we have a wonderfully vibrant creative sector in Wales. Boom Cymru, one of the biggest production houses, is now part of the ITV family and one would hope that being part of the ITV family further increases the chances of a commission from Wales on the ITV network, but we are competing against the rest of the UK. We are not doing this on a quota basis and it is really hard.

Part of my job is to make sure there are no unnecessary barriers, and I don't believe there are. In fact, over the last few years, I would say that ITV network commissioners have done an awful lot to engage with the Welsh independent sector. They have done an awful lot to say that ITV is open for business, bring your ideas forward. We have an annual commissioning round where we invite the independent sector from right across the UK. We will continue to invite the independent sector from Wales and hope that they will turn up, but it has not always been the case that it has done so. If there is anything that we can do to encourage their participation, I would be really happy to hear it.

Q389 Chris Davies: Based on that quite extensive answer, do you envisage that it will be less than 20 years before we have another network commission from ITV Wales?

Phil Henfrey: I am in the job I'm in because I am an optimist. It is one of the reasons that we are here, albeit only a part of it; we are here to make great programmes for viewers in Wales, but as a result of that my team can have ideas that I think can work on the UK network. Part of my job is to make sure that those conversations are happening. Ultimately, it will be down to the commissioner, but in many ways, the chances of getting a commission have seldom been higher. The fact that we have had some commissions is good news of itself.



Magnus Brooke: Phil is being slightly modest here. In the last couple of years, Phil has managed to sell in a current affairs programme “Tonight”, for example. There is evidence, as Phil said, of increased trust in the network and in some of the programmes that are being made out of Cardiff, which is terrific, so I hope that that will continue. But as Phil said, it is about generating the ideas and competing to produce programmes that will, fundamentally, be appealing across the whole of the United Kingdom, because from an ITV plc point of view, that is what we are looking for: we are looking for the best programmes across the whole country, some of which may come from Wales and some of which may come from all over the place. There is evidence now, particularly in current affairs, of increasing confidence and increasing track record, delivering into a network slot like “Tonight”, which is terrific.

Q390 Chair: You said that when your HD channel was set up, or launched, this took you well beyond your licence fee obligations. How important is HD to television viewing? How important is it for sports broadcasting? What effect does the absence of HD have on other public sector broadcasters?

Phil Henfrey: We are a visual medium, so the better quality that you can see—

Chair: Do people notice it?

Phil Henfrey: Yes, without question. From my perspective, why was it so important? There was an HD ITV channel available in Wales, and there has been for many years, but it was not carrying the programming that we made specifically for viewers in Wales. So there was an increasing risk, as the number of people with HD-available televisions increased, that they might not have been able to see the programmes that we were making in Wales for viewers in Wales. By having an HD channel, which is available on 103 on Freeview satellite, those programmes that we make will not be missed on the ITV channel, whether you are watching in HD or SD. It is really important from that perspective.

You are right, sport really benefits from HD. We hosted the rugby world cup, which is when we launched our HD channel, and it delivered us incredible ratings, with more 1 million people in Wales watching a single game live—incredible figures. It was great that we had HD for the rugby world cup, we are continuing now with the Six Nations and we have coverage of the Euros coming up—it is terrific that we have got HD. But you are right, it was a significant investment, and it was one of the things that we had to weigh up. I am very glad that we secured that investment.

Q391 Carolyn Harris: The news is really important. People watch national news avidly, but regional news is really important to people living in all locations in Wales. What have you done to increase your news figures on ITV?

Phil Henfrey: There is probably no great alchemy around it. If we have done anything, it is probably three things: it is about investing in the programme and the people; it is about creating something that is distinctive; and it is about the resilience of television viewing, which is sometimes missed when we talk about these points.



In terms of investment, you saw today the HD centre we have set up in Cardiff Bay. We have also equipped our journalists with state-of-the-art equipment. That has enabled them—as I said this morning, technology has become a kind of enabling force for them to do their journalism. I think the journalistic quality of the programme is perhaps as high as it has ever been.

