



Select Committee on Communications

Corrected oral evidence: The Advertising Industry

Tuesday 19 December 2017

4.35 pm

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Members present: Lord Gilbert of Panteg (The Chairman); Baroness Benjamin; Baroness Bertin; The Lord Bishop of Chelmsford; Viscount Colville of Culross; Lord Gordon of Strathblane; Baroness Kidron; Baroness McIntosh of Hudnall; Baroness Quin; Baroness Stowell of Beeston.

Evidence Session No. 15

Heard in Public

Questions 140 - 145

Witnesses

I: Rt Hon Matt Hancock MP, Minister of State for Digital, Department for Digital, Culture, Media and Sport; Rt Hon Anne Milton MP, Minister of State for Apprenticeships and Skills, Department for Education.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Rt Hon Matt Hancock MP and Rt Hon Anne Milton MP.

Q140 The Chairman: I welcome our witnesses to the second evidence session today. We heard from Google and Facebook in our first session as part of our inquiry into the advertising industry—in particular, the skills it needs for the future.

Our witnesses are the Ministers: the Rt Hon Matt Hancock MP, from DCMS, and the Rt Hon Anne Milton MP, from the Department for Education. Thank you for joining us and for the evidence that the Government submitted to us, which we found useful.

Before I invite members of the Committee to question the Ministers, I ask them briefly to describe their respective roles. In their evidence, the Government tell us that they are supporting the advertising industry. You describe it as “world-beating and fast-moving”, but you say that it operates in a fast-changing landscape. Will the Ministers tell us how they work together across government to provide that support? We will start our introductions with Mr Hancock.

Matt Hancock MP: It is a great pleasure to be here, with a collection of some of my favourite Peers.

DCMS has cross-departmental responsibility for the advertising industry, one of the creative industries. We co-ordinate policy towards the advertising industry. Of course, one of the great benefits of the current set-up is that advertising is self-regulated. I would argue that it is one of the best examples of successful self-regulation in the UK. Given the complexities of the Government not wanting to be directly involved in making decisions about advertising, there are huge benefits to the industry remaining self-regulating. However, that does not mean that we do not have a view. We view the advertising industry as being incredibly important. It is a great exporter. As a country, we are brilliant creators of content for the rest of the world and we seek to ensure that advertising is appropriate, sensible and done properly.

The advertising industry faces significant disruption to its business model as advertising cash moves towards the internet. In the last couple of years, it has moved very rapidly from broadcasting and mainstream print media to the internet. While that presents a big challenge to publishers, it also presents a significant challenge and a shake-up to the advertising industry. As a result of its great successes, the industry is booming and is demanding more and more skills. We work with DfE on skills policy, which is very much Anne’s lead. We care that it happens, and Anne sees that it does.

The Chairman: Anne Milton. Welcome.

Anne Milton MP: I am in the business of skills. My job is to make sure that people have the skills that industry, business and the public sector need. Advertising, beside which I would put marketing in brackets, covers

not just private businesses but lots of public bodies, including the NHS and education itself. All of the public sector is in the business of getting messages out there. My job is to make sure that people post-16 get the skills they need to feed the enormous growth in the industry that is probably going on. As Matt has rightly said, that is happening in a rapidly changing environment.

One of the challenges for the DfE, if I think of T-levels and apprenticeships, is to make sure that we have a flexible system that is fast and constantly renewing itself. The danger with government is that it is incredibly sluggish. Nobody could be more frustrated than I am at times about the slow movement of government. What matters to me is that T-levels, apprenticeships and the careers strategy which we launched recently are fit for purpose in a world that might change every six months or so.

Q141 Baroness Benjamin: You will be pleased to hear that my first question is about skills: education, careers and diversity. I know what a great diversity champion you are, Matt, so it will be interesting to hear your thoughts on these issues.

This month the Department for Education published its *Careers Strategy: Making the Most of Everyone's Skills and Talents*, which noted that fewer than two-thirds of students aged between 15 and 16 said that they receive careers education. What steps have the Government taken to ensure that young people have the necessary range of STEM and creative skills that the advertising industry requires?

