

Digital, Culture, Media and Sport Committee

Oral evidence: BBC Annual Report and Accounts 2016-17, HC 362

Tuesday 7 Nov 2017

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Members present: Damian Collins (Chair); Julie Elliott; Paul Farrelly; Simon Hart; Ian C. Lucas; Christian Matheson; Brendan O'Hara; Rebecca Pow.

Questions 1-159

Witnesses

I: Anne Bulford, Deputy Director-General, BBC, Sir David Clementi, Chair, BBC, and Lord Hall, Director-General, BBC.

Examination of witnesses

Witnesses: Anne Bulford, Deputy Director-General, BBC, Sir David Clementi, Chair, BBC, and Lord Hall, Director-General, BBC.

Q1 Chair: Good morning. Welcome to the Digital, Culture, Media and Sport Committee's hearing with the BBC, covering the BBC annual report and accounts for 2016-17. I would like to welcome Sir David Clementi, chairman of the BBC, for your first time as chair, following your confirmation hearing with the Committee earlier in the year. Welcome to Lord Hall and Anne Bulford, who are back in front of the Committee once more.

I would just start by asking about the new governance arrangements for the BBC. How are they settling in and how is the new Board exercising its responsibilities? Perhaps, Sir David, you could give us an overview of your impression of the workings of the new Board and new governance structures.

Sir David Clementi: Certainly, Chairman. This Committee is very familiar with the background and the setting up of the Unitary Board, which

replaced the two-tier board that the BBC had, between the BBC Executive Board and the Trust Board. That will be well known to you.

The Unitary Board was designed to encourage challenge, trust, speed and simplicity. I think in general we are starting to achieve that. There is certainly one big improvement, which is to make clear, absolutely and unambiguously, who is responsible for the BBC. You in this Committee will not have to have one session with the BBC Executive and one with the Trust, which you would have done hitherto. We are here together, executives and non-executives, to account for how the BBC is operated. I think that is a much more satisfactory solution for you, for Parliament as one of our stakeholders, as well as for audiences and all our other stakeholders.

The Unitary Board allows challenge. It is a challenge of a slightly different sort than the more adversarial challenge that frankly existed between the Executive Board and the Trust Board, as they worked out who was responsible for what. The Unitary Board allows challenge within the Board itself. It is a challenge that takes place between execs and non-execs. The conversation is open and constructively critical.

Another advantage of the Unitary Board is that it allows issues to come early in the piece. We all know as a matter of practice that the earlier you see a policy paper, the greater your chance of being able to influence it. The Unitary Board allows that. The 17/18 budget was pretty much baked by the time this Board was put in place in April of this year, but that is not true of the 18/19 budget. That budget will come to the Unitary Board in November of this year. We will have a chance to challenge it and will be able to go back over various issues. It will come again, in part, to the away day we have set up for the new year. We will have to finalise it in February or March, and then publish it. I think the Unitary Board is a line of challenge and is a much more satisfactory way of operating and, because it is based largely on the principles that you will see in all corporations, I think it is well understood by the public.

We have a number of committees, as you know, doing the sort of the work that you would expect to be done by non-execs. We have an audit committee, clearly, a remuneration committee, and two that are particularly relevant to the BBC—a fair trading committee, which looks at the trading relationships within our organisation, and an editorial standards committee. These are all chaired by non-execs. Some of the challenge takes place there.

I hope and believe that we are off to a good start and that the first set of accounts that you will see for which we are fully responsible will come this time next year. The set of accounts that you have in front of you, we have published and do take responsibility for, but essentially relate to a year when the new Board was not in place and the old arrangements were.

Q2 Chair: As part of the new arrangements, the National Audit Office has responsibility for inspecting and auditing areas of the accounts of the BBC. Have there been discussions with the Board on its priority areas for



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scrutinising the BBC's accounts?

Sir David Clementi: I have met with Sir Amyas Morse and the NAO people. I think the relationship is off to a satisfactory start. The NAO is now our statutory auditor, which was previously done by one of the big four accounting firms. They have told us how they are going to go about it, and I think we satisfied ourselves in the audit committee that they are going to go about it in what we regard as a sensible, cost-efficient fashion. They also have a couple of value-for-money audits that they are carrying out on behalf of the PAC, which will come to Parliament in due course. I would say we are off to a satisfactory start, but, of course, we have not yet signed off on the first set of accounts. Will there be some areas of difficulty? I do not know. I hope not. They have put some very sensible people—I do not want to sound patronising. They have put some good people, in my view, on to the day-to-day audit.

Q3 **Chair:** Do you expect that areas of the BBC's work will be audited in a different way, as a consequence of this new arrangement?

Sir David Clementi: I do not think the statutory audit will be carried out in much different ways. It has to be the same set of accounting principles that we had previously. I do not think that that will be much different. The only thing I slightly tease Sir Amyas Morse about—I cannot resist telling you—is whether, since they follow best practice, the audit will be put up for tender after two or three years. That is the practice in the private sector. He said he did not think he would necessarily be following that one. In all other respects, I am quite satisfied that they will follow what I would regard as best practice.

Q4 **Chair:** I think we would be surprised if it was anything other. With regard to the accountability structure of the BBC, as you know, the creation of the new BBC Board in part answered the question about who the Director-General is accountable to for post-transmission content. Viewers' organisations have raised the question with the Committee of who is responsible for engagement with licence fee payers and understanding what they want. That was very much the obligation of the Trust. Do you see it as primarily the function of the Board to understand whether the executive team is meeting the BBC's remit, or is it a matter for Ofcom?

Sir David Clementi: Ofcom will be involved, but first and foremost, it must be a matter for the BBC and for the Board. We have various ways of getting feedback regularly from audiences. We have overnight ratings, for example. The complaints letters give you an indication of the sort of things they are interested in. It is also a key aspect of our regional committees in Scotland, Wales and Northern Ireland to make sure we are engaging with stakeholders and audiences there. First and foremost, this is plainly the responsibility of the Board. Ofcom will do their own work, I am sure, but their work is secondary—by that, I mean they are checking the work we are doing.

Q5 **Chair:** What work is the BBC doing proactively to commission studies of understanding audience response and feedback to programming?



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Sir David Clementi: The Board itself has not commissioned any work since we started in April. I am sure the executive commissions work on a regular basis to see what people are making of various programmes and so on, but the Board has not commissioned any specific outside piece of work on audience reaction to programming.

Q6 **Chair:** I notice from the accounts and the list of people at the BBC who earn over £150,000 a year that five different people are, by some description or other, director of marketing and audiences at the BBC. Presumably the marketing and audiences department at the BBC commissions regular studies and analysis of audience response to programming.

Lord Hall: We are actually restructuring at the moment and have advertised for a person who will be head of all contact with audiences, the data around our audiences, our market research and marketing and so on. One of the things we have to get right in the next two to three years is personalisation and giving our audiences services in the digital space that are more personal to them, and that needs very strong leadership. There will be a very strong flow-through from what our audiences are telling us they want to the organisation and then through to the Board. It is one of the reasons we have been signing people in on iPlayer Radio, iPlayer and now other parts of our operation. We want to get as many members, as I call them—people who feel part of the organisation—as we can, and I want that singly led by one person who pulls together all the various strands of our current audience work.

Q7 **Chair:** So that will come out of the marketing and audiences team?

Lord Hall: Marketing and audience will be part of that team, and so will the digital push to understand our data, how people are using our services wherever they may be, and the data we are getting back from the usage of iPlayer, iPlayer Radio and other apps that we use.

We are constantly thinking about two things. First, we think about the breadth of what we can offer our audiences—how we can offer them more of the things they want to consume—because we know, very simply, that the more people consume things from the BBC, the more they value the BBC. Secondly, in the world of social media and the polarisation, or narrowing of your environment, that tends to come with that, we also think about what things people could, should, or hopefully want to see or listen to.

We need to play very strongly that sense that we are here not to sell you anything—advertising or products—but hopefully to offer you a broad range of things: things you want, and things you did not know you wanted.

Q8 **Ian C. Lucas:** How do the general public contact Board members?

Sir David Clementi: They write to us.

Q9 **Ian C. Lucas:** I looked on your website to try to contact a member of the Board and I could not find any way of communicating with, for example,



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the Board member for Wales.

Sir David Clementi: For Wales?

Ian C. Lucas: Yes.

Sir David Clementi: I am sorry about that.

Q10 **Ian C. Lucas:** Is that not pretty fundamental?

Sir David Clementi: Yes, it is. Elan Closs Stephens is our member for Wales, and we should probably make it clearer on our website how to contact her, but our general address is there, and all Board members can easily be accessed through our Broadcasting House address. I am sorry it is not straightforward on the website.

Q11 **Ian C. Lucas:** If you are going to know what the general public want, when someone feels motivated to contact a Board member it should be an easy process, shouldn't it?

Sir David Clementi: A lot of people do write to me. It may not be easy to find my address, but I do get a lot of letters from people about various programmes that we have put on.

Q12 **Ian C. Lucas:** So that will be rectified?

Sir David Clementi: Yes, I will look at the website. That is a fair point.

Ian C. Lucas: Thank you very much.

Q13 **Chair:** Is there a general email address that people can email the chairman of the BBC at? Is there a chairman@thebbc.co.uk email?

Ian C. Lucas: You have a pro forma.

Sir David Clementi: It would not be hard to guess my email address, and a lot of people do.

Lord Hall: We get a lot of correspondence, but I think you raised a really good point. If even you are finding it hard to get hold of us, we are not making it easy enough. Believe me, we want an organisation that is porous, listening, and easy to communicate with and have a dialogue with. That is the kind of organisation that we want to be, so we will look at that.

Q14 **Chair:** I suppose we can get hold of you easily through the people sitting behind you, but their contact details are not publically available.

Lord Hall: We will look at that.

Q15 **Simon Hart:** Can I just ask something on the back of that? Sir David mentioned—I am not sure in which piece of correspondence—that he called for a simpler, clearer and proportionate complaints system for the BBC, with an appeals system that is independent of the BBC.

This is slightly separate to the comments that have just been made about how we can access you, but it struck me that the complaints system is somewhat confusing. Ofcom is involved somehow, but there are three



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stages to go through before you even get to Ofcom. If you go to the first stage of the complaints system at the BBC and get rejected, there is no guidance given about what you do next. Is that designed to help the BBC or the viewer?

Sir David Clementi: Again, I am disappointed to hear that. We will take that away and look at it. It should be easy. We try to make it easy for people on our website, showing them how their complaints are dealt with through the BBC and, if they do not get satisfaction from the BBC, their right of appeal to Ofcom. We sought to make that as straightforward as possible. If we have failed at that, we need to look at it again.

- Q16 **Simon Hart:** If you fail at the first hurdle, it does not actually tell you how you go to the second or third, and does not give you any clear indication as to where Ofcom comes in.

Anne Bulford: There is a question about whether the whole process should be clearer. However, if you have a complaint dealt with and it is not being carried forward—if it is rejected, to use your word— you get the information about what to do next in the letter or email. The referral on is where you would certainly get that. We can look at whether the end-to-end process should be clearer on the website, but if you complain and your complaint is not upheld, you get information about what the next stage is if you want to appeal.

- Q17 **Simon Hart:** So you are completely confident that the complaints procedure is geared to assist the complainant, not to protect the BBC?

Anne Bulford: That is absolutely the intention, and the way it is designed to be.

- Q18 **Simon Hart:** This isn't a code for anything. You are satisfied that that works okay?

Lord Hall: Yes, but the questions prompt us to go back and be absolutely certain that that is the case. However, that is certainly what we want: you go to stage 1, stage 1b, stage 2, and if you are still not satisfied, to Ofcom.

- Q19 **Rebecca Pow:** Welcome. I am going to move on and ask some questions about young people and the young audience. In your annual plan, you mention that you are going to "reinvent the BBC for a new generation". How challenging is that, given the very fast-changing nature of how young people, especially those between six and 12, now view media, programmes and all that? How are you addressing that?

Lord Hall: It is one of the key questions that we face, as your question suggests. In one sense, if you look at BBC data, we are actually quite strong. Young adults are using us for around nine hours a week, which is a really good figure, but we all know that the speed of transformation of the media lives of younger people is enormous. The competition is enormous, the competition outside these shores is enormous and the way they use media is changing.



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We had a choice. Do we do what you might do, and say, “Okay, we’ll now have somebody who is head of youth”, and then they go out there, and their job is to think about how the corporation will appeal to this audience? We decided to reject that, because I think we need to come together and look at how we are tackling young audiences right across the piece.

To give you an example, BBC 1 are looking, both in their marketing and in how they schedule, to make sure that we have programmes that attract a younger audience. I have some hot-off-the-press things here. The first episode of “Blue Planet II” got 14 million people watching, which means it is the third highest-watched programme on television in the last five years. Actually, 2.3 million people between 16 and 34 were watching that, which means more young people watched episode one than any single episode of “Love Island”, from which I take some comfort.

However, there is still a big issue. You have to look at how big channels like BBC One work. You have got look at how BBC Three, which we deliberately decided to take off TV and put online as an on-demand channel, is operating. It is great to have that as RTS channel of the year; it has been doing some extraordinary work. You have also to look at your radio services. We are constantly looking at what they are doing, how they are attracting younger audiences and how we can respond better. Radio 1, for example, is the most popular YouTube radio station in the world. You have to keep adapting what you’ve got—hang on to your values, but move into this different world.