We are also making sure that we are distinctive. Yes, we are a rival to the BBC's news services—that is really important in a Welsh context—but it is really important, too, that we are distinctive. I think we tell our stories in a different way; we tell our stories through people and I think that is appreciated. We have got a big focus on our specialist journalism as well. You know Adrian, of course, and Owain in terms of political coverage, but today you met Rob Osborne, our health specialist; Carole Green is our business correspondent and Megan Boot does education. In a Welsh context with a national agenda, it is really important that a programme sits in the mass market schedule to make sense of really complicated things, particularly when we are talking about Welsh politics and Welsh devolution.

The last point is about the resilience of TV viewing as a whole. Yes, there is a huge amount of competition out there, but television viewing remains remarkably robust. ITV spends £1 billion on its schedule; it spends that money so that it can maximise audiences for the main channel. We benefit as a result; that investment means that the schedule itself is performing really well. The programme before us at 6 o'clock is "The Chase", which is a terrific programme that generates a large and significant audience that we hope to then retain for the 6 o'clock programme, and that has also been a factor.

When we come to think about television viewing, there are a number of factors. The way that we in this room watch television is perhaps not replicated in the population as a whole. Yes, absolutely, TV habits are changing, but we probably think that we are time shifting and watching video on demand a little bit more than we are.

To conclude my answer, I have some facts to bear in mind. The average person in the UK still watches up to four hours of television in a day. Of that, 87% will be live viewing. Even in Sky households, that figure is 83%. In terms of the young, television still reaches 90% of 16 to 24-year-olds, which is the same as it did five years ago. Yes, television habits are changing, but in today's world, where you can graze in an online world and know what is going on, the built bulletins have a permanence about them, as much as you can say that there is a permanence about anything in the environment in which we operate. Something that makes sense of complicated things at the end of the day still resonates with our audience, so it is no surprise to me that in any one day, the top 10 list of the most-watched programmes on British television will regularly feature a news programme such as "Wales at Six".

Q392 Chris Davies: James Purnell of the BBC told us that the BBC Studios plans would not break EU regulations on state aid and would benefit independent producers. You suggest otherwise. What are your thoughts on those BBC plans?



Magnus Brooke: We have made a number of submissions on the plans. There are three headlines for us. The first is that there is not enough detail. We have a lot of questions about how it will operate that have not been answered so far. We have concerns. For example, in Wales, we do not know whether BBC Wales staff will go into the new production company. The new staff probably will not, but there are plenty of other people—will they go in? If they do go in, will they start competing for contracts for S4C or other broadcasters out of Wales? We do not know. What is the basis on which they will go in?

That brings me to the second point, which is about the fairness and transparency in the transfer pricing arrangements between the public service and the commercial entity. One of our biggest concerns, which PACT shares, is the risk that there is subsidy of one sort or another, explicit or implicit, between the public service and the commercial entity, and that is very troubling. It can come in a variety of different forms. Let me give you an example with something like “EastEnders”. It would transfer from the public sector, as it were, into this commercial subsidiary. The question really is on the price for the contract to supply “EastEnders”. What is the price? It is very difficult to benchmark that price. Our worry is that there will be a price set that might not reflect what the market might be prepared to provide “EastEnders” for, if you like.

The result will be a sum of money sitting in BBC Studios that enables it to compete unfairly against the commercial sector, particularly in areas such as development. People tend not to have particularly large development budgets, because in the end you get contracts for particular programmes. To make pilots to try to sell a new programme, you have to find money to do that, and that is quite difficult, because people do not buy a programme and say, “Here’s some money for development.” They buy a programme. You have to find money for development, and that is the way that you develop new ideas and sell them to broadcasters. If you have a sum of money that has no particular purpose in your organisation, as we fear that BBC Studios might, you have the ability potentially to go and undercut a market.