Anne Milton MP: I will say a little about the careers strategy. Successive Governments have tried, with the best possible intentions, to make careers work in schools, but they have failed. I would not be presumptuous enough to suggest that our strategy will tick all the boxes, but there is a significant change from previous strategies and plans. It is really important that young people have contact with employers, including those in the creative industries. Paragraph 21 specifically mentions the creative industries, which include advertising. Making sure that young people have at least one interaction in their school careers with employers, creative industries, businesses and entrepreneurs is really important.

It is important because school has to make sense. If we want to drive up participation in STEM, fundamental to that is a careers strategy that teaches young people about the jobs that might be available to them when they leave school. If I am finding maths and science very boring, I will then say, "What is the reason for studying this? Oh yes, the other day I met an employer who works in marketing. I need to concentrate on this because that is the career I want to go for".

Just to give a plug, the Gatsby benchmarks are the spine that runs through our strategy. Specifically for STEM, we are putting in £27 million to expand the successful teaching for mastery maths programme to a further 3,000 schools. We have announced that we will reward schools

and colleges that support students to study maths by giving them £600 for every extra pupil who decides to take maths or further maths. That will probably boost earnings for STEM A-level by approximately 15%, so there are good reasons for it. As somebody who is also Minister for Women, I think that there are important reasons for young women to take up these subjects, if you look at gender pay gaps.

We are also offering bursaries. It is not just the teaching of STEM that is critical; teaching also has to be high quality. There are bursaries of £25,000, which are about to go up to £26,000, to attract high-quality candidates to enter initial teacher training. We are also offering scholarships of £27,000 in partnership with the British Computer Society. We are getting in good-quality teachers and giving schools literally cash in the hand to teach these subjects, which will incentivise them to do it.

I can talk a bit about apprenticeships, but it is worth noting that computer science A-level saw the biggest increase in entries at A-level. It was up by 34%, which is quite significant. On apprenticeships, we have 14 digital standards, which is important. There are 11 in development, including standards for public relations assistants and marketing executives. Of course, digital will be in the first tranche of T-levels, which will be introduced in 2020. We are also using every other opportunity to boost the uptake of STEM. Next year is the year of engineering and I am working with our engineering ambassador to make sure that we get the message across. All of this will help it to make sense to study these subjects in school. Unless you can make that link and connection, young people will not take up the opportunities that are available.

The Chairman: At that point, I see that you have a Division. Do you need to vote, Ministers?

Matt Hancock MP: Yes.

Anne Milton MP: We do.

The Chairman: In that case, I will suspend the sitting momentarily. We will see you shortly.

The Committee suspended for a Division in the Commons.

The Chairman: We will return to the questions. Baroness Benjamin will pick up a few points that Anne Milton made before she had to leave us.

Baroness Benjamin: I will concentrate on the arts and artistic skills. We know what a wealth of talent the UK has had and we want to continue that. What steps are the Government taking to promote the arts, especially in advertising, as a career for young people?

Anne Milton MP: All of that comes from the careers strategy. It is important that schools get in people who work in the sector and we will offer more specific guidance to schools. Of course, the Careers & Enterprise Company is doing fantastic work to get enterprise advisers into schools. It is working in about half of all schools and we would like to see

it rolled out across the country. Your point is very well made. In some areas, it is really easy to shift schools and enable and encourage them to open up their doors. The Secretary of State launched our social mobility action plan either this week or last week—time flies at this time of year. It is quite important that we also make sure that we get good distribution of that, because sometimes you find that areas where children are more disadvantaged do not necessarily get these opportunities. The Careers & Enterprise Company is doing work specifically in those communities and schools to make sure that they get some opportunity to see the diversity of careers out there.

Baroness Benjamin: Can you elaborate a bit more on the training framework that will enable people from disadvantaged backgrounds to enter the advertising world? Many of them say that they do not even know that that world exists. That is especially true of people from BAME backgrounds; Matt may want to come in on this. It is an alien world to them. What are the Government doing?