So we are looking at the data and working out how we can measure across all these different ways to see the impact of what we are doing and seeing what works and what doesn’t work. We have also done something that I think is quite novel. We decided to have a committee of under-30s called the next generation committee. We advertised for this. We had over 200 people—240, I think—apply.

Anne Bulford: They are staff.

Lord Hall: Yes, staff, exactly right. We appointed 12, and they are testing us on all the innovations we are making and the things that we are planning to do to attract younger audiences and all audiences. We had our first session on Thursday of last week. They are looking at our new audio product, which will be a revamp of the iPlayer radio, and we are getting their views about that. They are also looking at how our culture can be better for younger people, and at the generality of our services. We are putting a huge amount of energy into this; it really matters.

Q20 **Rebecca Pow:** Are you putting in a certain percentage of funds to target the younger audience?

Lord Hall: No. We are looking, as we do each year in our budgets, at how we can skew our budget decisions towards those services and other things for younger audiences, but we are not setting aside a part and saying, “That’s a pot for younger audiences”; we are doing it through the normal budget process.



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Q21 Rebecca Pow: Given that we have an ageing population, have you worked out how you should divide your time between attracting a young audience and working for them and the older viewer? Do you do that at all?

Lord Hall: This is the constant balance we are working through.

Q22 Rebecca Pow: Most of your linear viewers would still be over 60, wouldn't they?

Lord Hall: Yes, and it is an important age group, I know. I keep talking about riding two horses, because that is what we are doing. I think we have a linear world over here, as you are describing, tending to be older—

Q23 Rebecca Pow: And they probably watch the maximum hours.

Lord Hall: They watch huge amounts. When you look at the deciles of who is watching what, the plus-45s, plus-55s, plus-65s are watching and listening to an enormous amount of our output and we want to make sure that they are properly served. That is really important. At the same time, we have to look at the people who are using us less—predominantly younger, but not entirely—and at how we can make sure we serve them in a proper way too. It is the classic struggle, which is a good one, that every traditional media organisation has.

Q24 Rebecca Pow: Is it worth the BBC still struggling to attract those young viewers when there are so many other places they can go?

Lord Hall: Yes, because my belief is that there is more need for what the BBC and other PSBs can offer than ever before. Take the example of fake news, which I know you are looking at. The need for the BBC to be offering news which is impartial, which people can turn to to find out what is happening is really important. Likewise, if you take children's at the opposite end, the importance of having children's programming made in the UK for UK children, which we are pre-eminent in, that is really important too, and there is a whole raft in between.

Q25 Rebecca Pow: And education is still an important part of your remit. Are you managing to think up enough ways of getting education to young people through what you are targeting?

Lord Hall: Yes, implicit in your question is the sense that you just have to keep constantly at this, and I agree with that. We have just, for example, concluded and now made into an independent foundation the work that we have done on the microbit. The microbit came from a conversation I had with some technologists who were saying there were three languages in the word: English, Chinese and code. There is an issue in the UK of young people being taught code. Can the BBC effectively do what I remember from the BBC microcomputer with this microbit, which is a way of learning code? We came together with a consortium of over 40 different companies to get this microbit, this coding device, into every primary school in one year. That is now something that will carry into the future because of what



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we have done, I have to say, not on our own, but working with others too. That is a principle we are going to apply to the education projects that we do.

I really believe that the education part of what the BBC is very important—I know the Board believes this very strongly too. We have said in the past, “Well, of course, everything that we do is educational, so therefore all our programmes are in some ways educational”. That is fine up to a point, but I really want to make sure that we have a very clear statement about our education strategy going forward, and I hope in the next couple of months we can deliver that.

Q26 Rebecca Pow: Where will we see that statement, or will that be something that is written into your plan?

Lord Hall: One of the things, as the Chairman was saying, about the work of the Board has been the Annual Plan. The good thing about the Annual Plan is that the Board are holding us all as an organisation to account on the public purposes, one of which is education. As it happens, we will be making a statement about our education priorities some time over the next two to three months with the Board’s agreement, but it will also be part of our Annual Plan going forward.

On the new arrangements, my comment would be that I have never known a time when the BBC can, through the Annual Plan, and the work of the Board, be so clear about our priorities and what we are trying to do and therefore be held to account for that. I think that is a good thing.

Q27 Rebecca Pow: Finally, is signing in working and how are you getting all these kids to sign in? It drives me slightly crackers.

Lord Hall: I’m sorry it’s driving you crackers. We were worried about signing in. Anne has been responsible for this and we have gone to huge lengths to make it as easy and un-whatever as possible, but we’ve got to good numbers, haven’t we?

Anne Bulford: Yes, we are doing very well. We have 10 million active, signed in users. Something like 17 million people signed in overall. It has been comparatively smooth. We worked very hard to phase it in to give people dismissible messages so they get used to the idea and then move on through. We haven’t put everything behind mandatory sign-in. Things like children’s programmes are still there and open. It is very important that we have that relationship with the audience, build the data, so that we can continue to tailor personalised services towards people. I hope you feel benefit from it every time.

Q28 Rebecca Pow: Thank you. I forgot to say, Chair, that I have to declare a slight interest. I have a very small BBC pension, which probably ought to go on the record.

Chair: Okay. Very good. Paul Farrelly?

Q29 Paul Farrelly: This is a genuinely short question out of curiosity, Lord Hall. When you talked at the beginning about “Blue Planet”, you used the



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band of 16 to 34 as a measurement. I do not want to imply that 34-year-olds aren't young, but why choose that? Is that a band that commercial broadcasters use for advertisers?

Lord Hall: It is one of the bands we can use. Our audience research goes down to 16 to 25 as well, and we increasingly have a way of looking at what people below that age are looking at as well. It is just a standard measurement.

Paul Farrelly: It is a broad band.

Q30 **Chair:** Are you worried that there is a demographic time bomb that is affecting linear TV in particular? According to Ofcom, only 36% of the viewing time of 16 to 24-year-olds is linear television, whereas if you look at the over-65s, it is 83%. It pretty much drops from 83% by about 10% a decade for every decade you go back. It is a very strong trend. Do you worry that the BBC is geared up to deliver for people who still consume television in the way that older people do, while future generations are quite clearly showing that they consume television in a very different way?

Lord Hall: I worry about this; we all worry about this as a group, which is why I have put the issue that has just been raised, about reinventing for the new generation, right at the top of what we do. I don't think we are in a position where we have to say it is all over for linear TV, because it is not.

We have to make sure we serve the older generation, but linear television—BBC1, actually—is the way to reach most young people. They still watch it. They come together, as I said, for "Blue Planet" and events like "Strictly", for the news and for concerts such as the Manchester concert earlier this year after those terrible events in Manchester. There was a huge audience for that, with a very large young audience. We have to make sure that BBC1 is absolutely pitch perfect for that audience, but also for the older audience as well. Those sort of programmes, which pull together the whole family, still kind of work.

Over here, in the non-linear space, we are putting a huge amount of effort behind iPlayer and constantly modifying and reinventing iPlayer television. I want that to be the place people go to for as much BBC programming as they want. It is therefore important that iPlayer is on smart televisions and on Sky boxes in its fullness.

That is also why we are reinventing audio, or radio. The radio player—to my mind, to be blunt—is very good, but it feels rather old-fashioned. I think we have the best radio in the world, but I think it is sometimes hard to find our music radio and our speech radio. What we are doing now, which will launch at some point next year, is a new—it sounds horrible to call it an audio product—iPlayer for radio, which I hope will give all audiences, of whatever age, much more contact with what they want.

When you build data about you into that sign-in, the front page of what you get when you, as it were, come to your iPlayer radio in the future will



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be something that fits what you want: the stations that you like, the music that you like and the speech that you like. I cannot overestimate how important using data is to reach audiences in the future, because, of course, our competitors are doing exactly that.

- Q31 **Chair:** If you use the figures for the very young versus the over-65s, you get the starkest picture, but you still have the situation in which people in their 30s and 40s are probably consuming half of their TV on demand, rather than linear. Do you feel that the BBC should actually be designing services to reach those audiences in a way that other platforms do? Why is it that I can watch a rerun of a favourite BBC show by paying a subscription to Netflix, but I cannot order it from the BBC in the same way or watch it on demand, unless it is on the iPlayer?

Lord Hall: That is a really interesting question. I think there is more to do in making the iPlayer the place to go to for your complete experience with the BBC. It was sold as a catch-up—"You've missed it? You'll never miss it"—but it needs to be the way in which people see and can consume the BBC in future. There is a lot more to do in the secondary market. If you want to catch up with things, you go to Netflix for some BBC material, but you also go to UKTV. That is an example of how we give you access through a BBC vehicle or something similar to that catch-up of things beyond a month.

- Q32 **Chair:** So the BBC would be actively looking at ways in which a subscriber service that is above and beyond what is currently delivered by the BBC could be available to enable people to access programmes from the back catalogue.

Lord Hall: We are looking at ways to allow people to access back catalogue, knowing that that costs something, because you have to pay for that access, but also knowing that could help build the BBC in this country.

- Q33 **Chair:** So there is no in-principle objection from the BBC to offering a paid-for service like that, which would be for programmes that are not currently freely available through the iPlayer.

Lord Hall: The Charter Agreement allows us to experiment with those sorts of services, but let me also say very clearly that the predominant and in my view the key way to fund the BBC for this Charter and beyond is through the licence fee, because that gives something for everybody.

- Q34 **Chair:** That is clear. What you are saying is that if you design services to serve audiences, even if that includes people paying for content that is not currently freely available because it is not on the iPlayer or it is older programming, there is no in-principle objection to doing that. As you say, the Charter actually gives you the freedom to explore doing that. So as far as you are concerned, that is something that is very much on the table.

Lord Hall: At the moment, the way to access programmes such as "Dad's Army" or "EastEnders" is through UKTV. We need to look at how we



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extend what we do there in a linear environment through UKTV services into an on-demand environment as well.

- Q35 **Chair:** If, hypothetically, I want to watch old episodes of "Yes, Minister", I can pay Netflix to do that, but I cannot pay the BBC.

Lord Hall: I understand the issue exactly. Those are things we have to look at.

- Q36 **Rebecca Pow:** You get your funding from the licence fee. You are putting all this focus on trying to get a better delivery for young people. Do you have any problem with them signing up to the licence fee? I am making the assumption that the people over 60 are quite happy to pay the licence fee. Is there any issue about that, because the young people who are watching myriad stations in myriad ways still have to sign up and get a licence? Are they doing that?

Anne Bulford: Yes, they are. They are happily signing in to content and also, where they are asked, buying the licence. It is the case that overall evasion is lower with older people, but it is not the case that there is a mass failure by the young generation to buy the licence. The closure of the iPlayer loophole, as we described it, has been helpful in cementing that.

- Q37 **Paul Farrelly:** I want to follow up on Damian's point. I happened to catch on a channel called Yesterday, which I don't think I have ever looked at before, the fabulous old series "The Monocled Mutineer", something that the BBC was afraid to play again after the controversy years ago. It was fantastic. It would be great to be able to find that on the iPlayer. I hope you will not run away from that discussion for fear of opening up a Pandora's box about exactly what the licence fee pays for, and people inevitably saying, "But I've already paid for that."

Lord Hall: "The Monocled Mutineer" was an extraordinary story written by a guy who was a copy taster in the television newsroom a long time ago. Of course, that is part of the UKTV package. Again, it goes back to what I was saying. We are used to the BBC being there for, as it were, going back to our archive in a secondary market by putting ads alongside it in that linear fashion. As the Chairman is saying here, we have got to find a way of doing that in this new world, too.

- Q38 **Chair:** Why do you think BBC Store failed?

Lord Hall: We made a decision to go into download to own when the market looked like, "I have got a DVD over here. I won't have a DVD any more. I'll hold it in a digital space, but it is still mine." A number of people thought that was the right way to go, but it didn't work. It was an experiment. We got out of it quick. Worldwide got out of it very quick. I was insistent we should get out of it quickly, and that is exactly what we have done.

- Q39 **Chair:** So your view of the market is streaming on demand rather than download to own.



Lord Hall: It is exactly that. What Netflix, Amazon and others have done has been utterly brilliant. It has transformed the way we all consume things in a way that, certainly when the idea of Store was being pushed forward, you could not have predicted.

- Q40 **Simon Hart:** Let me change the subject again, to workplace terms and conditions for employees and visitors. It is a subject that is on everybody's lips at the moment. Are you happy that you are on top of workplace bullying? Are you happy that if such a thing takes place, which inevitably it does in any large organisation, the procedures are in place to make it really easy, really safe and really confidential for people to make complaints should they need to?

Lord Hall: Anne has been doing a lot of work on this, so perhaps she will come in in a second, but let me make some points at the top. Right from the time that I came back to the BBC and Anne joined me in coming back to the BBC, we have, sadly and horribly, had to deal with some of the consequences of—well, of Savile, bluntly. We have had to bring in procedures to ensure that that can never happen again. I made it clear before this Committee, or its predecessor, in 2013 that we should have zero tolerance for harassment and bullying, and I would extend that to sexual harassment, too—any kind of harassment. That means making it as easy as possible to do the very difficult thing, which is to come forward and call out behaviour that is not acceptable. That is so, so, so important.