Our third concern goes to the same point. There is a contradiction in the logic of the Studios proposal. On the one hand they say that Studios will exhibit best-in-class commercial efficiency. In other words, it will be a commercial business, red in tooth and claw. On the other hand they say, “We will specialise in delivering those programmes that are unattractive to the market and we will continue to have production dispersed all around the UK and the nations and elsewhere in England. We will also carry on being the best in class at training and all sorts of other things.” That feels to us to be slightly contradictory. It is difficult to guarantee all those public objectives if you are a purely commercial company—one thing you might say that it is commercially rational to have fewer production bases and not disperse production quite as broadly as that because you could rationalise that, and have fewer production bases and therefore more economies of scale, for example. Again, if Studios is financed to deliver all those—perfectly laudable and perfectly understandable—objectives, the danger is that, because it is given the money to do all those things that the market would not necessarily do, if you are a market player, as we are, competing against it, we would say, “Hang on, Studios has been resourced in order to do

something that we are not resourced to do, and yet it is using some of that money to compete against us”. That is the worry.

Q393 Chris Davies: We have had the BBC and S4C in front of us, as we have you today. If we are saying that we need to see the BBC reform in certain ways—and under this charter review we are looking at where we are going with that—evidently you do not see this as a good reform of the BBC, or see the BBC going in that direction. Where do you think that the BBC should reform and be better value for the taxpayer?

Magnus Brooke: In the run-up to each charter renewal, the BBC talks a very good game. You can see this in 2005, when the BBC said four key things: partnerships, distinctiveness, efficiency and openness. Those are almost exactly the same things that we have had 10 years later. They are all very laudable, and they are all things that the BBC ought to be doing. We have no difficulty with that, and in fact we have no difficulty with a very popular BBC, a mainstream BBC, that provides something for everybody. However, we think that the BBC should be distinctive, efficient and open, and it should be a good partner. For us, the critical thing in the current process is making sure that a framework is put in place, which obliges the BBC to deliver that. I don’t think that it was last time. There wasn’t a rigorous enough framework to force behaviour in the BBC and to deliver on the things that it said it was going to do, particularly around distinctiveness. The BBC said that it would, and I quote, eliminate derivative programmes in 2005, yet we still have a huge amount of derivative content and a decline in the number of new titles.

The BBC talked a lot about being the venture capital for the UK’s creative industries, which we completely agree with. If you get £3.5 billion of public money, being the venture capital for the UK’s creative industries is exactly what you should be doing. However, we find in the work that we have done is that the number of new programmes and new formats has gone down on BBC 1, which is about half of the licence fee. We say that the BBC ought to be subject to a rigorous framework via reformed service licences, to ensure that it delivers a more distinctive service to make up for the market failure in certain areas such as Welsh content, for example, or drama or comedy. That is one of the things that the licence fee ought to be doing. It is not the only thing that the licence fee ought to do, but it is certainly one of the things that it should do.

The final thing is having an effective regulator, capable of overseeing the delivery of those obligations, so that we end up with a BBC that does what it says it is going to do.

Q394 May I clarify something? You made a good point about “EastEnders”. Are you suggesting that what would happen is that the BBC would overpay BBC Studios for programmes so that BBC Studios would be left with a healthy surplus, which they could then use to develop other programmes?

Magnus Brooke: Yes, in outline. The “EastEnders” case is a particular one, because—

Q395 Chair: I know that you are using that as an example, because it is simple to understand.

Magnus Brooke: I do not think that it is overpaying in the sense of very cynically saying, “Here is a sum of money that we know to be more than you deserve to make this programme”. The “EastEnders” case is important because a variety of different people would take on a contract to provide this programme on a variety of different bases. For example, ITV might say that it already does two soap operas, and could bolt on a soap opera more cheaply than BBC in-house production could manage for a single soap opera. Alternatively, an independent such as All3media, which makes “Hollyoaks”, might say that they could use this to bulk up their drama offering, so that they could then bid for all sorts of other drama work. Alternatively, you might find somebody wanting to enter the UK market, who says that here is an opportunity to have a drama operation of scale and will therefore be prepared to take a lower margin, let us say.