Anne Milton MP: That is right. I would slot in here apprenticeships, in particular. Companies are now paying a levy, but you may cover that in another question, so I will not go into too much detail. Where there is a shortage of skills, we will help employers to fill those gaps. You rightly mentioned people from BAME backgrounds. We have specific targets on ensuring participation in apprenticeships by people from those backgrounds in particular, as well as by people with learning disabilities and difficulties. The whole change of emphasis on skills is to put employers in the driving seat and make sure that they devise the apprenticeship standards they need to get the right people in the industry. They are now paying money, which is sitting in an apprenticeship account and can be spent on the training and assessment of apprentices. The Government will follow down the road that they need us to take. What is important is that they get the standards that they need. As I have said, there are 11 in development in digital, and more to come.

Baroness Benjamin: Young people are saying that their schools are not even telling them. Something is happening here. We need to bridge the gap with what you are doing. How are we going to do that?

Anne Milton MP: Absolutely. The careers strategy is doing exactly that. It is not happening now, and I want to see it happening. The careers strategy is a way of making it happen.

Matt Hancock MP: There is a broader question, at all ages, of ensuring that the advertising industry not only gives opportunities to people from all backgrounds but makes the most of talent wherever it finds talented people and potential. That is true across a lot of industries. Parts of the advertising industry are making progress in this area, but it is harder to get into the advertising industry than into lots of other jobs because it is very attractive. Effort is needed from the whole industry—we support it but cannot do it on our own—to ensure that everybody gets the opportunity to take these jobs, which are often well-paid jobs, when they

become available. That is very important. We use our power of exhortation and voice in this area, as much as anything. We support the Channel 4 Diversity in Advertising Award, for instance, and hold companies to account by asking them to explain their position, but clearly more needs to be done.

Q142 **Baroness Bertin:** May we focus for a bit on the apprenticeship levy? Many witnesses have been quite critical of the levy, saying that it is really an additional tax on headcount. The question is, what meaningful dialogue have you had with the industry to try to make sure that the levy works for it and that it takes it up in bigger numbers?

Anne Milton MP: We have had quite a lot of dialogue with it. In fact, Matt and I have worked together quite closely on this issue. On skills in particular, I am anxious not to confine myself to DCMS. I talk to Ministers in BEIS, the Department for Communities and Local Government as well as other areas to make sure that I am aware of any problems and barriers that employers or training providers are facing when trying to get apprenticeships up and running.

The levy is a huge change for business. I know that many employers see it as a tax. Although I was appointed only in June this year, looking back at what I have been hearing from employers, I know that they were not happy about this. Nobody will give up money voluntarily. For some organisations, 0.5% of the pay bill is a considerable amount of money.

I was quite fortunate because by the time I got here in June, they were a bit over the levy; it had happened and they were paying it. What matters to them now, and what is interesting about the levy, is that it has really kick-started business and public sector employers into realising that they cannot sit back and say, "We have a skill shortage"; they have to do something about it. They now have a ring-fenced account to do something about it. The Institute for Apprenticeships, which was set up in April, is just getting off the ground. In *FE Week*, there is a cartoon of the new chief executive of the IFA shaking a stick at the board and saying, "We have got to do more, and to do it faster"—and they do. I need to make sure that that process is working quickly. Although we are still in the process of getting more standards approved—there are about 300 in the pipeline—we will soon get to a point where the standards need to be updated regularly. In all the areas that are touched on by digital skills, fundamentally, there will be fast change. In an area where there is a lot of change the institute has to become very streamlined, efficient and quick at making sure that it updates standards.

Baroness Bertin: Do you think that there is the capacity in the system to do that?

Anne Milton MP: I absolutely do. It has to have the capacity and we need to make sure that it does. Everybody has been talking about apprenticeships for a long time. This is a different system because it is employer-led. Employers are the ones who decide what standards they need and what skill shortages they have. We need to make sure that we

have the infrastructure to back up what they want to do so that they can make the best use of their levy. Some of the bigger employers such as the supermarket chains are paying £20 million. Interestingly, in advertising, those big supermarket chains and a whole range of other businesses can use the levy to employ apprentices in the marketing and public affairs that they have to do. Employers are only just starting to get to grips with the range of things available and the opportunity that is in front of them.

The Chairman: Mr Hancock, do you want to add anything?