We reworked all our policies on bullying and harassment. We ensured we had very clear data to monitor bullying and harassment. We introduced a confidential bullying and harassment helpline for people to go to if they felt that they wanted to make a complaint outwith the line of management. We changed the complaints procedure so that you would have any complaint that you had dealt with by someone who, again, was not in your line management, because that is important. We brought in training for managers. We reported to the board through the remuneration committee and others on numbers. My own view is that you need to constantly go backwards into this and remind people, as Anne has been doing recently, that this is something we do not tolerate. We want a good workplace, and if people have concerns they should raise those with us.

Anne Bulford: Whether it is through all-staff communication, individual team meetings or just walking the floor, we are encouraging people all the time to step forward, if they think that is the right thing to do, if they find something that they feel is uncomfortable, however serious they feel it is. After the Weinstein material was published, we reminded staff again of the procedures. We have specialist people on staff to support people who come forward, either through investigation or by advising them on their options. You can never be complacent about it—you have to stick at it—but we have been encouraged, through our staff survey and the temperature checks that we take with groups of staff, that people feel more confident about what they can do, where they can go and where the helplines are, and also feel more confident that they would come forward and that the BBC would deal with it if they raised a complaint. From where we were, we feel we have made a lot of progress.



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The other thing that we feel very pleased with is that we have made good progress on the time it takes to investigate complaints, because it was a really big thing for people that that went on for a really long time. Of course, that is a strain on everybody involved, so we have sought to speed that up.

- Q41 **Simon Hart:** Do you feel that staff have a clear understanding of what constitutes bullying and harassment? It is easy to tell when you are on the receiving end but, as we are discovering here, one or two people think they are being robust employers but in fact are being bullies.

Anne Bulford: That is where revisiting the training for line managers, and also raising awareness generally, has been important. That goes back to constantly encouraging people to speak up if they are feeling uncomfortable, listening to that carefully and then feeding back the messages. One of the things that we encourage staff to do, if they think it is the right thing to do, is to put mechanics in place to help people resolve things informally. There is a range of behaviours, and the most serious behaviours of course have to have the full weight of investigation on them, but if you are just feeling very uncomfortable with somebody you are working with, and all you want to happen is for that to change, then finding a way of raising that with your line manager or somebody else, and getting it resolved quickly is, on the whole, what many staff want. But it is a challenge, and it is about being on the receiving end, not on the giving end, and people experience behaviours differently.

- Q42 **Simon Hart:** Presumably you monitor closely, as far you can, the number of complaints that you have, the nature of those complaints, and the way that they are dealt with.

Anne Bulford: Yes, we do, and we publish annually the complaints that have come up through the year and how they have been dealt with.

- Q43 **Simon Hart:** Do you publish everything, including problems that might have been resolved informally, or do you limit it to publishing things that have perhaps gone through a more formal process?

Anne Bulford: We publish the complaints and then we explain how they have been dealt with—which have been upheld, which have not, and how they have been resolved. It is pretty transparent. It is very difficult for us to benchmark any of that with anybody else and take a view as to whether it is good or bad, because not everyone publishes data. Also, it is a good thing that people come forward. It feels like a good thing if you don't have a lot of complaints. That might be good for a healthy culture, but what we want is not to worry about that too much and just to have people come forward if they have something to say.

Lord Hall: Your point at the top is, "So, how do you know what good behaviour is?" One of the things we were doing, which Anne has touched on, is that we have twice used Change Associates since the whole Savile thing blew up. They are very good at getting groups of staff to talk about issues and what they face, and to talk about things that are acceptable or unacceptable, and help them to think through those sorts of boundaries.



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We have invited them in again this autumn to again go through a similar exercise with lots of different groups of staff, talking about how they perceive culture within the BBC. I think this is really important. We then get the top-line results back from that, which helps us to begin to shape how we operate. We all know that cultural change takes time. It is something that we have to keep working at and keep going at, and the Change Associates work has been really useful in that.

- Q44 **Simon Hart:** Without taking us through the numbers—this is the last question on this—are you confident and do you feel content that the number of reported cases being dealt with satisfactorily is getting better year on year?

Anne Bulford: You perhaps won't be surprised to know that we have a spike at present—we have more cases at present than we have seen over the last three years. In 13/14 we were reporting 80 cases, but over the last couple of years that has been at 40. We have 25 live cases at the moment, which is a range of different issues coming through. I think that we must deal with the cases as they come up, and continue to encourage people to speak. Whether they are current or historic cases in relation to sexual harassment, the important thing is that people come forward.

- Q45 **Ian C. Lucas:** Just a brief point. A lot of your programmes now deal with independent production companies. In that area is this an issue that you raise with them?

Anne Bulford: Yes. Like many organisations we are dealing with quite a complex set of people, so whether they are suppliers of services, freelancers, actors, or independent production companies, the culture that we expect and the procedures that we have are there. It is a little bit more complicated when you work for somebody else, but if people come through to our confidential helplines we will send them in the right direction and support them.

- Q46 **Chair:** To change the topic again, it is now 14 months since the iPlayer loophole was closed, requiring people who watched BBC programmes through the iPlayer rather than live to have a TV licence. How much extra revenue for TV licences has this brought in since the loophole was closed?

Anne Bulford: It is difficult to attribute exactly—the overall growth in licence-fee income in the report that we are looking at, year on year, was around £40 million, and that comes through from household growth, improvement of measures against evasion, and all the rest of it. The iPlayer loophole closed down in September. If you look at the conversion from people coming in to iPlayer and getting the prompt that “You now need a licence fee”, we estimate that contributed about £12 million in the second half of the year. Whether those people would have bought a licence anyway is very hard to judge. Whether there are other people who are being dealt with through the normal “You need a licence” letters who buy a licence because they are aware of the change of the rules—we did a lot of communication on that—is hard to judge, but that is our estimate of



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it. From our perspective, it is an extremely important step because it has heavily reduced the risk of increasing non-compliance. People may remember there was a lot of material on the internet about how to avoid paying the licence fee and all that kind of stuff, which was a very important concern for us.

Q47 **Chair:** So you think about £12 million is the uplift so far?

Anne Bulford: That was the most obvious people coming through and buying one after we put up a message on iPlayer that you need one.

Q48 **Chair:** So that is the revenue raised, you believe, from people responding to the prompt on iPlayer?

Anne Bulford: That's right.

Q49 **Chair:** If that is the figure, is it in line with your expectations?

Anne Bulford: Yes. Some of our expectation of how that would develop over time was "avoiding risk" territory. Our experience of licence fee collection following the closing of the iPlayer loophole is broadly in line with our forecasts and expectations.

Q50 **Chair:** The BBC has previously stated that the target for licence fee evasion rate is 4% by 2020. Is that still the current target? When do you think that will be achieved?

Anne Bulford: When we had our NAO report on licence fee collection and appeared before PAC in the spring, we had quite a big discussion on that. Having moved into the new charter and altered the rules around the iPlayer loophole, we are doing a body of work to revisit the evasion floor and, therefore, the target that we should be working to. That is a matter for the board to consider this autumn and then we will work towards what we think the correct target is in the new regime.

Q51 **Chair:** Do you think the target will go up or down?

Anne Bulford: I don't know because one of the challenges with the target was the BARB methodology for measuring the change between the 4% and the subsequent experience. I think we need to get to the end of the work and then come back on that. There is no misalignment. It is very important that we make every effort to collect the licence fee wherever we can. Targeting lower and lower evasion is an area we have been very successful in.

Q52 **Chair:** Would it not make sense for licence fee payers to have a PIN that they use to access digital services like the iPlayer?

Anne Bulford: That could come in time—it is not something that is ruled out and we continue to look at it. At the moment, overall levels of evasion are very low and the mechanic of asking people to pay is broadly working. Putting BBC services behind a licence fee PIN is quite a complex set of steps to take because we are not beginning from there. We have a licence fee that is based on households and individuals accessing online services.



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It would be a real challenge to work through how that would work without widespread abuse of it.

- Q53 **Chair:** There are plenty of other businesses, Netflix in particular, which built really fast in a similar way. I registered; I have a pass code; it is very simple to use. It would be a pretty fail-safe way of the BBC ensuring that people who use its digital services pay their licence fee.

Anne Bulford: Of course, but Netflix did not begin from where we are, which is with 26 million homes that, on the whole, are paying. We need to look at how we develop that in the context of the conversation we were having earlier about how people consume services and how that moves through.

- Q54 **Chair:** The reason I raise that is not only because it appears to be a fairly fail-safe way of doing it, but because it has got to be more effective than BBC detector vans trying to detect iPlayer usage in someone's home—knocking on the door to see whether you are using your iPad and have not paid the licence fee.

Anne Bulford: The overall improvement in licence fee collection—the reduction in its cost and the very significant reduction in complaints over time—has worked very well. We are at a very interesting point in looking at the next generation of technology for our licence fee. Thinking about how we can link the licence fee to what people are watching is a very important part of that.

- Q55 **Chair:** There have been lots of complaints about the very heavy-handed way in which inspectors go around seeking to enforce the licence fee on people who are not paying it or not believed to be paying it: they are chased, and remuneration targets are set for the collectors to do that. In the 21st century, would it not be better if we could move away from this rather old-fashioned way of trying to enforce the licence fee?

Anne Bulford: Even if you did move to PIN codes, there would still be an enforcement requirement, because of course not everybody keeps their PIN codes to themselves. So it is not without its own challenges, moving to that different method. How much of that is enforced and not enforced is another set of judgments. Again, we take all complaints about collection very seriously indeed, but on the whole the collection process is working well and levels of complaints have been consistently dropping.

Lord Hall: What I think you are pointing to is what I was referring to earlier: the director figure who will look at our relationship directly with our audiences. These are the sorts of issues that we should be thinking about and looking at.

Anne Bulford: And we want to combine thinking about the licence fee relationship with the audience relationship under that single role, so the two will come together.

- Q56 **Chair:** So again, as we talked about earlier, there is no in-principle objection to the Board going down that route if you believe that is more effective and in tune with what audiences would respond to.



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Anne Bulford: Yes, and if customers would like it. All evasion you would rather not have, but we are not dealing with a mass evasion problem.

- Q57 **Ian C. Lucas:** I would have thought individual registration enables you, for example, to suspend use of iPlayer on a particular television. Wouldn't that be the case?

Lord Hall: What Anne is saying is we do not have at the moment a matching between what the Chairman is suggesting: a database for the licence fee with the data of the people who are signing into iPlayer and iPlayer radio. To my mind that points to why the whole issue of how we handle data and data on audiences is so crucial, and why I am putting a lot of store on the person whom Anne and I are looking for at the moment, whom we hope to appoint before Christmas, who actually will look at these issues for us.

- Q58 **Ian C. Lucas:** So you are looking at doing that—matching the registration to, for example, holding a licence fee?

Lord Hall: We would like to do that over time. In what way, I do not know. As Anne was just saying—

- Q59 **Ian C. Lucas:** Why is it so difficult?

Anne Bulford: It is not difficult if you are building a subscription service from the beginning, but what we have is content consumed on different platforms by individuals, and the vast majority of the content is still consumed on analogue, which is not through IP anyway. Then we have a licence fee set of systems which are designed to collect the licence fee from households. Getting the two to speak to each other is not impossible. That is one of the things we are looking at, because we would like that linked through. Putting a "if you can't quote your licence fee, you can't access content" in place would be a very big step and something which would need a great deal of thought.

- Q60 **Ian C. Lucas:** It just seems to me that we have got one list of people who pay the licence fee and another list of people who have registered for iPlayer.

Anne Bulford: Increasingly, that is right. And we absolutely want those two lists to speak to each other as part of overall relationship management.

- Q61 **Ian C. Lucas:** Once they are speaking to each other, rather than having licence fee detector men knocking on your door, you could use the sanction of suspending it.

Anne Bulford: If all your content was being consumed in that way, potentially, but of course we are quite a long way off that—

Lord Hall: Because you have got free-to-air TV and free-to-air radio.

Anne Bulford: Because you have got free-to-air radio, where still something like 95% of consumption is still through linear services.



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Lord Hall: This is not unwillingness on our part. It is: how do we do it? How do we work it, and how do we do it in a fair way? Actually, to go back, the sooner that we know and can communicate directly with all the people who have to pay for us or use our services, the better.

Anne Bulford: The principles of universality and all the rest of—

- Q62 **Julie Elliott:** Can I come in on that? I am slightly confused by what you are saying. Your licence fee is for a house, so I pay two licence fees, although I live on my own, so there is never anybody watching in my Sunderland home when somebody is watching in my London home. Then I watch iPlayer as well. However, if you have a household with a number of people—as more people do—then the registrations you are going to get can often bear no relation to the people who pay the licence fee. I am confused as to how—

Anne Bulford: The challenge you described, Ms Elliott, is exactly the sort of issue that is not straightforward. You are completely correct: the linking between who is consuming and who is paying the licence fee—or more than one licence fee in some cases—is not as straightforward as it might seem on the face of it. They are not the same transactions with the same groups.

Julie Elliott: It seems to me that the route you're going down with the iPlayer stuff—I agree with Rebecca; I find it a bit of a minefield—is for an individual-based system, but that is not the way the licence fee works.

Anne Bulford: That's right. It is set up by household. That is the nature of the licence.

- Q63 **Julie Elliott:** If we look forward on that—let's say five years' time—where do you see these two systems working? Do you see the licence fee operating in a different way?