It may just be a question of what the margin is on the production. If you tender it, are there people in the market who would take a lower margin than BBC in-house production? The difficulty we have is that we do not necessarily know, unless it is market- tested, the basis on which people are prepared to provide “EastEnders” back to the BBC. How can you be sure that the margin that BBC in-house production is given as the margin for making “EastEnders” is the right number or not? It might be too high.

Q396 Liz Saville Roberts (Translation): Still talking about the BBC, in light of the lack of media plurality in Wales, do you think that the allocation of funding to Wales centrally from the BBC is sufficient? Magnus, you mentioned requiring the BBC to change its behaviour so that it better supports the regions. Can that happen through funding? In the midst of all of this, what would the new regulator’s role be?

Magnus Brooke: Shall I answer that? If you’ll excuse me, I’ll do it in English. I suppose that there clearly is market failure for some genres of programming in Wales, particularly expensive genres of programming, such as drama or comedy, or other genres that the market is going to find difficult to provide without some form of intervention. I suppose that in a sense it is for you as politicians to decide whether you want that market failure to be corrected and, if so, how you want that to happen, rather than for us to say.

In the case of the BBC, our very simple question throughout has been that in return for £3.7 billion of public money, the BBC should certainly be popular and mainstream, but if some of that money is not used to right market failure, in the end it is not obvious that there are other sources of revenue or funding to do that. I guess the BBC is the place at the moment. Given the charter process and the licence fee process, who rights that market failure is clearly a relevant debate to have. In a sense, there is a question whether you want to do it and, if you do, how you are going to do it. The BBC is clearly one way of doing it, but there are doubtless others.

Q397 Chair: This may be a bit unfair, but do you have any opinion on the DCMS's view about future BBC governance structures?

Magnus Brooke: Yes, we do. This takes us back to what we were talking about before, which is how you ensure that the BBC does what it says it is going to do. That seems to us to be the exam question, because the BBC has talked a lot about becoming distinctive, risk-taking and all those various things. In the end, you have to set a demanding framework and then ensure that you have an effective regulator to oversee it.

Our view is that Ofcom has proved itself to be a highly effective regulator and a highly effective overseer of public service broadcasting, because the truth is that it is responsible for Channel 4 and the overseeing of ITV on Channel 3. It has huge resources in terms of research expertise, experience and competition law across the gamut and is highly experienced in both the media and telecoms markets, which are converging. It has the scale to hold large organisations to account, so it feels like the right place to look for the venue for the new regulator of the BBC. We think that Ofcom is the right answer.

By the way, we also think that a unitary board with a majority of non-executive directors is a good idea. I think that will help the BBC to become simpler and easier to deal with, but it is beyond any question that you need a highly effective, well-resourced regulator outside the BBC and a detailed framework enforced by that regulator to keep the BBC honest.

Q398 Chair: Do you think they need a specific director for Wales?

Magnus Brooke: I think it is vital that there is appropriate representation for the nations both on the BBC board and in Ofcom.

Chair: Thank you very much indeed for coming here this afternoon and, once again, for a useful and informative visit earlier to the headquarters in Wales.

Examination of Witnesses

Witnesses: **Professor Laura McAllister**, Chair, Sport Wales, and **Sarah Powell**, Chief Executive Officer, Sport Wales, gave evidence.

Chair: Good afternoon, Professor McAllister. It is nice to see you again. Ms Powell, thank you for coming along this afternoon. I will ask Liz Saville Roberts to start, unless there is anything you want to say to begin with. Feel free to embellish your answer, if you want to start off with something. We are a pretty friendly bunch.

Q399 Liz Saville Roberts (Translation): We do our best. We understand that in November last year the BBC announced that they would be making cuts of £35 million from the sports budget in the face of the need for further efficiency savings. Does that concern you, generally speaking, and particularly in the context of Wales?