Matt Hancock MP: It is a two-way street. For a long time, including when I was the Skills Minister, people were very enthusiastic about apprenticeships, but in some areas there was not nearly the take-up that there could have been. However, the apprenticeship system has to work for the industry. It must be flexible enough, and the skills that people are learning have to be the skills that businesses need. That is the whole point of an apprenticeship where you earn and learn at the same time. As Anne has indicated, it is very important that the IFA gets up to speed, puts through the standards that are in the pipeline and keeps them up to date so that there are the training opportunities that employers need. At the same time, employers need to come to the table, and the apprenticeship levy is a rather firm way of incentivising them to do so. It is a system that will be very effective, but it really needs to get up to speed.

Baroness McIntosh of Hudnall: The broad principles of the apprenticeship levy and the scheme that underpins it are not in dispute. I think most people recognise that it is a good thing to encourage people, but we have heard quite a lot of evidence, some of it anecdotal and some a bit more robust, that the scheme does not work well for the creative industries, particularly advertising. We have heard evidence to that effect in this inquiry. When we were talking earlier in the year to people about skills for theatre, we heard that it does not work particularly well for theatre. I certainly know that from direct experience. Are you confident that there is enough flexibility in the way the scheme is set up? What is happening in some areas is that employers are paying the levy and then doing something else; they are creating their own schemes to develop the skills they need. Therefore, they are paying and getting no benefit.

Anne Milton MP: You raise a number of points. Matt and I have had a couple of round tables with the creative industries. It probably goes without saying that this is important to me, through Matt but from my own anecdotal experiences. Anecdotal experiences are important if, the more you hear them, they paint a picture that feels like a pattern. It is very early days. My job is to make sure that apprenticeships have the stamp of quality on them. We could get lots of people doing apprenticeships of low quality, but they would be meaningless and not transferable, so quality is important. Also, I will be flexible, but I am going slowly on that flexibility. I will be open to any ideas that make the scheme work better for different industries. As you rightly point out, the

creative industries have particular problems; the construction industry has another set of problems. I will be flexible and I will continue to listen, but we are only a few months in. That is all I say.

From a government point of view, we need to guard against any gaming of the system. We are one of the few departments spending large amounts of money so everybody looks at us with stars in their eyes. It is important because where there is money, there will be people trying to scam and abuse the system. I need to make sure that does not happen. I do not apologise for going slowly. I need to make sure that I continue to reassure employers and sectors that I am open-minded, which I am.

Matt Hancock MP: I agree with that.

Q143 The Lord Bishop of Chelmsford: I want to explore briefly with you issues to do with access to talent. You will be aware that advertisers say they want access to the best talent for all the obvious reasons. I am also aware that you have addressed this question in the written evidence you gave us. What provision has been made to allow EU students to remain in the UK once they have completed their course of study, and what steps are the Government taking to ensure that their immigration policy supports the UK advertising industry? We would ask you to be brief and underline any particular points you want to emphasise.

Matt Hancock MP: Having this Committee meeting today is good timing because in the past 24 hours the Immigration Minister has made further announcements about people being able to stay, and about attracting international students. International students are hugely valued in the UK. We recognise that they make an important contribution and that they help to make our education system one of the best in the world. We have reached an agreement with the EU that EU students, like all EU citizens already resident or who decide to base themselves here before March 2019, will be free to stay and continue to have broadly the same access to benefits and healthcare as they do currently. That is all part of the agreement reached by the Prime Minister earlier this month.

There is then the question of future immigration policy, which as yet we have not published. We are acutely aware of the need to continue to attract the brightest and the best. We have put policy behind that rhetoric by extending the visa for exceptional talent, doubling the numbers available to exceptional talent. Clearly, we have to get the future immigration system designed right; we have to attract the brightest and the best from wherever they are in the world—EU, non-EU and rest of the world—and at the same time we must grow our own talent. That broad approach is necessary.

The Lord Bishop of Chelmsford: Do you wish to add anything briefly to that answer, Ms Milton?

Anne Milton MP: No, Matt has probably said it all. It is important if industry comes to me and says it has a skills shortage. We have a shortage in construction in particular at the moment. We are very aware

that we need to grow our own talent. My job, first and foremost, is growing our own talent. It is an issue that overlaps, particularly with teaching.