Anne Bulford: At the moment, we are concentrating on exactly how much better we can get at linking households, as defined by the licence fee transaction, to the groups of people attached to that household. That will start to give us more of a sense of dealing with a whole family of people coming off that licence fee versus an individual, which I think will help us illustrate the value of the licence fee to friends and families even more.

Julie Elliott: I am still confused.

Anne Bulford: They are absolutely not the same systems.

Rebecca Pow: On the point that Julie makes, I asked you about young people paying, because they are the people who all have a different email address and who at the moment are probably coasting along under their parents' licence fee and watching many different ones. What I was trying to get out of you earlier was how on earth will you get them to pay a licence fee?

Julie Elliott: I do not pay a third one.



- Q64 **Rebecca Pow:** It is easy for them at the moment to—I won't say cheat, exactly—assume someone else has paid the licence fee, so they are never paying for all the things the BBC will deliver them.

Anne Bulford: The experience of coming into the iPlayer and seeing the message that you need a licence to access it has resulted in a good level of click-through and buying the licence. The overall evasion rates are sustaining. It has always been the case that young people at home and arrangements for people studying at university have been linked in.

- Q65 **Rebecca Pow:** It is going to get more complicated, isn't it? You will start offering them a raft of different ways of watching and viewing and clicking in and out, so it is going to be much hard to gather any money from them, is it not? Basically, I am asking you where you will get your money from, because it is very important. You can't exist otherwise.

Anne Bulford: That is why the value proposition to young people is even more important; we are not complacent about it. We need to use all the tools in the toolbox to make sure that people keep coming into the licence fee. Closing the iPlayer loophole has been a very important part of that.

- Q66 **Paul Farrelly:** I just wanted to briefly touch on the second drive-by shooting committed on the BBC by the current editor of the *Evening Standard*; it was aided and abetted last time by a former Chair of this Committee. In three years' time, you will have to fully fund, as it stands, licences for the over-75s. What is your current thinking on that? Are you planning, at the moment, to replicate the current automatic regime?

Lord Hall: As you say, we have just under three years to work out what the implications of the over-75s will be for our budget. At some point in the next three years, we want to come forward with thoughts about what might be right for that—carry on with the existing system or rethink the system in some sort of way—but we are not there yet. However, we will almost undoubtedly have to get to that position over the next three years.

- Q67 **Paul Farrelly:** So there is no guarantee that the current regime, as it stands—automatically giving over-75s licences—

Lord Hall: My own view—but the Board has not dealt with this and will need to deal with it over the next three years—is that there should be a debate about whether the results of the drive-by shooting, as you called it, are fair or not; are there fairer ways of looking at the over-75s or do we carry on with the way it is at the moment? That is not an issue we have views on at the moment, but we obviously need to think that through over the next three years.

Sir David Clementi: There are some protections against another drive-by shooting, but they may not be sufficient. Clause 43 of the charter requires the Government to take into account our ability to meet our obligations, but it also requires a consultation. It does not actually specify the consultation period, which is a concern, but we at the BBC are absolutely determined that, on this occasion, there should be a proper public consultation about what people want from the BBC and what the licence fee should be.



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- Q68 **Paul Farrelly:** I am sure you are giving it some considerable thought behind the scenes, because of the financial ramifications. A suggestion was floated that some people who are better off might voluntarily pay.

Lord Hall: We have looked at that and done some work on it. I am not sure that it is going to really solve a huge amount of the issues we are facing financially, but it is in the mix of things we are thinking about. As I say, the policy does not come to us until June 2020. We have time to think that through and also consult and think through what the consequences might be.

- Q69 **Paul Farrelly:** With winter fuel payments, there is a sliding scale of eligibility. There is bureaucracy involved in applications for those who do not get it automatically. The sliding scale is based on the age of 80, rather than 75. That is a potential model for you to look at. We do not know yet what the Government and the Chancellor might do in terms of means-testing those winter fuel payments. Is that model potentially in the background of your thinking?

Lord Hall: These are things we should look at, but as I say, the new Board has been going for seven months. This is a big issue that we know we are going to have to discuss and debate and then publicly consult on if we decide to change it. Even if we decide not to change it, my view is that we should consult on this and have a debate on it. As you suggest, Mr Farrelly, a lot of the background to the way these payments are made is changing too.

- Q70 **Paul Farrelly:** Potentially, if the Chancellor did not abolish winter fuel payments but means-test them in the future, and if you adopted that model, it might be a double whammy.

Lord Hall: It is far too early to talk about that at the moment. We are not in that position.

Chair: Rebecca Pow.

Rebecca Pow: Sorry, which question are we on to?

Chair: Question 19.

- Q71 **Rebecca Pow:** Goodness, we have hopped, Mr Chairman, and left a whole raft of questions out. I want to ask about the World Service. The Secretary of State told the Committee that she would encourage the BBC to put forward a proposal to the Treasury for additional investment in BBC Worldwide for BBC world television. The Government have already committed more money than ever before to the World Service. How is that working and what have you done to put into place the framework to reach much further than ever before?

Lord Hall: The extra World Service money, which the current editor of the *Evening Standard* was really keen on, is equivalent to an extra one third of the budget of the World Service. It is really helping us to expand our



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services into a variety of areas. In sub-Saharan Africa we have a Pidgin service now. In Nigeria—

Q72 **Paul Farrelly:** Pigeon?

Q73 **Rebecca Pow:** What does that mean?

Lord Hall: Pidgin. It is a language.

Paul Farrelly: Sorry, I thought you meant pigeons.

Lord Hall: No. The Natural History Unit is not doing World Service language services. As it happens, we are helping to codify Pidgin.

In sub-Saharan Africa we are doing a lot. The Korean service is full of people who are so committed to a Korean service—I have met them—and that is, again, really working well. I was in Delhi three weeks ago to see us launch four language services there in languages that we have not broadcast in so far. Again, the impact is huge. This is really making a big difference.

On the back of that, in the knowledge that the World Service is a fantastic export for the UK and given that the need for us to be out there in the world of issues with social media is greater than ever before, we have approached the Government through the Secretary of State at DCMS and others to say, “Could we also see whether there is a different way of funding world television news?”

The reach of world television news has increased by about 12% over the last year, so in those audience terms, it is working. The advertising market, which I do not need to tell any of you about, is very hard—and particularly for television news. Most of the competitors of world television news are Russian, funded by the state; Qatari, funded by the state; or Chinese, funded by a whole lot of money from China. We think there is scope for us asking whether, in a really difficult financial situation—we completely appreciate that the stresses on the Chancellor are enormous—there is a way of supporting this service in three ways.

One is to raise the editorial content of the service, so that we can cover more of the world to the world, and use some of the investment that the Government have made—thank you for that—in the World Service. Secondly, because we are trying to make money out of it at the moment—that is the way it has been set up—I think there are two areas where this is probably going against the interests of the BBC, but also of the broader UK. One is in Europe, where it is behind a paywall. Could we remove the need for subscriptions so that, at the time of Brexit, what we are saying about the world can be there within Europe? The other is in sub-Saharan Africa, where—I don’t need to tell you this—the growth rates are big, not just in languages but in population. I talked to one Minister about this, who said, this actually fits with what they are trying to do broadly for the UK in sub-Saharan Africa. Again, take that from behind the paywall and say it is free to air.



Q74 Rebecca Pow: Can you just explain about Brexit a bit more? What do you think should happen in Brexit?

Lord Hall: At the moment, BBC World is behind a paywall in most European countries. You have to buy a package to get hold of it. With Brexit, it would be very good to have what we are saying about the world at the BBC and the BBC's influence from Britain there free to air, as it were, in Europe, as well as in sub-Saharan Africa. What I am thinking is, is this the chance for us to do more of what the BBC does globally and to boost our reputation, and therefore the UK's reputation globally?

Q75 Rebecca Pow: So are you saying it is so difficult to make it commercial that it should be Government-funded, largely, because it is a great way of us having a soft influence on the world?

Lord Hall: I am saying most of that; I am saying that we should carry on as far as we can bringing in money where we can, but there are some areas where I think it is better for the UK, frankly, to be free to air. But yes, I am saying that this is a way of increasing the—I am always worried about soft power, but we know the influence that the BBC can have globally. We know for example that when the BBC is strong in a country, trade increases. We have not done that work; others have done that work to prove it. This is a moment when, understanding all the problems with funding, if there is some way of helping us, I think it would be very good for the UK.

Q76 Chair: To be clear, I think the basic answer to Rebecca's question was yes. If these changes could be made to BBC World television to make it more effectively like BBC World Service radio, that is going to require public investment as well as investment from the BBC.

Lord Hall: Yes. Exactly. It is investment from us both that we are hoping for, but again, we recognise the difficulties of public spending.

Q77 Chair: I just want to ask about the challenge to the BBC of production investment from companies such as Amazon, Netflix and Apple. We have touched a little bit on that. The cost of producing high-quality television is going up. I noticed in the Mediatique report you published last week alongside your speech in Liverpool that it noted that 10 years ago, the cost of production for high-quality television was about £1 million an hour. For "Game of Thrones", it was £7.5 million an hour and for "The Night Manager", it was £5 million an hour. The number of programmes being commissioned by other broadcasters, other than the BBC, of that quality and level of investment is going up. How can the BBC cope in that environment? Does it mean the BBC will be less able to invest in the kind of programmes we are used to seeing on the BBC because the cost of production is going up so much?

Lord Hall: Yes. What I was trying to point out in the speech was based on work not by the BBC but by Mediatique and Mathew Horsman, who is a first-rate analyst—the work has been oddly characterised today by Gary and Sky, who, with the greatest respect, I don't think have quite read the arguments as clearly as they maybe ought to. What Mathew Horsman and



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Mediatique are suggesting is that, notwithstanding that we are in a golden age for British content—I profoundly believe and argued in Liverpool that that is the case—what is likely to happen over the next decade is that the amount of money available for British content about Britain is going to go down. They are saying it will go down, by about half a billion from where we are now, in 10 years' time. The point that they are making is that however much more Sky or Amazon or Apple or Netflix invest, it is not going to make a huge difference. It will make some difference, maybe a half, but probably less than that, to filling that half a billion pound gap. That is one point, and as you said, Chairman, that is a key thing.

The second point, which I am also concerned about, is what is that content? I think it is absolutely brilliant that "Games of Thrones" is made in Northern Ireland. I love "Game of Thrones" and it is wonderful when you go there that taxi drivers tell you how many people they have taken to various landmarks around Northern Ireland—that's wonderful. The creative economy in this country is really important and really good. But the thing that concerns me in the long term, and that concerned Mathew Horsman, who wrote the report, is UK content about the UK. Can we be certain that in this global world that brings huge benefits to everyone—consumers and producers—we have and will continue to have investment in UK drama about the UK, UK drama made across the UK, comedy, documentaries and all these other things, that reflect who we are to ourselves? There is a danger that that could diminish and that we get more of the things that are more global and transatlantic. That is the issue. My answer to that is that the BBC has to be part of the answer. What we do with BBC Studios and BBC Worldwide, and how the two operate together, is absolutely key. We should debate and discuss that to ensure that we do not fall into the trap of being half a billion pounds down over 10 years. I was making a clarion call to us all to think very hard about how we can ensure the long-term viability of UK production about the UK.

Q78 Chair: I have a couple more questions, and some colleagues want to come in on this subject. For a major investment such as "The Night Manager" there is co-production. What is the return on investment for the BBC in a major programme such as that? It is quite clear that for companies such as Amazon, investing in "The Crown" is part of a major investment in the growth of that platform, but what is the BBC's return on investment for a programme such as "The Night Manager"?

Lord Hall: Let me turn it the other way around: worldwide investing in the "The Night Manager" gives the licence fee payer, for roughly £1 of investment, I think about another £3 of investment from other distributors and investors around the world. What you get back here is something of real value for the licence fee payers where we are able to compete with the Amazons, the Netflixes and others on very high-quality drama. If you look at something like "Blue Planet II", again, because of the very effective way that the natural history unit works with BBC Worldwide, we can bring global investment in to make something of ambition, as you can see, which we couldn't afford to do if you said, "Do you know what? Just



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take the £1 of licence fee". That is why, in the whole debate about the charter, the issue of worldwide and now studios working closely but also with proper boundaries with the public service part of the BBC is so important. You cannot fracture the BBC and say, "Pack off 1 and get rid of it", and just hold on to the public service bit. You couldn't compete that.

The third point I will make is that for the money that you would spend on very high-end drama—you mentioned some figures just now—we can also show that you can get three, four, five or more series for that, and that although top-end drama is getting towards low-end film land, actually, we are still investing in drama that is cheaper but is also delivering, such as the programmes such as "Happy Valley" that really deliver for our audiences.

Q79 Chair: You mentioned "Blue Planet II". That is a BBC production isn't it—something that you own? "The Night Manager" is a co-production and there are rights for the author. How much of a programme like that do you own? In terms of your investment, is that a much more expensive sort of programme to partner in, because the opportunity to make money out of that down the line is much more limited?

Lord Hall: Spot on. Actually, we want to have programmes such as "The Night Manager" and we want to have the very best that the indie sector can produce—we are lucky to have a fantastic indie sector in this country. But that is also the argument why we need studios to work with worldwide, because we need to have our own IP as well as other people's IP. The best example like that is "Dancing with the Stars", or "Strictly". That is 18 or 19 years old and we own the IP for that. That is generating more returns around the world. It is a phenomenally popular programme as we all know. That money comes back to the BBC and we invest that in more programmes on behalf of the licence fee payer. That is a virtuous cycle that we want to get to with BBC Studios.