Professor McAllister: Diolch yn fawr iawn. In many respects, the financial situation with regard to sports broadcasting concerns us greatly, not just as it affects BBC Wales but as it affects the other media outlets. Aside from the terms of your inquiry, which I know is on broadcasting, the broadcast media in regard to sport is also affected by the print media, which has big coverage of sport. We are concerned from a number of points. First, because we believe that sport is a unique opportunity for the broadcast media to reflect Wales back to its population. It is part of our DNA. We are right in the middle of a Six Nations campaign, with three wins over France this weekend—the women, the under-20s and the men’s team—and we are 13 weeks away from the European football championships, where Wales will take part for the first time in 58 years. We know what that means to the nation, and being able to report that back to us through the broadcast media is fundamental.

Alongside that, we believe that sport allows us to sell Wales to the world, because we are an incredibly successful sporting nation. We punch above our weight on the sporting stage in a sense that often we don’t in other sectors, so it is fundamental to us that the broadcast media allows us that opportunity to reflect the diversity of provision and to sell Wales to the world. It is not just about major events, although I have quoted two really important ones—I could have named others: the world half-marathon championships, which are coming to Cardiff in a month’s time; the Ashes; the FA cup; and the rugby world cup—it is about our successes in grassroots sports participation, too, where once again we are leading the way in the UK. If you take children’s and young people’s participation in sport, in Wales we have seen a 50% increase since 2011, whereas the trends across the United Kingdom are flatlining or have declined, yet if we don’t have distinct and bespoke coverage of Welsh sport through the Welsh media, there is a danger that the English story dominates and that people read across as that being our situation in Wales and Scotland, too.

Q400 Chris Davies: Professor McAllister, I fully agree with everything that you just said. Can I go off on a slight tangent? With what you have said, and based on the fact that you are Professor of Governance at Liverpool School of Management, do you feel that there is still a lot more room for the BBC to cut the management structure behind the scenes, rather than cutting sport and cutting programmes in front of camera?

Professor McAllister: I can answer that from an academic standpoint, certainly not from my position as chair of Sport Wales. The ongoing review of governance at the BBC is a good and positive thing. We would wish, certainly from a sporting perspective, to protect the frontline of sports broadcasting while that governance review is ongoing. If that involves issues, and I appreciate that they are tough issues, of management costs and so on, all of us as public organisations would want the front-line provision for the public to be protected as far as possible.

It was with great regret that we heard last week about the decommissioning of the “Sport Wales” programme on BBC Wales, for the very simple reason that that gave a unique platform to less well-served sports, particularly women’s sport, which is a really important consideration for us. There are quite stubborn differentials between girls’ and boys’ participation in sport and men’s and women’s participation in sport. If we are serious about that, we really need to be able to offer an innovative platform

such as the “Sport Wales” programme, which has trailed people like Jade Jones in taekwondo, Nicole Cooke and Becky James in cycling, and Frankie Jones in gymnastics. Without that, we have a real fear that broadcast coverage will be dominated by football and rugby, and by men’s football and men’s rugby. That is a real concern for us.

Q401 Chris Davies: A good answer. I think there is a yes in there somewhere, and I will leave it at that. Do you think that the increase in the availability of sport on TV has damaged live attendance at events? What effect does that have on sport?

Professor McAllister: I don’t think it has. There will always be a market for live spectator attendance at sporting events. That is a really important consideration because the atmosphere and engagement among spectators when they go to an event is clearly very important, particularly for children. I took my daughter to see the Wales women’s game at the Gnoll in Neath yesterday, and I was of course delighted to see us beat France. The atmosphere among the children was very excitable, as you can imagine, and you got a real sense that they were seeing and feeling something in the flesh that is very different from watching it on television.

The two dimensions sit side by side. It is really important to have good-quality coverage of professional and amateur sport across the different media, but I hope that that does not undermine some of the really important spectator engagement that we see, such as the really significant Commonwealth games attendance in Glasgow in 2014 and the wonderful attendance at the Paralympics and Olympics in London. We have set the bar so high for Paralympic sport that it is now a real challenge to Brazil and Rio to maintain that in August and September.