Baroness Quin: If we grow our own talent, we want those people to be able to get work in other European countries, which can often complement the work they are doing here.

Anne Milton MP: Correct.

Baroness Quin: Are the Government focused, post Brexit, on enabling people, whether freelancers or workers in different parts of the economy, to move to European Union countries and to move between them with the minimum of increased bureaucratic obstacles?

Anne Milton MP: The picture you paint of people with skills who move, gain skills and come back is absolutely critical. There is no doubt that by doing that they upskill those who have not yet worked in another country. It is up to Matt and me to make sure that Ministers in other departments who are more involved in the negotiations are aware of how important that is.

Matt Hancock MP: The Home Office is obviously the lead department on this. Ultimately, the answer to your question will depend on the result of the negotiations, but we are engaged with the Home Office and the Migration Advisory Committee to ensure that they know the importance of the matter across the creative industries, including advertising. Fundamentally, advertising is a people business. Usually, it takes talented people coming together to generate the ideas that become an incredibly valuable economic resource, whether exported or at home. Brits win awards for advertising right around the world, and people based in Britain win awards right around the world, so we have to keep that ecosystem going from strength to strength.

The Chairman: We are going to move on to the digital advertising market, about which we have had much evidence.

Q144 **Baroness Kidron:** We have just seen representatives from Google and Facebook who were very keen to talk about levels of competition. The numbers speak otherwise because they seem to be a duopoly of online advertising. We have had evidence that the Australian Competition and Consumer Commission is now looking into that, and today the German Federal Cartel Office published something about Facebook. We are interested to know from you whether the Government are planning to take a look at this.

Matt Hancock MP: It is clearly an incredibly important issue. The first lens through which we look at this is the need for a sustainable business model for the press. High-quality, objective journalism has a public policy value as well as an economic one. It has an incredibly important wider value, but it is not just about the press. It is also about the advertising industry which is being affected by this disruption.

Digital advertising spend grew by 13.4% on the year to £10.3 billion in 2016 while print advertising fell by £112 million, which is equivalent to half of Fleet Street's aggregate profits in 2015. I read out those two facts, although they are also in my written evidence, because they show starkly the impact that this change is having. With new technologies and the disruption that digital brings, we have to find a way to ensure that we get the public policy benefits we need and that the industry is supported while also allowing the benefits of the technology to spread. Discerning the balance between those two is difficult, especially in an industry where we do not have a big regulatory footprint, so it is something we are very interested in and concerned about. The question about competition is a live debate, but it is not one that the UK Government have yet made a foray into.

Baroness Kidron: Are you actively looking at it in government? I understand that it is a live debate elsewhere in the world. Those are very stark figures; I read the evidence. I suppose one of the other factors is that that spend used to be UK spend and the profit used to be UK profit. A measure of that profit is now going offshore in the new disruption because of the way the market works. There is an advantage for the Government as well, is there not? Follow the money.

Matt Hancock MP: Yes, although we have to look at the total value added. The value of the design and production of advertising is bigger than the numbers I have just talked about. Profit is only one element of the total value added to the economy, because people who have jobs and who are paid do not figure in the profit but are important to the UK economy and figure in the value added. That is a slight caution. The big impact is where the activity takes place and where the jobs are. That is the big value. The profit is important, but it is smaller than the impact on jobs.

To go back to the competition question, we have a world-class competition regime that is rightly independent of Ministers. Of course we take an interest in these questions and participate in the debate and discussion, and we have in the Competition and Markets Authority an excellent competition regulator.

Baroness Stowell of Beeston: To follow up that point, last week the CMA and two other regulators gave evidence to us. One thing I found quite interesting was the very clear and narrow definition the CMA has in its own mind as to how to protect the public interest. It seemed to me that there was no enthusiasm on the part of the CMA to understand that the public interest goes beyond just being able to address something specifically. The point I raised with the CMA was that because this is a new market with new technologies whose expansion potentially affects the choice and availability of content to consumers, the impact on public interest is a long way down the tail. To my mind, that was something the CMA did not seem properly to acknowledge. In the course of your thinking about this in government, is that something you have given much consideration to?