Chair: Two questions finally on this. There is the question of budget—how much budget companies such as Amazon and Netflix have to throw at productions. There is also a pretty flat structure, which means they can make commissioning decisions really quickly. Do you feel the BBC has to be more responsive and move faster to develop programmes to compete in this market, so that the best people want to come and work with you?

Lord Hall: That is completely right. Charlotte Moore, Director of Content for television plus iPlayer, is having a much tighter commissioning team. She is doing what I really wanted to happen, which is looking across BBC 1, 2, 3 and 4, and not simply saying, "I've got my drama idea, so I will go to BBC 2." They may say, "No, that's not for us," so you say, "All right, I'll go to BBC 4," and they say, "No, that's not for us either," so you go, "Well, I'll try BBC 1." Looking at these genres right across the piece, we can say, "That is going to go here," "That is going to go there," or, "That has done really well on BBC 2, let's move it on to 1." That is to make the system lighter, simpler and much more direct, because you are completely right: in the end, we will win not on money but on being the place where



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people find us easier to deal with and where we can do the things that they really want to do creatively. That is really important. In other words, it is about taking risks on pieces that others might not take.

- Q80 **Chair:** I suppose the third area is that you will be competing more and more alongside organisation that pay very little tax in this country.

Lord Hall: Yes.

- Q81 **Chair:** That is a further discriminator on the playing field.

Lord Hall: We are also highly regulated—I don't make any complaints about that.

- Q82 **Paul Farrelly:** In connection with that, we want to come to BBC Studios in a moment, but does BBC Studios now qualify for the high-end TV tax credit?

Anne Bulford: Yes. The BBC itself has accessed high-end tax credit via BBC Worldwide and via individual production companies set up. For BBC Studios, there is no reason why not as a commercial entity.

- Q83 **Paul Farrelly:** So the taxpayer could potentially be 25% funding productions that are funded by the licence fee payer, if these productions qualify.

Anne Bulford: If these productions qualify, there is no reason why not. That is just as independents commissioned by the BBC are able to access tax credits, and have been for some time.

Chair: There is just a quick question on this from Ian Lucas.

- Q84 **Ian C. Lucas:** I want to come back to Lord Hall about this idea of not producing indigenous programmes or programmes about the UK. One of the extraordinary things about television at the moment is the amount of indigenous content coming from other countries, some of which you have shown. I am thinking, for example, of "Trapped", about Iceland, which is a superb drama.

Lord Hall: Fabulous.

- Q85 **Ian C. Lucas:** Again, "Blue Eyes" on All 4 is a superb drama, which is indigenous, but travels. It seems to me that you are rather disregarding the impact that that has had. My argument to you would be that if we did more indigenous content of that type within the UK, rather than the big budget stuff such as "The Night Manager", which was clearly superb, but in a different way, that would be a way of pursuing a successful creative strategy. I would like you to do that in the regions and nations as well, reflecting the communities there. I think that, because of the quality of the artists we have in this country, that would be effective.

Lord Hall: Yes; I think you're right, and I think we are. I was trying to say that, but I obviously did not make the point well enough. You want some of those high-end dramas, and our audiences say that is what they want, but then you can do "Line of Duty", which as you know is shot in Northern



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Ireland, or "The Fall", which has now come to an end—there is more "Line of Duty" coming, thank goodness. "The Fall" is also shot in Northern Ireland, which is great for Northern Ireland. It is not the cost per hours that you are seeing with "The Crown" or anything like that, but it is absolutely fantastic drama of the first order.

There are lots of things that are very close to some of the Scandi-noir and other things that we import, and I am not for one moment saying that we should not do that, but it is interesting: whereas when I was young the peak-time schedules were dominated by a very high preponderance of things such as "Dallas" and those things that we all watched, it is just not like that now. But then, you are right. For example, BBC 4 runs "Black Lake", which has been gripping, and I thought the series shot in Iceland was extraordinary, but when you talk to Icelandic broadcasting—the equivalent of the BBC—or to the Danes, who do some remarkable work, you find that making a series like that is probably the one thing they can do a year. It is really hard, but boy do they do it well, and I am all for bringing that to a larger audience.

By the way, "Hinterland" is very interesting because it is a kind of co-pro with S4C. It has broken that notion—with subtitles you can now watch Welsh speakers speaking Welsh and then mixing into English. I do not know whether it has done a lot for the tourism in Aberystwyth because a lot of people kind of die, but it is certainly beautiful and is really well made.

I am with you, and that is why we have put drama commissioners out in Wales, Northern Ireland and Scotland, to generate more drama from outside London.

- Q86 **Chair:** I can speak from experience that there is always a risk there. When Sky filmed "The Tunnel" in Folkestone in my constituency, it did portray Folkestone as being somewhat grittier than it really is, but these are the risks you run. If the witnesses could bear with us, we need to have a short break in the Committee's proceedings for five minutes and then we will resume.

Sitting suspended.

On resuming—

Chair: Thank you for bearing with us. I don't know whether BBC Parliament was able to provide some sort of test card or musical interlude while we were off air, but I'm glad we are back. We want to move to another topic, which is remuneration, and Simon Hart is going to start.

- Q87 **Simon Hart:** This question is for Sir David, I think. Where do you think you are with regard to disclosure of matters of pay, whether involving senior managers or talent or generally across the board? Do you think that disclosure is a good thing and we should have more of it, or a bad thing because it just creates a huge row because there is a lack of context and perhaps knowledge of what the global market really requires?



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Sir David Clementi: Disclosure—you're right. I arrived in April, and in a sense the arrangements had been set and governed, in turn, the outcome. There are advantages and disadvantages. I accept that on the whole disclosure is a good thing; it shows anomalies and it requires management to do things that they might not otherwise choose to do. But you should not lose sight of the fact that we operate in a very competitive market. We did not coin the phrase "poachers' charter," but it did have an element of that, because everybody knows what the top talent is paid. So it was right to have a debate about it. There are pros and cons to it. And a decision was made by the Secretary of State in that respect.

On the pay issue, I think it is really important to distinguish between two issues that have been much in the news. One is the question of equal pay, and the other is the question of gender pay. The Board is across both these issues; they are both important, but they are really quite separate. The question of equal pay for equal work is the law, and it has been the law for some period of time. The Board was pleased that the Executive did have an external review of it. They asked Eversheds and PricewaterhouseCoopers to do work on it, and they produced a report. We also have an independent QC to comment on the manner in which we go about it. And the Board took a lot of comfort from the fact that that report showed that there was no systemic issue on equal pay. I would have been disappointed if there had been because, as I have said, it has been the law for some period of time.

Gender pay, which has been much in the news recently, is a slightly different issue. It marks the differential between what you are paying the median woman and median man in an organisation, and it reflects in part how many women you have at a senior level. Our number we disclosed, as will all organisations, by April—if you employ more than 250 people. We disclosed our median pay; our number was -9.7%. Were we happy with it? No. We are committed to removing it over a period of time. On the other hand, I would like to make the point that it is a long way ahead of the national average, which is about -18%. We are ahead of many other major organisations. And I think when the dust settles the BBC will be seen to be, as we ought to be, in the vanguard of these sorts of issues and not, as we are occasionally painted by some, in the rearguard.

The Director-General has committed the organisation—and the Board is entirely behind him—to removing the differential by 2020, and that will mean moving more women on air and behind the scenes into senior management positions. Our current position is that women represent almost precisely 50% of the workforce, and in our top senior management team, 42% of that number are women. That's not a bad number compared with many other major organisations, but it isn't good enough. We are committed to getting to 50:50 in our senior management team, and that will erode, if not completely reduce, the gender pay gap.

It would be wrong to think that the Director-General and his team have only started moving on this since the disclosure happened. Actually, this was something he committed himself a long time ago, and we are making



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sure that it is being carried out. Has it picked up pace? It probably has, but this was something that we committed to some time ago and the Board thinks it is important. The Board has been looking at these issues monthly—they form an important part of our monthly Board meetings—and we feel that generally the Executive is heading in the right direction.

- Q88 Simon Hart:** Leaving aside the gender issue, which I know will come up again in a minute, could we deal with some of the public debates about what you pay for talent? I am ambivalent about the issue, by the way, but the sums frequently look eye-watering without a suitable commentary to explain how you got to the particular figure for each person, and why that is of value to the BBC rather than simply a cost to it. I wonder how you can better articulate that to the public, who might just look at a number and think, “Bloody hell—£15 million?”, whereas actually there could be a really good back story or argument for it, based around value rather than simply cost. Does that frustrate you?

Sir David Clementi: No, I wouldn’t say that it frustrates me. Occasionally it is misrepresented. The back story is partly that when we go and ask the public, they are very keen to have top talent on the television and radio. We have a lot of statistics on how they expect to see very able people. We should keep this whole conversation in context; those people’s pay comes out of the licence fee of £147, which is terrific value, along with some other services that we have talked about today.

On the whole, when we talk to our audiences, they understand that we have to pay top bucks for top talent. Actually, we do not quite pay top bucks; it is pretty much recognised in the industry that we get a bit of a discount. You sometimes see people leaving the BBC for more money, but sometimes not. In one or two well known cases, such as “Bake Off”, many of our talent chose not to go, although they were offered more money to go to another channel. We are not paying top bucks relative to our competition; we probably get a slight discount.

I think the Board is satisfied with where we have got to. At some point we may choose to commission another report, but for the moment we do not intend to. Two years ago the BBC Trust did commission a report—I am sure it came in front of this Committee—and its conclusion was that there was no evidence that the BBC was overpaying in any genre that it looked at. So although I think it is a fair question to raise, and the Board looks at it carefully, we think it is being well managed by the Executive.

Simon Hart: Thank you.

- Q89 Julie Elliott:** Lord Hall, an open letter was sent to you that was organised by Jane Garvey and signed by 44 female celebrities. Sir David said that you have pledged to close the gender pay gap by 2020. The letter was not about enormous pay rises, but about the pursuit of fairness. Do you really think that waiting until 2020 to sort that out is acceptable?

Lord Hall: No, and that is not what we are doing. As David was saying, since that letter in July we have had some really good meetings—not only with Jane Garvey, but with other women presenters—on three issues. We



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wanted to make sure that the organisation was paying fairly across its breadth, so we brought in outside consultants and Sir Patrick Elias to look at that. The conclusion was that there is no systemic issue with fair pay in the BBC. It was really important for us to be sure of that, but of course the codicil was that there may be individual cases. We have to make sure we look at that, so we have introduced a system where Anne is going to review issues of pay fairness every six months with the directors involved.

Having got that out of the way, we are also looking at the issues of top talent—the people who present our programmes on radio and television. I think it is fair to say that the issues there, which Jane and others raised, are mainly around news and some parts of radio. In answer to the point made by Mr Hart, what we are hoping to do—we want to make sure we get this right—is to be able to explain very clearly to everybody why X would be paid for that programme in that sort of way, and why Y would be paid in another way.

Q90 **Julie Elliott:** May I ask about what you just said? Had that been done before to get to the levels of pay that were being paid?

Lord Hall: Across the corporation, yes. In some areas things have grown up in a certain way and people have responded to pressures from outside, particular pressures in their programmes, or whatever it happened to be. In areas where the criteria for why a presenter might be paid x or y are not clear, we are trying to make sure that those things are clear.

Q91 **Julie Elliott:** Looking backwards rather than forwards and at what you are doing now, it is a bit of a mess, particularly with some of the women presenters in news and radio. It looks like a mess from the outside. How did the BBC get to that point? You are a body that has been there a long time and you have always had a well-resourced HR department. You spend public money. How have you got to be in that mess?

Lord Hall: I think this is an issue we have been working on for some time, so it is not the case that in July we all suddenly woke up and said, “We’ve not thought about this before.” It is not like that.

Q92 **Julie Elliott:** Were you surprised by some of what came out in that?

Lord Hall: The surprise might be in a different way from what you are suggesting. When I came back to the BBC, I knew that there was an issue that we had to tackle on the representation of women on air. That is why we have an extra woman appearing on the “Today” programme—that had gone round and round for ages. It is also why, by the way, when I came back I said that I wanted local radio morning shows to be half presented by men and half presented by women—I think the figure at that point was 17% women and the rest were men. I said, “Actually, I want progress,” and directors such as James Hardy in news have made a huge difference in terms of gender equality on the air. Sometimes you watch the 10 o’clock news and it can be 10, 12 or 13 minutes before you see a man. It would not have been like that four or five years ago.



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On representation, I think we are making progress. Do I think we have made enough progress yet? Absolutely not. That much, I think, is just part of what we've been working towards. Remember that we published data by bands on all our presenters, so you could see by bands what people were paid. I think where we have got some work to do is, as I said, in some news areas and some areas of Radio 2. That is where we are.

- Q93 **Julie Elliott:** You announced that you were going to hold a series of consultation meetings to look at the gender pay gap in the organisation. Have you started to hold them, and if you have, how are they going? What is coming out of them?