Q402 Carolyn Harris: Last week, BBC Wales announced plans to re-prioritise investment in digital sports coverage by creating seven new digital roles and closing 12 others. Given the competition from their rivals rights, do you believe that it is the right decision for the BBC to concentrate so heavily on digital and online sports coverage?

Professor McAllister: You are alluding to the decision to decommission “Sport Wales” and move some of the resource into digital provision. It is a conversation we are having with BBC Wales that I would like to continue. I would like to dig a little deeper into whether that really will deliver on the diversity agenda in particular, because the benefits of having a television programme dedicated to less well-served sport were the reasons I mentioned a moment ago: it allowed us to uncover the back stories to people like Frankie Jones, a gymnast who won six medals at the Commonwealth games. We know that there is a real connection between the kind of role model that someone like Frankie Jones offers and young children taking part in sport. We saw a huge growth in participation in gymnastics among girls and boys after the Commonwealth games, when Frankie Jones was such a success and promoted in such a way. Can that be replicated on a digital or online platform? In truth, we remain to be convinced.

The conversations that Sarah, as chief exec, will be having with her colleagues at BBC Wales will really test this, because we do need to have a more granular discussion

about whether those digital positions will create a new digital platform of the kind that “Sport Wales” offered, or whether it will simply be dispersed across the online provision. If you take a look at BBC Wales’ online provision on virtually any day of the week, you will see that it’s still dominated by men’s sport and by rugby and football. You have to dig quite deeply to get to any story that isn’t about men’s professional sport. That is our concern: that we might miss out on the opportunities to sell a more diverse offer.

Q403 Chair: We are picking on you a bit, Professor McAllister.

Sarah Powell: May I come in here? As Laura mentioned, the key things for us are prominence and regularity. The “Sport Wales” show gave us the opportunity to have a regular slot to demonstrate the breadth and diversity of sport in Wales. We are at real risk of losing the visibility, particularly of female and disability sport. If you think about disability sport, we have absolutely led the way in Wales, right from Chris Hallam many years ago to Tanni Grey-Thompson and, now, to the likes of Aled Siôn Davies. If they do not have that regular platform in everybody’s front room, we are going to miss a real opportunity to inspire the next generation. It’s not just the success that they have every four years but the back stories that are so important. That is how people engage: “They came from your school; they came from your community.” They see Jade Jones from Flint. You can respond to that, so that platform for everybody is vital for us.

Q404 Carolyn Harris: One of the big issues for me is that I do not feel that Welsh culture is portrayed in drama or anything adequately. I am with you: I believe that this move is going to take away from the uniqueness of Welsh sport. With a digital platform, people will be specific as to what they are looking for, whereas if it was generic, all sports would get equal opportunities. That would be my concern.

Professor McAllister: The other issue that we are hoping to investigate with BBC Wales is how this will be measured in terms of reach and so on. For a public service broadcaster, we do not believe that the success of every single output can be measured just by the number of viewers, listeners or clicks on a website, because if that were to be the case, clearly Six Nations rugby and the international men’s football team would dominate everything. For a public service broadcaster, it is really important that the whole range of sport and the nation’s interests are reflected. That is different from a commercial provider. Those are the kinds of conversation that we wish to continue with BBC Wales.

Carolyn Harris: Good.

Chair: I almost think there is an inquiry here for the Committee at some point.

Carolyn Harris: Yes, definitely. Well said, Chair.

Q405 Chair: I'll just play devil's advocate with you. I totally share your objectives, and as a father of two daughters, I want them doing sport as well. I just wonder, because we have had conversations in the past in another capacity, whether the money is best spent getting things on to the television or getting things down to the local clubs, wherever they may be. We have discussed the point that there seems to be a certain amount of money at the top for things like football and rugby. It does not seem to filter down to the small clubs in the villages, does it? This is probably a little bit far from the BBC.