Matt Hancock MP: It is, and you have touched on a big question. The history of competition policy is that when it started, it was based on a proportion of the market being the indicator of whether something was deemed anti-competitive. The big Roosevelt anti-trust push 100 years ago through to the interwar development of competition policy over here was based on a proportion of the market, with either 25% or 33%, being seen as a dominant market share. That was quite simple, but it was easy to follow.

More rigorous economic analysis in the 1960s and 1970s, especially coming out of the Chicago school, came to a conclusion which was adopted in America in the 1980s and here in the 1980s and 1990s. Competition policy should instead look at the impact on consumers and consumer surplus. There are important and positive reasons for that. The complication of competition in the digital age is that in theory there can be a monopoly, or something that acts like one, that improves consumers' lives because it gives away its core services for free. There is a live question in competition theory as to what happens when an organisation has a large market share, but because of that large market share, it improves consumers' lives rather than leading to consumer detriment. Part of the justification for the original competition theory 100 years ago was that the impact of size on consumers was not only economic but, through other channels, it was political too. The taking on of the railway barons was a highly political act 100 years ago, so the question is whether we have moved too far in that direction.

What do we do about it? Because of its nature, competition law takes years to push through, but this industry is very dynamic. Although one company may have a very big dominant market share now, that will not always be so. You have only to ask somebody who invested in Myspace whether a very large social media platform, for instance, will be a permanent fixture. We are looking at contestability. People under the age of about 30 are less likely to use Facebook and more likely to use Snapchat. Snapchat has taken a huge amount of market share from Facebook in that segment, which shows that although Facebook is seen to be a hugely dominant player, its market is contestable. You have to look at all of those things. Having said that, it is merely my comment on the public debate. In UK law it is rightly for the CMA to take a formal view as to whether to take anything further.

The Chairman: Anne Milton, do you want to step into this?

Anne Milton MP: When we were in a Division in 2013, Matt told me that he had produced a career strategy. I dissed him by saying that none of them had been up to much, but this is clearly his area and one in which I have no expertise.

Baroness Kidron: I am really interested in what you are saying. It is a fantastically interesting evocation of the problem. Even Simon Milner from Facebook said earlier, "We're not publishers. We're not platforms. We may be something in between until we work out what 'in between' means".

Matt Hancock MP: Did he really?

Baroness Kidron: He did; on the record, which was quite interesting, as I am sure you will find. To come back to the particular thing we are looking at, those companies are absolutely funded by advertising so, as you will know better than anyone, the idea that their services are free is misleading.

Matt Hancock MP: They are monetarily free.

Baroness Kidron: If you are not paying, you are the product. Their cultural and economic dominance is, even by their own standards, if you read Peter Thiel, monopoly driven. I totally agree with the argument, but there is one more step to take.

Matt Hancock MP: Peter Thiel's book *Zero to One* is very much a guide to how to make a lot of money in business, not a guide to how to run a good economic policy, but I do not think it was intended to be. It is all about spotting the monopoly and backing it, which is not the approach we take.

Baroness Kidron: Even in government.

Matt Hancock MP: Even in government. I mentioned that many of the services are free. Of course they are free in monetary terms, but actually they are a case of barter, and the barter is a non-financial transaction: giving up your data in return for a service that you do not pay for. In many ways, for the vast majority of internet applications, that is a good thing. By allowing my data to show how quickly I am moving down the road, other road users know how long it will take to get to their destination, whether it is through Google Maps, Waze, Citymapper or any of the others. That is a good social value. Nevertheless, we should remember that it is a barter transaction where you give up your data. That leads to the question of contestability of data, which is a live issue in the Data Protection Bill currently before your House.

Viscount Colville of Culross: You have talked of your concerns about high-quality journalism. We have heard both from publishers and advertisers their concerns about the lack of transparency and value for money they get in the incredibly complicated advertising supply chains that have been set up in digital advertising. They say that the self-regulatory bodies are not adequate. Is there something the Government can do to introduce new levels of openness and transparency in programmatic advertising in the supply chain?