Lord Hall: We have been having those meetings. Anne and I have seen lots of people, and other directors have been seeing people too from July onwards. Indeed, Anne and I saw a group of women presenters yesterday. Some of the issues that we are dealing with here—it goes back to the question that we were asking early on about culture. It is not just about pay, although we want to get that right and we will get that right, and it is not just about representation, and we will get that right; it is also about culture and the workplace, as we all know, and about how women are treated. That is an area in which, as I said in response to an earlier question, Change Associates is helping us. Anne and I are talking to people, and it is why I get around the organisation and talk to people. We want a culture where people want to come into work and want to do the best work of their lives.

- Q94 **Chair:** Just to be clear, on pay, you have said today, and the BBC has said it before, that part of moving towards a more equal pay structure is not just looking at what women presenters, for example, are being paid, but also at deflationary pressure on some of the salaries that some of the highest paid men get. Is that correct?

Lord Hall: That is exactly right. What we are managing—this is hard, because we are dealing with pay that represents the past of somebody's work, rather than the future. We are having to look very hard and ask what programmes can afford, and what we can afford. Where we think someone is underpaid we will correct that. Anne has been doing sterling work on that over the past four or five months, along with her team. Also, if we think somebody is overpaid, we need to correct that as well.

- Q95 **Chair:** You mentioned Radio 2. I imagine that if you are thinking about people being paid a lot on Radio 2, you are talking about Jeremy Vine and Chris Evans, the two highest paid stars on Radio 2. People will question whether you are going to them and saying, "Really, we just can't afford to be seen paying you this much anymore." What is their current salary based on for doing those jobs?

Lord Hall: Again, there is an issue that we need to work through before we go to our disclosures next year on pay, which is apples and oranges versus apples and apples. Because, what you see in a disclosure table—and we need to work this through—is the total remuneration for someone, as opposed to a feeling that might go back to what Mr Hart was saying: an explanation of why they are paid in that sort of way.



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In other words, it is for X. In Jeremy's case it is for an awful lot of programmes that he does, not just for Radio 2. In Chris Evans' case it is for another programme he does, as well as what he does for Radio 2. So there is actually more explanation behind what we put out to the public.

- Q96 **Chair:** I understand that. That leads on to a point I wanted to raise on this. It is something that I have been asked about before as Chair of this Committee. You are quite rightly saying that you want greater clarity on what someone's salary is based on and what they are getting for different things they do for the BBC. Many stars have different roles for which they get paid. That is one of the reasons why the pay looks so different. With someone like Chris Evans, we don't know what he earns from the BBC. We know what he earns from the BBC when he is paid directly by the BBC, but the BBC does not disclose what he gets paid to do his main programme, his chat show.

Can you not see that that sort of disclosure is quite important? If you announce that Chris Evans is going to get less money for his radio programme, but you don't have to say what he is being paid through his production company to do his chat show, what we don't know is whether you are taking with one hand and giving with another, because that information is not disclosed. That level of incompleteness makes it very difficult for people really to assess what people are actually getting paid, and whether people are actually taking a pay cut or not.

Lord Hall: I understand your frustration at not being able to get to the bottom of that, but the counter is this: if you want to have the same level of disclosure for every independent company in the UK of what they are paying top talent—a Chris Evans figure or whoever it happens to be—that is one thing but I don't think that is right. If you are an independent commercial company, then you should work like any other independent commercial company and not have to put those commercially sensitive things forward. It is different for us, I now accept, for what is funded by the licence fee, but I think you would be in a very different world of disclosure if you would insist on that on every indy working for the BBC, ITV, Channel 4, Sky or anybody.

- Q97 **Chair:** It would be interesting to know how many people working on independent productions for the BBC earn these higher amounts. Whether it is a case of many, many people doing it, which therefore makes disclosure very complicated, or you are talking about a relatively small number of very highly paid people who work on flagship programmes, such as Graham Norton on his chat show or David Dimbleby presenting "Question Time".

If we are having a debate about the people who work for the BBC in general and we are saying that we want transparency over what they earn; we want to show what they get paid for each programme; we are going to ask them to take a pay cut. On the other hand, the pay cut is compensated by an increase in the money their production company is getting to make another programme that they do. That really undermines everything you are saying about the importance of transparency and



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deflationary pressure on pay for the highest paid talent.

Lord Hall: I am saying that there is possibly a greater good and that is the real independence of the independent sector working for us. Leave aside whether it is equitable to say, "If you work for the BBC as an indy you must disclose all your top talent fees; that is the price of working for the BBC." You would have to apply that to every other indy working right across the sector, which I think would be wrong. If you did not do that and said, "Well, if you work for Channel 4 or ITV it is different," then you are penalising people who would otherwise work for the BBC. It is a disincentive for people to work for the BBC. I don't think that is what anybody wants. I think people want the very best of the indy sector and the very best of the public service and other studios working for the BBC. That would be inequitable if we were to pursue this to its logical end.

- Q98 **Chair:** Although, I would have thought that licence fee payers would take a simpler view, which would be to say that this is all ultimately licence fee payers' money and if there is disclosure about salaries paid directly by the BBC for the top talent, and in very large sums, that should apply to other programmes as well, particularly where you are seeing repeat runs of well-known BBC programmes with star presenters who are well known and who many licence fee payers would assume worked for the BBC anyway, because they are so familiar on the channel.

Lord Hall: But just as a matter of fact, we don't know what an indy will pay a talent they employ, because that is not how we contract indies or, in my view, how we should contract indies. It is up to them to get the right balance between what they pay a star and the cost of making the programme and the return they get from it. That is their business, and I think it is very hard to interfere in that business.

Chair: We probably will not get a resolution on this today—I think it is a debate that will run on.

Lord Hall: I am sure.

- Q99 **Paul Farrelly:** I have a few more questions. It was the final blow of my very good friend, the right hon. Member for Maldon, against the BBC to hit you over the head with this hammer of disclosing people's pay in excess of that of the Prime Minister. He has guaranteed the tabloid press an annual jamboree, for which he will be very grateful.

I do not really want to look deeply into how individual people are paid and prognosticate on whether they are worth it. But, in one sense, when you have disclosures that really drill into the detail, that Jeremy Vine, for instance, the go-to monopoly man of election graphics, succeeding the great Peter Snow, is allegedly commanding £80,000 for one night's work on the Scottish referendum, it is not the amounts, which pale into insignificance against the budget, but the fact that three people in the country on an average wage would have to work a year to get that. Maybe this level of disclosure is right, so that the BBC can shine a light on itself.



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Lord Hall: Let me kick off with a complete recognition of the fact that to someone who is at or below average earnings these figures seem huge. I think that that must run through every decision we make in the BBC about spending money, not just on top talent. I completely accept the point you are making. But fundamentally it is also why we have, over the past four or five years, been reducing the amount we are spending on top talent, and reducing it considerably. The amount we spend on top talent is down by 10% year on year, and down by a quarter over the past five years. That, to my mind, strikes of us managing these difficult issues very well.

Notwithstanding that, we also know from our surveys, and David mentioned this earlier, that our public—the people who pay for this, our audiences—also want to make sure that we have top talent on our programmes. So the decision we are trying to make is: what is the appropriate amount and how do you make sure that we are not—as you are suggesting—overpaying? Again, I go back to the work done by the Trust and by Ofcom, which is suggesting that we are not overpaying.

Q100 **Paul Farrelly:** When this stipulation was introduced, there were a number of complaints that it might be a poacher's charter and also that its overall effect would be to increase the pay bill, so do you expect, this time next year, to be paying more people at the BBC more than £150,000 as a result?

Lord Hall: We have to manage this. I am aware of it, as is every manager—Anne and I talk about this a lot. We have resources. We have to manage within, basically, flat funding over the next five years. We cannot afford for this to be inflationary in a major, major way. We cannot. We have to manage it within the parameters which are set. It is a challenge, but it is also a good thing.

Q101 **Paul Farrelly:** Damian mentioned the letter from 44 women journalists and presenters. If the bill were to rise because there was a sense that women were not being paid as much as men for the same job, and any of those people did catch up, you would not expect them, by nature of being news, current affairs and sports, to switch into BBC studios. Is there an element of concern that the numbers might rise because of the gap that has been demonstrated, or perceived, for women at that level doing the same job?

Lord Hall: We have tight budgets, and we want to make sure that what we do is right. It is proper that we address those issues. We are determined to do so. I am determined to do so and Anne is determined to do so. But we also have to recognise that we have limited funds to deal with these issues, so we have to deal with them properly. I absolutely cannot tell you now what the figure we disclose in our annual report for next year will be, but I am determined both to get the issues that we need to tackle right, and to make sure that we get something that we feel is the right balance of pay for our key presenters.

Q102 **Paul Farrelly:** Does it set up strange incentives? I notice that Martha Kearney has done a job swap with Sarah Montague. Martha was in the



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disclosed bracket on "World at One", but it was well publicised that Sarah Montague was not. That is a good way of justifying a pay rise.

Lord Hall: You are ahead of me on announcements that we have not yet made, Mr Farrelly. We have not announced any changes between "World at One" and "Today" yet. Those things are under discussion and the press have leapt to conclusions.

Q103 **Paul Farrelly:** Obviously I am just believing everything I read. That is dangerous. I have a couple of last questions. Could you just restate the BBC's current position on personal service companies?

Anne Bulford: The position is that, if people are operating freelance through personal service companies, they need to account for tax properly through that. We still have a number of people operating through personal service companies. But we are, of course, dealing with two changes under the IR35 legislation. First, there is the introduction of a new test, the CEST, which as everyone will be aware is the generic test across all industries and is not media-specific.

Secondly, in the public sector, there is the change of responsibility: irrespective of contractual standing, if there is a problem with the tax being deducted at source it falls to the employer rather than the worker, however they are contracted. That is resulting in our having to apply the new test and to make changes where we need to, so that we are in a position to deduct tax at source. In some cases that does not sit easily alongside PSC mechanics, and that is what we need to work through.

Q104 **Paul Farrelly:** Is it still the BBC's position that if you are substantially or overwhelmingly employed by the BBC you are expected to be employed on a PAYE basis, rather than through a personal service company?

Anne Bulford: The position is that our responsibility is to follow the rules and procedures put in place by HMRC. It is all about whether or not we are deducting tax at source rather than people accounting as an independent or sole trader and accounting for their tax in that way. Our job is to apply the new CEST test, and if that results in a tax status that means we need to deduct tax at source we will do that.

Q105 **Paul Farrelly:** That is applying an HMRC test rather than having a policy position as far as the BBC is concerned, isn't it? That seems to be a change from—

Anne Bulford: We have always applied an HMRC test as to whether or not people need to have tax deducted at source. That is a different issue from whether people are operating through PSCs.

Q106 **Paul Farrelly:** But the BBC's policy—does it have a policy? There was a controversy about that several years ago, and the BBC introduced a policy, as far as I remember. Has that changed?

Anne Bulford: Yes: in many cases, if workers are operating on a freelance basis, are accountable and responsible for their own tax and are meeting all the test requirements for that to be the case, we ask them to



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operate through a PSC. That is still in place, but of course we are now dealing with a new test and a new analysis as to whether or not tax needs to be deducted at source. If it does, then it does, irrespective of whether they are operating on staff, on freelance contracts or through PSCs.

Q107 Paul Farrelly: I do not want to hinder the Committee with any more questions on that, but we might want to follow that up. It seems to me that that may be a change from the previous position. I must look at the history.

Anne Bulford: I do not think it is; perhaps we can be clearer.

Q108 Paul Farrelly: I am asking this in particular because I want to congratulate you on the "Panorama" programme last night. It was very well put together, taking personal, demonstrable instances and the likes of Apple. It was very well explained. The BBC cannot be accused of not looking in on itself in those programmes, because your reporter following the cast of "Mrs Brown's Boys" into the BBC Scotland studios was commendable.

"Mrs Brown's Boys" is made through an independent production company, and I think there was a two-letter reply from the main star of the show and the operators of the company. However, that exposed how some people were being paid their wages through Mauritius then lending it back to themselves, therefore avoiding UK tax. That is presumably the policy of the independent operating company that is making the programme for the BBC, but it potentially brings the BBC into disrepute. Is there anything in your commissioning guidelines about expecting that production companies will also pay their stars and staff in line with the way the BBC would expect to directly account for tax and pay its people, so that the BBC is not brought into disrepute?

Anne Bulford: In terms of people who work directly for us, we have a number of balances and checks.

Q109 Paul Farrelly: I am taking this instance, which has been commendably highlighted by "Panorama", of an egregious tax avoidance scheme involving a production company that produces a very popular series for you allegedly getting involved in tax dodging to the extreme through Mauritius. Is there anything in your commissioning guidelines about expecting independent production companies to not do that sort of thing?

Anne Bulford: Independent production companies are required to comply with a number of things, including meeting taxes as they fall due. I do not know the details of this.

Paul Farrelly: Perhaps it is something you might look at.

Anne Bulford: The gap between an individual deciding how to then deal with their money and the way in which this is worked through seems—

Paul Farrelly: The allegation is that the company paid the money.

Anne Bulford: What the BBC will do is pay the company.

Lord Hall: We will certainly look at it. Thank you for what you said about "Panorama".

Paul Farrelly: Great programme.

Q110 **Chair:** I echo that on "Panorama". The other programmes that team has also made have been equally well researched. This is quite an important point, and the follow-up question I want to ask on it is what your policies are to try to ensure that companies are paid in a recognised tax jurisdiction. If you are commissioning a programme, and so far as you can tell the people involved in that commission are normally domiciled in this country, would you expect to pay them or their company directly, to a company registered here? If a request was made to make a payment to a company registered in a tax haven, would you just do that as a matter of course, or does it raise a flag internally and you would therefore check that you are paying a business or an individual based in a recognised tax jurisdiction? What someone does when you pay them is difficult for you to control.