Professor McAllister: It is, but if you look at the way in which we spend our budget and the way in which we prioritise, we have a very simple vision for sport, which we brand as "Uniting a proud sporting nation". Within that, we talk about "Every Child Hooked on Sport for Life", which is something we have discussed in the past—it is really fundamental—and then Wales as "A Nation of Champions". The two things are equally significant to us. All our budgets and all our spend goes on ensuring that there is infrastructure for children to take part and, if they are good enough, to continue in order to become a champion, but of course everyone can't be a champion and that's not the point, really. We believe that the broadcast media—not just the BBC in fairness, but all outlets—should reflect the community sport side as well. Without our coaches, we would not be able to run sport, for example.

Q406 Chair: That takes me nicely back, because the Government have a list of protected sports events for the UK that must be kept free to air. Do you think we need a list like that for Wales?

Professor McAllister: We have been very fortunate in feeding into that list from a Welsh perspective. When the list has been discussed via DCMS and our colleagues in UK Sport and the other home nation sports councils, we have been able to feed into it and offer our advice alongside BBC Wales. There are some events that matter more to us in Wales than elsewhere.

Q407 Chair: The Six Nations.

Professor McAllister: Absolutely. We have talked about the unique deal that BBC Wales has struck with ITV over coverage of the Six Nations, and I think they are to be praised for so doing, as they are for sharing the coverage of Wales's Euro 2016 football matches this summer, because those are very important events. The Commonwealth games have a real resonance in Wales, not least because we judge our elite sporting success on how successful our Welsh athletes are in the four-year cycles of games, so were there to be any threat to the BBC's coverage of the Commonwealth games, that would resonate more strongly in Scotland and Wales than in England. It is an area where we are keeping a very keen, watchful eye to ensure that that features as prominently as it currently does.

Q408 Chris Davies: My question has been eaten up nicely, but I cannot resist an opportunity. On the protected sports, how do you evaluate where fishing, hurling, the

minority sports and women's editions of those come in the pecking order to receive viewing time?

Sarah Powell: Very different from the viewing time, but we would look at breadth and diversity. We do an equality impact assessment on all of our funding, so we would look at the impact across those different strands. We would also look at the potential that they have to engage more young people. For example, netball is very prominent for us because of the engagement with women and girls. We would also look at the demographics across Wales: who is playing it where, and how we can engage different people in different areas. That is not necessarily linked with viewing, but there is a plus with digital that provides us with much greater opportunity to do more local stories. Where there are particular interests—in north Wales, taekwondo, off the back of Jade Jones—we can target something specifically at north Wales to encourage more people to get involved in taekwondo.

Professor McAllister: Our priority at all times has to be to encourage people to become more active, and that starts with children and young people. The overlap between what we do and the health agenda is phenomenal, and I have to say pretty unrecognised in the health sector, which is a disappointment to us, because we feel that exercise and physical activity are a more powerful prescription than virtually anything else that the health sector can do. We have a very small budget compared with NHS budgets, and we need to move that sector to understanding how prevention through exercise can be a fundamental part of everything we do. That happens through schools in the first instance.

Q409 Chris Davies: You rightly pick on children. As somebody who, like David, has two children—two little girls of eight and six—I completely understand, but we also have an ageing population. You mentioned that different types of sport are vital to keep our senior citizens healthy, whether that is physically healthy or mentally active. How are you addressing that with funds becoming less?

Professor McAllister: It is really significant for us. There is no point in investing huge amounts of money in children if there is not an infrastructure for continuing that through adult life. When we talk about generational change, which is what we are trying to instigate, it is right and proper that we start with the younger-stage children. We recently released our active adults survey, which, in contrast to what is going on elsewhere in the UK, has seen another increase in adults taking part. We saw a big leap post-London 2012 in the number of adults doing sport in Wales, and now we have seen a further—much smaller, admittedly—increase, but it is still on an upward trajectory, which again counters some of the trends elsewhere in the UK.