Matt Hancock MP: It is something we should look at. Whether or not it is best done on a regulatory basis is a good question. We have brought forward proposals for further transparency, but not specifically in this area. The platforms themselves recognise the importance of transparency, not least in justifying the invoices they send their existing customers. Customers are increasingly demanding: "What am I getting in return? When I am told how many eyeballs or clicks I am getting, how do

I know?" It is an important area; I am just not 100% sure that statutory regulation is the best way to go.

Viscount Colville of Culross: Could you do more to encourage them to open that up? This morning I was speaking to people at the *Guardian*, which has also given evidence here. They are concerned that there are various advertising platforms within Facebook, for instance, which stop them getting the information they need to be able to realise its value for money.

Matt Hancock MP: I strongly encourage the platforms to be as transparent as possible.

Lord Gordon of Strathblane: It seems to me that in their own self-interest those organisations will introduce a high degree of self-regulation. If that falls short of what the public interest demands, are you prepared to introduce statutory legislation?

Matt Hancock MP: In what area?

Lord Gordon of Strathblane: Content and advertising, for example. Increasingly, when it comes to defending their duopoly, they say that the universe is a lot wider than simply digital; there are traditional media, yet they are competing under different rules. Surely that is not fair.

Matt Hancock MP: There is a broad question about how to handle this right. It is true that there are, in essence, three separate parts of our media: the broadcast media, which are highly regulated on a statutory basis under Ofcom; the mainstream press, largely self-regulated through IPSO with a very small amount regulated under the royal charter, but that is mostly websites; and then the vast array of the rest of the internet.

A live question in the Data Protection Bill, among other places, is how to have a level playing field, but ultimately the really big question is whether you can sustain the distinction between the three. Although terrestrial TV and satellite and cable broadcasting remain very substantial, and radio defies all the odds by maintaining its audiences, the three are technologically collapsing. What happens when a bit of BBC content is published on the *Scotsman* website and referred to in a tweet? That includes all three parts, so there is a big question.

Lord Gordon of Strathblane: I thought I detected a note of regret when, in your opening remarks on the digital world, you said that we do not have a big digital regulatory footprint in this area.

Matt Hancock MP: We do not have a regulatory footprint in advertising itself. Of course, the content of advertising is self-regulated by the ASA and there I would be very reluctant to tread because there be dragons.

The Chairman: We move to an issue that affects both Ministers: the post-Brexit environment.

Q145 Baroness Quin: A number of Brexit-related issues have been raised with us in the course of our inquiry. One that has been raised today as well as on other occasions is how the free flow of data can be assured following Brexit. Another is about a UK regulator such as the CMA having to take over some of the powers and responsibilities currently held by European bodies. Could you address both of those points?

Matt Hancock MP: It is our clear goal to maintain unhindered free flows of data post Brexit. We are seeking an adequacy arrangement with the EU or something better than that. We published a paper in August setting out our goals. The EU has yet to set out its negotiating mandate in this area, so we have not been able to progress since then. I am confident that we will be able to get an arrangement for the unhindered free flow of data because not only is it very good for us, it is very good for the European Union. The impact of not doing it would be severely detrimental on both sides of the channel.

You asked about which powers would move where. Of course, there are European powers that we will need to bring into domestic institutions, including competition law which is a BEIS lead but very important. We have the CMA set up; some of the telecoms powers will revert to Ofcom, but we have not set out in detail exactly what will go where.

Baroness Quin: Given the concerns of the advertising industry and the creative industries more generally, would it be true to say that you are in favour of as much regulatory alignment as possible after Brexit to help the industry meet its concerns? Has the possible loss of influence been considered? The creative industries generally, including the advertising industry, have made the point to us that they have been very influential in the past in helping to create European regulation rather than it somehow being imposed on them. They are concerned that post Brexit, they might lose influence on European regulation and the conditions that will apply to them in the future.

Matt Hancock MP: With respect to data protection, we are legislating for the GDPR. You are doing your bit to ensure that we have a regime in the UK that is fully compliant with the GDPR by 25 May, and I am very grateful for the support in your House for doing so. That will ensure that we have regulatory alignment on exit in order to maximise the chances of getting a good, high-quality adequacy deal. As regards influence, we have proposed to continue technical discussions with the ICO's participation in the Article 29 working parties. That is not a body which sets rules, but it makes technical recommendations. We set that out in August and we will be engaging in the negotiations on it in the new year.