Anne Bulford: I shall just run through how individuals work, because it is comparable to companies. Bank accounts are specified in contracts; they are generally UK bank accounts, and that's that. If it is a foreign payment, there is an immediate balance and check to consider whether any sort of withholding tax needs to be taken off that. If it is over a limit for an individual, it hits the foreign entertainer tax in any event, so we would deduct and account to HMRC. At the year end, the gross is declared, both to the UK tax authorities and the foreign jurisdiction. If that was the US, for example, it would be the Department of Labor. There is quite a lot of balance and check around that, which would be broadly the same for payments to companies.

Q111 **Chair:** If I was an individual and said, "I don't want you to pay me directly into my UK bank account. I want you to pay me via this company in the Cayman Islands," would you do that?

Anne Bulford: That would kick into the balance and check immediately, and it would require us to establish whether we need a withholding tax before doing that. If that somehow did not need to happen and it did not trip the foreign entertainers tax deduction, that would be the gross payment, which would be declared to the Revenue in the UK in any event. It is an unlikely sequence that would get to that. On the whole, we pay people through UK bank accounts. If a foreign jurisdiction comes up, there is a whole series of balances and checks to ensure it is okay and to determine whether we need to deduct tax before we make the payment.

Q112 **Chair:** Is that something that the BBC has done?

Anne Bulford: I do not have numbers on that. I know how the mechanics work. We are mostly talking about overseas artists who are domiciled overseas but working in the UK. That is what we are dealing with.

Q113 **Chair:** Would you be able to write to the Committee particularly on that point? Are there instances where you have paid an individual via a company registered in a tax haven rather than paying them directly,



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because that is what they have requested?

Anne Bulford: I am not aware of any such instances, but we can write to you.

Q114 **Brendan O'Hara:** I would not mind having an in-depth look at the new BBC channel that is proposed for Scotland for the end of next year. When did BBC management decide that this new Scottish channel would be a good idea? Could you talk me through the process that led to that decision being made?

Lord Hall: This is something that Ken MacQuarrie—you knew him before he became director of nations and regions—and I talked about for some time. I am sorry—I cannot pin down the exact length of time. The fact that we thought that a Scottish channel was a good idea was leaked, and then we thought we could not afford it. There has been a lot of discussion about what is right for Scotland, going over quite a period.

We determined that we wanted to make the announcements about what was right for Scotland as a nation, and what was right for Northern Ireland and Wales, in the early part of this year. Ken and I did a lot of work on what the right shape of the settlement for Scotland should be. As you know, Mr O'Hara, we are upping the amount of network production by £20 million a year and putting in £19 million as part of a contribution to make a total of £30 million of content costs for the BBC Scotland channel. All the research we did led us to think that a Scottish channel is the right answer.

Q115 **Brendan O'Hara:** Prior to my being involved in this Committee, there was a lot of talk about the idea of a "Scottish Six". The channel was announced at the height of the discussion about a "Scottish Six". Given the timing of the two events, can you understand that there is an idea that the creation of the channel is little more than a short-term political fix to get you out of a potentially tricky political situation?

Lord Hall: If I were looking for an easy, short-term fix, setting up a new channel for Scotland would not be it. I have a profound belief—and I mean profound—in what a Scottish channel, working alongside BBC Scotland and BBC 2, 3 and 4, can offer people in Scotland. You have got to see it as adding to the ecology of BBC 1 Scotland.

The decision I made with the then executive board of the BBC was this. A previous member of this Committee was very keen on the "Scottish Six". In all of these things, you have got to put the audience first—this is not a political fix—and the audiences in Scotland for the six o'clock news followed by "Reporting Scotland" are very, very strong indeed. In my view, to mess around with what is working in audience terms—audiences tell us that they want quality—would be a damaging thing to do. What our audiences were also saying is, "We consume a lot. We use the BBC a lot in Scotland, but we are not certain that the BBC, in general impression, is Scottish enough." Out of that came the argument for a Scottish channel to go alongside BBC 1 Scotland and BBC 2. Believe you me, this is no short-term fix. This is because we profoundly believe we can offer more to our



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viewers and listeners in Scotland by doing a channel alongside BBC 1 Scotland.

Q116 **Brendan O'Hara:** I will get on to the financing of the channel in a moment. As we stand, the channel has not been agreed by Ofcom.

Lord Hall: That is right.

Q117 **Brendan O'Hara:** Could you give a cast-iron guarantee that if the channel is not agreed by Ofcom, all the new investment planned for the channel will still be made available to Scotland?

Lord Hall: To be quite honest with you, Mr O'Hara, I am absolutely hoping that Ofcom will see the sense with support from Scotland—it was good to see how much support there was in Scotland for the BBC Scotland idea—and that we can win. I am not contemplating us not winning.

Q118 **Brendan O'Hara:** I agree, and you are right that there is unanimous support at the Scottish Parliament, but as we stand, Ofcom has not signed this off. I assure you I hope that they do sign it off, but if they do not, will that investment still be available to BBC Scotland?

Lord Hall: I can't say that it will. We will have to go back to square one and go back to the Board and say, "Now what do we do?" What would have been rejected is what I passionately believe is the right solution for Scotland. As you are suggesting, a Scottish 9 o'clock news is not a Scottish Six but it says something about BBC Scotland. We are investing in 80 journalists there; we will have 20 more because of the local democracy scheme that the previous Secretary of State was very keen on. That is a big investment in news in Scotland that will permeate through the rest of BBC Scotland. Everyone will benefit from investment in the channel. Also, at 9 o'clock, that channel will be able to draw on the entire resources of the BBC network in this country and around the world. That, to my mind, is the BBC working at its best—when the entirety of its network comes behind something really important.

Q119 **Brendan O'Hara:** I am in absolutely no doubt, because I probably worked with most of the people who will be charged with making the programme, that you will have extremely good people to deliver this service, but I also know from my experience that high production values cost money. Standards are not cheap—you know that—so can you explain what funding has been set aside for the launch of the new channel in year 1? What will its budget be in subsequent years?

Lord Hall: In subsequent years, that will be a decision made by the Board as we go through our budgets year by year. The total budget for content in year 1 is £30 million: £19 million plus the money we are spending on—I think I have got that right—

Anne Bulford: There are split years, but that is probably right.

Lord Hall: That is equivalent to BBC 4. I had a meeting with the team—Donalda and the new person who will be running this channel, who I think is absolutely first rate—and their ideas within that funding envelope are



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developing and will be really good. Let us be clear—I keep repeating it, so forgive me—you have BBC 1 and BBC 1 Scotland, and this is an additional channel that has to be seen in the light of all that we give to our viewers in Scotland. What is great about Scotland is the consumption of BBC services is very high, and that is great.

Q120 Brendan O'Hara: Would it be safe to say that you think £30 million, of which £7 million would be ring-fenced for news, is a reasonable budget to launch a television channel?

Lord Hall: Yes, but listen: this channel is not a quick fix. I know what channel controllers are like once they start doing a channel. I have no doubt this whole issue of what the appropriate funding is will continue year on year.

Q121 Brendan O'Hara: Do you consider the £30 million with the £7 million for news to be a floor or a ceiling?

Lord Hall: It is neither a floor nor a ceiling. It is the starting budget for this channel. I am excited by what they are going to do. There is a huge amount of energy around the channel and I want to see what they come up with. Then we will judge whether that is appropriate.

Q122 Brendan O'Hara: On what they come up with, what do you expect this new channel to deliver for that budget you have given them?

Lord Hall: I am not going to second-guess the team. They are in the early days of sorting out what they want to commission and what they want to do. There will be a moment when Donald and the team can stand up and say, "This is what we're going to do." I am not going to second-guess them, because they have that precious thing that few people are given, which is a chance to go and make something completely new that reflects better all the amazing creativity of Scotland. I am not going to second-guess that, but I am sure that when it comes to the announcements of what they are doing, it will be exciting.

Q123 Brendan O'Hara: If you ring-fence the £7 million for news, the per-hour spend works out at roughly £25,000. When I last worked for the BBC, I was working for BBC 1 from Scotland, and my per-hour spend on my last production was about £220,000. That was almost 10 years ago. What kind of quality threshold do you expect for that £20,000 an hour, given, as I say, that my last budget was £220,000 an hour 10 years ago?

Lord Hall: You are dealing with averages. We will be judging them on the quality of what they do. I will be judging them on that. I know they want to make good-quality programmes and that there will be a mix in there, but as I say, I am not going to get into tariffs or anything like that at the moment, because it is for them to come back to me and then eventually the Board with how they want to run with this challenge. I think the team are absolutely up for that.

Q124 Brendan O'Hara: I have no doubt about the ability of the people charged to make it, as I say; what I question absolutely is the budget they have been given to make quality programming. You can understand why



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people both inside and outside the BBC, including many with long experience in television programme making, have accused this project of being born to fail.

Lord Hall: It is not born to fail; this is going to work. The proof will be in the pudding. I look forward to discussing the channel with you when we have a channel up and running, I hope in the late autumn or so of next year, when we can actually judge what they are doing with the money that they have and then have a proper argument about whether that is appropriate, whatever it happens to be. I find it very difficult to do this in the abstract. They are working up the sort of channel they want to make, and I want to let them do that.

Q125 **Brendan O'Hara:** I agree with you, and it is absolutely right that they are allowed to make the channel what they want to make it, but do you not accept that a budget of £30 million to launch a national channel is almost negligible when it comes to the cost of television production?

Lord Hall: No. Look at what BBC 4 are doing; the impact that they can have is extraordinary. If you talk to Donalda, as I was doing last week, her hopes are that it goes back to the sort of investment we are making, for example, through Worldwide, and that x investment by the licence fee will produce extra investment from others in the creative sector for things that we can do. I really want them to go forward and make as great a channel as they can within those constraints, and then we can decide on what is appropriate funding or not.

Q126 **Brendan O'Hara:** You have mentioned BBC 4 a couple of times. BBC 4 is a very different beast from this new channel. BBC 4 is designed to make multiple repeats of very, very good documentaries. You cannot do that on this channel, because you have a set number of hours to fill every night and you have £7 million of it ring-fenced for news. You cannot repeat the news. BBC 4 is not a parallel example for what this new channel is going to be, surely.

Lord Hall: I think it is a good example of what this channel can be, because it is saying, "What can you do with a budget of £30 million?" I suspect I am probably not helping you in this sense. I really believe the team—I have a lot of faith in the team—are going to come back with something really, really good, because they believe in quality as much as I do. You have to regard it as a service that is additional to the money that we are spending on BBC 1 Scotland and the money we are spending elsewhere, too. My view, which I am not going to budge from, is: let's see what they come back with and let's see how the launch goes. One of the great things about the BBC is you keep having creative conversations. If something doesn't feel right, you change your mind or move money around—whatever it happens to be—but we are not there yet. I am excited by what they are doing and the plans they showed me last week.

Q127 **Brendan O'Hara:** How set in stone is the start date of autumn next year, and how far advanced are the workstream and recruitment plans? Has any consideration been given to delaying the start if they are not in place or there is a lack of progress on those fronts?



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Lord Hall: Yes, we are talking about when we can recruit who for this, and what is appropriate given that we do not have the Ofcom go-ahead yet, as you mentioned at the top. Donald, with me, Anne and Kenny will decide when the appropriate date is to launch next year. I am very keen for it to be next year. I cannot predict how the Ofcom process will go and that is one of the key determinants of when we will start.

Q128 **Brendan O'Hara:** To wind up, recently there was a finance department move from London to Wales within the BBC. How many BBC employees in Scotland work in those sorts of back-office jobs, such as finance centre, and is there anything of equivalence being decentralised in Scotland?

Anne Bulford: The finance team moved to Cardiff certainly more than 10 years ago—probably closer to 20 years ago. Financing, processing, transaction processing and also the BBC pensions centre have been based in Cardiff for some time. In Scotland, in Pacific Quay, quite a lot of technology services are provided for the BBC as a whole. There is not anything equivalent to the finance location outside London. HR has recently been moved to Birmingham. Across the piece, we have more than 50% of our staff, including back-office staff, based outside London. We are very keen to look for opportunities, particularly where we are introducing new activities, to base more of those outside London. We think about that all the time and continue to do look for opportunities to build expertise in Pacific Quay.

Q129 **Brendan O'Hara:** But there is nothing in the pipeline in terms of those back-office functions?

Anne Bulford: There is nothing in the pipeline over and above what is currently there.

Q130 **Brendan O'Hara:** Two final questions. In February there was a £20 million spend for network commissioning. This is only guaranteed for three years, is that right?

Anne Bulford: Three years is our planning horizon.

Lord Hall: Just in case you are wondering otherwise, we are committed to the level of investment in Scotland beyond that, but three years is our planning horizon.

Q131 **Brendan O'Hara:** So BBC Scotland and the indie sector can plan ahead for three years knowing that within the cycle there will be further investment to come.

Lord Hall: Yes, and Ofcom made that one of the stipulations, that we keep both the money and the hours. I have a problem with the hours, but never mind.