If I can return to the broadcasting theme, my biggest disappointment, and one of the areas where I have had the most robust discussions with network BBC, is that they often take an England figure and present a story in a way that suggests it applies to the whole of the United Kingdom, such as a fall in participation among children and adults in England, suggesting that that is a Welsh and Scottish trend, too. I get very annoyed at that because the investments that we make have shown that we have seen progress, whereas some of our colleagues across the UK have not. It is incumbent on network

BBC as well to see where in the new world of post-devolution politics things can be done differently in Scotland and Wales, generating better results, too, in some cases.

Sarah Powell: May I follow up on that? On the more active adult story and the loss of Sport Wales and the platform that it gave to the much wider stories of parkrun, you have seen a huge growth in people out running on Saturday mornings. You have probably seen many more people cycling off the back of the Tour de France and the success of Geraint Thomas. There are those wider stories around walking football, and if we do not have the platform outside of the elite success, we cannot demonstrate that sport is for all and not just for those who may be seen as elitist.

Q410 Liz Saville Roberts (Translation): To come in on that, Laura, you mentioned that there was a problem in terms of reflecting what is happening in Wales and that priority is given to what takes place in England. We have raised that as part of our inquiry on governance in the BBC and it appears that there will be no Welsh representative, although Wales does have a Welsh trustee at the moment. Do you have anything to say about how we can ensure that the interests of Wales are properly represented at that high level through the BBC?

Professor McAllister: You make a good point. With my academic hat on, I followed some of the discussions around proposed changes to the governance of the BBC that you took up with your previous witnesses. I feel very strongly that whatever changes are made, there needs to be a very clear representation of Wales around the highest decision-making tables of the Trust and in every management sense, because—this has been one of my biggest frustrations—despite a very good, positive relationship between ourselves and BBC Wales, we have yet to really penetrate network coverage of sport, whether that is the grassroots we talked about a moment ago or the elite side when it comes to the BBC’s network coverage. That is really fundamental.

Nobody could accuse us of not having shouted loud enough, because I can think of numerous meetings where I have been very clear with the BBC’s director of sport over my disappointment at the lack of coverage of a Welsh perspective of sport, but unfortunately that has not generated fantastic returns. In that context I think it is really important that the BBC’s governance structure going forward gives the right level of influence and voice to Welsh representation.

Chair: We will have to be quite quick now.

Q411 Carolyn Harris: I will ask a quick question about pay per view sports. I could give you chapter and verse on what I think about it, but do you feel that it is exclusive and that it does not help participation with grassroots?

Professor McAllister: I think there is a place for pay per view, inevitably because of broadcast rights and so on, but it is really our responsibility to make sure that in its entirety there is a proper portfolio of coverage and as much of it as possible is free to air. We know that the demographic of pay per view is different and we know that that will pose some challenges to effective access and so on, so our priority is to make sure that all of the critical areas of sport that we have talked about this afternoon are

provided as free to air because that gives us an opportunity to make those kind of connections between fabulous success on the international stage and encouraging the next generation to take part.

Q412 Liz Saville Roberts (*Translation*): A quick question. Is S4C disadvantaged when it comes to broadcasting sport as it broadcasts in standard definition rather than high definition?

Professor McAllister: In an ideal world I think high definition is a real asset and where it has worked well for S4C it has been a fantastic provision. Incidentally, I do not think it is just about that area of S4C's provision. In fairness to the station, they have been very good at providing some of the magazine-type programmes about sport—you will you know yourself programmes like “Clwb”—on a weekend where they will feature women's sport, disabled sport and so-called minority sports which are often not minority because big numbers take part in sports like athletics, cycling running and so on.

All credit to S4C that they have adopted a very expansive approach to coverage of our national sports, including of course the Welsh premier league and Welsh international women's football alongside the men's game, but I think high definition as a quality is a fundamental asset and it is one that we would like to be protected, but we appreciate the financial constraints that the station is under in terms of making those choices as well.

Chair: Excellent. Diolch yn fawr iawn. Please take our best wishes in the very important work you do. As you know, I am very keen on encouraging sport, so I think we might come back and talk to you again sometime. Thank you very much indeed.