Baroness Quin: Have you had any feedback so far as to what the European reaction is likely to be to that proposal?

Matt Hancock MP: The Europeans published a paper a few weeks after ours, and it was positive. They have not set out their full negotiating mandate in this area, but I am confident that because it is so obviously good for us and for the rest of the EU, we will get a good deal.

Baroness Quin: A few witnesses have mentioned their concerns about the language ability of the UK workforce post Brexit, and the importance of being able to win orders and do business overseas. I suppose this is more a question for Anne. What priority are the Government giving to promoting the study of the probably five key languages we will need in the future?

Anne Milton MP: There is an awful lot going on in schools looking at the curriculum and the qualifications young people get. As you rightly say, this is absolutely critical. It was critical before that young people had language skills. In many areas, Brexit or no Brexit, these things are important anyway; it is also true of skills. Although Brexit has given a focus for people to think about skill shortages, we had skill shortages anyway. There is a world skills shortage. I was at a conference recently where 60 countries all said the same thing: there is a shortage of skills. It is important that we keep up with and, if possible, exceed the skills of other countries, and that includes the speaking of foreign languages where necessary.

The Chairman: I have a final question on Brexit. A number of witnesses from the advertising industry have emphasised the global importance of London as an advertising centre; not really Britain, and the importance of attracting global talent that makes them attractive to clients around the world. Is there a conflict between demonstrating that London post Brexit will still be the place where they want to be and the regional policy of getting jobs out of the capital?

Matt Hancock MP: Global is the critical word in this area. Advertising attracts people from right around the world. One of the reasons we are successful here is that we have the right conditions and a good melting pot. Advertising and creative ideas are often done well when there is diversity of thought and people from different backgrounds and cultural assumptions can come together. It is often that clash of ideas that results in a great and memorable phrase or advert. That requires focus on one place. London is the primary place in the UK for the advertising industry, but by no means the only one. We can have a successful policy that attracts the brightest and the best from around the world, both outside and within the EU, and at the same time supports the growth of hubs in other parts of the country.

Baroness Benjamin: One of our witnesses, Martin Sorrell, mentioned that he has opened advertising schools across the world. As we look at the skills we need for the advertising industry in this country, should we encourage an academy to open or schools to promote these things so that we get the workforce we need?

Anne Milton MP: Yes. I am always thrilled when people come up with ideas about opening schools with particular specialisms. That is the way to grow expertise and encourage young people. We are setting up skills advisory panels. They started in November and are an opportunity to conduct a national analysis of labour markets and the skills that are needed. The panels will be locally led through local enterprise

partnerships and combined authorities. We want to aggregate the skills advisory panel findings and, coming out of that, there will be opportunities for people who want to start schools, academies and even colleges. The National College for Digital Skills is already up and running. There is a tremendous opportunity here, and it will be particularly important if we want to compete globally, as Matt has said. It is not just about covering ourselves post Brexit, it is about making sure that we grow the sort of skills in this country that make us the best in some areas that we have otherwise neglected, and that needs to be spread out across the country. It is absolutely critical.

The Chairman: I thank the Ministers for coming to give us evidence today. I am sure you are looking forward to seeing our report in the new year. Is there anything you would like to say to the Committee in conclusion as we move towards putting the final report together?

Anne Milton MP: I do not think so. I have heard what you said, particularly Baroness McIntosh's comment about mutterings from industry and businesses about apprenticeships. I mean what I say. I remain open-minded, but it would be wrong to start a new system in April and change it in December. I need to be mindful, collect the concerns and see if we are smoothing out the barriers. If it is the last thing I do, I will make this work.

Matt Hancock MP: I am very much looking forward to the report. It is timely to look at the advertising industry in the round. We have not really talked about the core of self-regulation of the advertising industry itself. It is a model that works, and I urge you to take that on board. The big questions lie in the impact of digital disruption, but I have every confidence that we can get this right and that advertising will flourish both domestically and as a great British exporter.

The Chairman: There is another Division. Thank you for joining us, and a very happy Christmas to you both.