Q132 **Christian Matheson:** First, I apologise, but I had to be in the main Chamber to ask a question earlier, so if I ask something that has already been raised, if the Chairman does not pull me up, stop me if you think you have heard it before. Mr Hart and Mr Lucas mentioned the question of culture and harassment of staff. Now you are trying to protect staff



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and change that. Sir David, can you explain how staff might engage with the Board and might you still consider having a staff member on the Board?

Sir David Clementi: We have well documented processes by which people can complain or lodge concerns internally. We went through them a little while ago; the Board oversees that. I suppose it is open to any member of staff to write to the Board. It would be an odd thing to do if they had not been through the proper procedures of talking to their line managers first. So far, no issue has come direct to the Board other than the ones we have talked about already, such as gender pay issues. The Board is absolute across them, and indeed it needs to be concerned with some policy issues here. I would expect most of the individual issues, unless they were extraordinary issues, as was the case with Savile and that sort of thing, to be dealt with through the line management.

Q133 **Christian Matheson:** Do you have a Board member—a non-exec Board member, I should say—who is responsible for overseeing staff matters?

Lord Hall: Yes.

Anne Bulford: That is publicised to staff and freelance contractors.

Lord Hall: It is Tom Ilube.

Anne Bulford: Whistleblowing by its very nature is not necessarily something I am completely across, but I am aware of one or two cases that have gone through for Mr Ilube to consider.

Q134 **Christian Matheson:** At this stage, you have no plans to extend membership of the Board to a member of your staff?

Sir David Clementi: I don't have any plans for this. It is not actually my gift who is on the Board; it is set out in the Charter, discussed by Parliament. I have no flexibility in the matter.

Q135 **Christian Matheson:** Can I ask a couple of questions about radio? Are you still planning to outsource 60% of your radio output by 2022?

Lord Hall: We have been asked to do that over the lifetime of the Charter and we will do that carefully, because I think the radio ecology and radio production are very different from television.¹

Q136 **Christian Matheson:** Is the sector robust enough to cope with that?

Lord Hall: We hope so and I think RIG would certainly say that it is, but we want to make sure that we move at a proper pace. Radio is so different from television and we do not want to do something that would undermine the way radio operates because the very nature of it is different. On the other hand, we are committed to what we have been asked to do—of course we are—by the end of the Charter period.

¹ Note by witness: The BBC will open up almost 60% of eligible hours in radio to competition by 2022. This was the date Mr Matheson gave and we incorrectly suggested that the date was in fact later than this.



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Anne Bulford: To be clear, our plan or obligation is to put 60% through a competitive process, not necessarily to outsource. That would depend on the outcome of the process.

Q137 **Christian Matheson:** I want to talk about the idea of radio being a separate ecosystem in that respect. I am a big fan of Radio 6 Music. As a politician, I know I should be listening to the "Today" programme, but I tend to listen to Shaun Keaveny as much as anyone. In fact, at some point, I intend to email him my entry to his small claims court feature, so much do I enjoy it.

Shaun was on the list along with a few other radio presenters receiving top pay. Is there a big enough national market in radio for those presenters—I don't want to single out Shaun, despite having done so—to match some of the salaries paid in TV?

Lord Hall: Do you mean are the commercial pressures in radio the same?

Q138 **Christian Matheson:** Can anyone match the BBC for national radio presence, which you could then put up as a comparator for radio presenters' salaries?

Lord Hall: It is so hard to work out in radio—indeed in television too—what people are paid in the commercial sector. It is very hard indeed. There is much less of a market than there is for TV. None the less, for one or two people of real talent, there is obviously a price if you were to move outside.

Anne Bulford: It is also the case that the most popular talent is not necessarily choosing between television and television, or radio and radio, or doing something entirely different. The most popular, most commercially attractive talent often has a range of choices as to what they might like to do across multi-genres.

Q139 **Chair:** Maybe we could have a write-in appeal to people watching on the Parliament channel to see if there is anyone working in commercial radio as a presenter who earns more than £150,000 a year; they could write to the Committee and disclose that information to us. We will not disclose their identity, but it would be interesting to know.

Q140 **Christian Matheson:** I have a problem. I think I might have mentioned this to you before. *[Interruption.]* I do not like the use of the word "talent" for describing presenters. We have had this discussion before, I think. Do you not think that there is a danger by using the word talent just to talk about the highest-paid presenters, that this is a justification for keeping other staff, such as lighting technicians, sound engineers, make-up artists, junior production assistants—that it diminishes their role in the production?

Lord Hall: It absolutely does and I have had people email me about it. I try to avoid the use of the word "talent", but I have come here and talked to you about talent. You are completely right. All of us who make programmes know that you depend not just on the person who is fronting a programme but on a whole raft of people behind who actually make it



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what it is. They are talent, and you are spot on; we should try to avoid the term.

Sir David Clementi: The truth is that most of the questions I get asked are about 1% of our employees. You are right. The Board is really concerned about the 99% as well. We employ 20,000 people, and how they are looked after and treated is critically important, but almost all the questions I get asked are about the 1%.

Q141 **Christian Matheson:** Perhaps we could have a write-in on alternative words for "talent". Finally, I want to ask a couple of questions about a matter that my colleague, Justin Madders, has raised with you in the past, which is the BBC's relationship with Universal Music Publishing. Justin has tried to find some information about what the relationship is and whether, as one of his constituents has suggested, that company has something of a stranglehold on a lot of the music you broadcast. What is the relationship between the BBC and Universal Music Publishing?

Lord Hall: We use their music as we use other people's music, but we do not have a direct relationship. The public service does not have a direct relationship with Universal. The public service teams pick the music they think is right for their output, so they are not influenced in that sense by the publishers; they are influenced by what they think is right for our audiences.

Q142 **Christian Matheson:** My colleague has tried to quantify that and ask you to demonstrate that that is the case, but I understand that you do not have a listing of what music you broadcast.

Lord Hall: We do have a listing of what we broadcast. I think the issue was the amount of time it would take to work through all that and say from where that music came. I think that that was the issue, but I am very happy to look at that again.

Anne Bulford: The way in which it works is that we negotiate, as Committee members may well be aware, blanket arrangements with music copyright holders—PRS in the case of playing music. That enables music teams, whether they are working in music radio or selecting music across a range of output, to use editorial judgment to come up with playlists and music lists. The way in which the royalties due are accounted for is back through the PRS. That is the way in which it works, so there is not a direct relationship with Universal in that way.

Q143 **Christian Matheson:** Are there any publishers that are not included in that blanket agreement?

Anne Bulford: It is interesting you raise that, because the whole issue of blanket agreements is more troubling, particularly with some artists not wanting to be part of blanket agreements. There are a number of negotiations with a range of broadcasters, including us, running on that, as some individual artists want to step out from the blanket agreements. The way in which those work may change over time, but right now, that is the mechanism we work within.



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Q144 **Christian Matheson:** Does that put any artists or producers of music at a disadvantage?

Anne Bulford: It means that if you are dealing with an artist who, for whatever reason, does not want to participate in a blanket agreement, and you want to use their music, it has to be cleared directly with them. It is their choice to step out of a blanket agreement, not ours.

Q145 **Christian Matheson:** Have many done that?

Anne Bulford: Some, yes. A very small number of artists want to control their rights in that way.

Q146 **Christian Matheson:** I guess they are those who are better known and perhaps more powerful in terms of reputation.

Anne Bulford: I do not know. My understanding is that it is a small number, and I do not know the names. I cannot help you with that. It is not necessarily in the UK. It may be in different markets around the world, and then that would affect how subsequent sale and repeat rights and things are dealt with. On the whole, the vast majority of publishing artists are coming in through the blanket agreements, which are negotiated directly with the collection agencies.

Q147 **Christian Matheson:** So there is no external pressure or restriction of choice on the people who make your programmes and select the music as to where they should select the music from.

Anne Bulford: No. Those are editorial judgments, and we have very broad playlists and a very high rate of new music coming through in a range across all sort of labels. It is the case that the majors account for a great deal of the music that is commercially available, but there is no "this much from there, that much from here".

Q148 **Paul Farrelly:** Time is pressing. I have a couple of questions on BBC Studios, which is a big structural change for the BBC. It is early days, clearly, starting from 1 April. What has gone into BBC Studios so far in terms of output?

Lord Hall: It is the entirety of what was BBC in-house production. The exclusions are children's, sports, and some current affairs; otherwise it is the entirety of that. I think that the team in the BBC Studios has done a remarkable job in setting up this venture in its new way. It is good to see that they are now bringing in people from indies to come and work in-house. That is great. Anne and myself are routinely and regularly meeting with the team to assess the progress in terms of winning commissions not just inside, but also outside.

Q149 **Paul Farrelly:** On the spend on public sector broadcasting in the forward budget, the £1.6 billion on TV, what proportion of that is the figure for BBC Studios, just to get an idea of the scale of BBC Studios?

Lord Hall: The figure is over £400 million.

Anne Bulford: Within that total number there is some news and some sports rights and those kinds of things.

Q150 **Paul Farrelly:** I know and that is why I am trying to get an idea of the scale.

Anne Bulford: Sorry I don't have the number with me, but it is about £400 million a year.

Q151 **Paul Farrelly:** A quarter.

Anne Bulford: Of the total spend. In terms of the commissioning spend it is a higher proportion than that, because you take some other rights and other things from that number.

Q152 **Paul Farrelly:** A second question: you will be eternally jousting with Pact about the terms of trade because that is their job, and we have had some submission from Pact about a couple of areas of concern on fair trade. Just to paraphrase, one is to do with what I would normally call the nature and extent of overhead recovery, and the second I would categorise as to do with the PSB-equivalent of a commercial profit, which is the element that says what should be in there for reinvestment and public service broadcasting activities. Where are you on fair trade discussions and coming to an understanding?

Anne Bulford: From the beginning of April, to trade as BBC Studios we went through a rigorous process of looking at the allocation of general overhead and cost. That was subject to quite a lot of balance and check. It has been looked at and it is an ongoing part of the fair trading audit committee's responsibility to understand the way in which that is done. Arrangements are in place and they are up and running. It is one of the things that Ofcom have looked at and made some challenges on.

The second point—commercial effectiveness, if you like, and what is the right rate of return over time—is another area where we have set early targets as part of the business plan. Those will continue to be under review. It is an interesting start-up arrangement, because while it is an established business, the intellectual property attached to titles belongs to the public service. So the commercial back-end return is not going into BBC Studios, and that affects its margin.

Q153 **Paul Farrelly:** Finally, on that second element in particular—you could always have arguments about overhead recovery and where it is or is not appropriate, what's fixed and what would not change—I can understand the independent producers being concerned about BBC Studios saying, "We've got to make a profit to survive, they are pitching for our business not just for the BBC therefore they should be judged by the same yardstick." When it comes to your structural separation with BBC Studios, their independents are pitching for commissions within the BBC through your window. If BBC Studios, by virtue of the separation, the structural split, is now having to factor in an element of profit for reinvestment that may not have been there before, because the licence fee was there for the investment, it creates a potentially problematic position, doesn't it?



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Anne Bulford: It is a different arrangement. BBC Studios is expected to make a profit over time. How that profit is set depends on their circumstances and their opportunity from earn from back end, as well as to make a profit from production fee, and that varies. So as I say, all the titles that they have—the IP that they have at the start—the IP belongs to the public service and the back end goes straight through there. So you would have to adjust their profit targets for that.

It is part of our job at group level to be confident that the balance between reinvestment in development, bringing on new ideas, developing IP, makes sense versus the dividend payment, if you like, back to the centre. That isn't any different than for any other major independent producer, or indeed start-up independent producer. What is the right rate and how you benchmark that across other parts of the industry will be subject to a lot of balance and check.

Q154 **Paul Farrelly:** But it is new territory for you?

Anne Bulford: It is not entirely new territory. We have had similar sorts of questions about what is the right rate of return from BBC Worldwide. As you know, we look at their dividend, their profit and their headline profit. We also look at their contribution in the round back into the BBC, which has been over £200 million for the last number of years.

Q155 **Paul Farrelly:** We will look at it as it unfolds.

Anne Bulford: I am sure.

Q156 **Chair:** A final question on BBC Worldwide and the accounts. It says in the accounts that the income growth for Worldwide was 3%, and that included some benefit Worldwide got from currency depreciation following Brexit. Without that fluctuation in the currency, would Worldwide have recorded a figure of negative growth—as the Americans would say—on income?

Anne Bulford: Certainly the underlying profitability of Worldwide was up year-on-year. I will just check the number. It had a number of different things going through it, but their underlying profitability growth year-on-year was up and their headline profit was up; from memory, their turnover was up but I would have to double check that.

Q157 **Chair:** I think the salient figure is recorded as being 3% up, but there is also a note in the accounts to say—

Anne Bulford: There is a note in the accounts. You are completely right.

Chair: —that depreciation accounted for some of that uplift.

Anne Bulford: I am going to remember it in a moment. I am sorry.

Q158 **Chair:** The effect of currency depreciation is probably greater than 3%, so we are just interested to see would that be the decline in year-on-year in turnover—

Anne Bulford: I don't think that's right, no.



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Q159 **Chair:** Or would it have been about the same?

Lord Hall: Can we come back with a note?

Chair: That's fine. If you want to write to us, that's fine.

In that case, I think the Committee is done. Sir David Clementi, Lord Hall, Anne Bulford, thank you very much for your evidence this morning.