

Digital, Culture, Media and Sport Committee

Oral evidence: The future of public service broadcasting, HC 156

Tuesday 15 September 2020

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[Watch the meeting](#)

Members present: Julian Knight (Chair); Kevin Brennan; Steve Brine; Clive Efford; Julie Elliott; Damian Green; Damian Hinds; John Nicolson; Giles Watling.

Questions 218 - 385

Witnesses

[I:](#) Anne Mensah, Vice President of Original Series, Netflix, and Benjamin King, Director of Public Policy, UK and Ireland, Netflix.

[II:](#) Zai Bennett, Managing Director of Content, Sky, and Ali Law, Director of Policy, UK and Ireland, Sky.

[III:](#) Maria Kyriacou, President, Networks UK and Australia, ViacomCBS, and Mitchell Simmons, Vice President, Government Relations EMEA, ViacomCBS.



Examination of witnesses

Anne Mensah and Benjamin King

Q218 **Chair:** This is the Digital, Culture, Media and Sport Select Committee. This is a hearing in relation to our inquiry into public service broadcasting. Today we will have three sets of witnesses: Anne Mensah and Benjamin King from Netflix; Zai Bennett and Ali Law from Sky; and Maria Kyriacou and Mitchell Simmons from ViacomCBS, the owners of Channel 5.

Before we start, I am going to ask any Members, present or virtual, whether or not they have interests and to indicate any interests in relation to this inquiry.

Giles Watling: Yes, Chairman. I have one interest inasmuch as I once supplied content to Channel 5 and I was a lifelong member of Equity.

John Nicolson: As part of the launch of Sky Arts, I have received a promotional gift for the new channel, which is a picture. It will be declared in my Register of Members' Interests in due course.

Chair: I am about to receive a very similar picture in relation to my Select Committee. I think this may be a common theme just about to arise.

Kevin Brennan: Yes, Chair, similarly, and I have yet to decide what to do with it.

Steve Brine: Funnily enough, Chair, the River Itchen in Winchester is one of the chalk streams of the world and somebody has very kindly painted it. Apparently, it shall be given to me today by Sky Arts.

Damian Green: Funnily enough, later today I will be receiving a picture of the new Ashford College, which is Sky Arts' contribution to the pictures they are clearly spreading around the country.

Julie Elliott: I am also receiving a picture of Roker pier and lighthouse today.

Q219 **Chair:** Lovely, thank you. I hope they don't get them mixed up, that is all I can say. Thank you very much.

We will turn to our first panel, which is Anne Mensah, Vice President, Original Series, at Netflix, and Benjamin King, Director of Public Policy, UK and Ireland, at Netflix. Good morning, Anne, and good morning, Benjamin. Thank you for joining us today. My first question is simply, could you outline for the Committee exactly how covid-19 has impacted your UK operations, what has this done to production and have you taken any measures, for example, to protect any freelancers?

Benjamin King: Thank you, Chair. I am happy to answer that question. From an operational perspective, the main impact of covid on our business was largely the need to shut down production in the UK—and, of course, almost everywhere else around the world—for a number of



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months. I am pleased to report that a number of our shows are now back in production. As of mid-August, we have started with “The Witcher” in Arborfield, “The Irregulars” in Liverpool and, most recently, “Sex Education” in Wales. We have a number of other productions coming back over the coming weeks.

On the performance of our business over that time, I think in common with most other streaming services, we saw temporarily increased growth in membership and, as other broadcasters experienced as well, we saw higher viewing. It was largely our expectation that those trends would be temporary and would decelerate as restrictions eased. That was largely confirmed by our Q2 earnings.

You asked also about the measures that we have taken to support freelancers. I am glad you raised that, because it is an area that we have thought long and hard about over recent months. We are extremely concerned about the impact of this period on the freelance community, which makes up such a substantial proportion of the crews that we are so dependent on in the UK for everything we do. We did a handful of things. First, when we initially paused our productions, we kept all our crew on full pay for a number of weeks—I believe seven weeks in total. We then furloughed them in line with Government guidance, although we, of course, have no intention of reclaiming money from Government for those furlough payments because we don’t believe that would be right.

We also wanted to take other measures to support the wider sector at this time, and globally, as a business, we established a \$150 million hardship fund. In the UK, we worked with the BFI and the Film and TV Charity to set up an emergency relief fund for those hardest hit, to which we donated £1 million. We have more recently been working with the director Sam Mendes on the creation of a similar fund to support the theatre industry, to which we donated £500,000. As with the crews in our own industry, we believe the theatre is a vitally important pipeline of talent for the screen sector as well.

Q220 Chair: What you are saying to us is that you have furloughed freelancers, but not claimed from the Government—is that right?

Benjamin King: That is correct.

Q221 Chair: Thank you. Is it your intention to continue to do so?

Benjamin King: As our productions are coming back online now, we are able to put our crew back into employment and a number have also found other work during that time. We don’t believe that the need persists to support the crews that were working on our shows in that way.

Q222 Chair: Thank you. Netflix is often cited by competitors, and the BBC in its annual report, for price inflation for production in the industry. Is this fair?



Benjamin King: I don't believe that is fair, no. With the volume of production that we are doing in the UK—we made over 50 shows here last year and have a similar number planned for the coming years, and we expect to see that number rise—we have a very strong interest of our own to keep price inflation under control because if it were to inflate we would be the first to feel the pain of that. Undoubtedly, there is a degree of inflation in the industry. I believe that is a reflection of the extremely competitive market that we are seeing at the moment, with more and more production coming to the UK. There is pressure on studio infrastructure and crew and so forth as a consequence of that, some of which we are very focused on trying to alleviate ourselves, particularly when it comes to training more crew to ease the very constricted pipeline to industry. But I don't believe the allegation that we are inflating prices deliberately is a fair one.

Anne Mensah: I will add to Ben's comments that one of the reasons why we set up in the UK—I have worked for the BBC and Sky, and I have been in the industry for a very long time—is by having a hub in the UK you have a whole bunch of people who are invested in the UK creative sector surviving. It is not in our interests to disrupt the sector. I firmly believe that our role in the UK is to complement what is already going on, which is a brilliant creative sector, not compete against it and definitely not to over-inflate it.

Q223 **Chair:** On that point, Anne, considering your reach and growing presence in the UK, shouldn't you be looking to produce more content that fits the remit of public service broadcasting instead of simply scripted drama? Why is it taking so long to diversify to other types of programming?

Anne Mensah: We have a number of different programming genres based in the UK. We are doing factual programming, natural history programming, kids and family, entertainment. There are lots of things that public service broadcasters do that we don't do, for instance news and sport. We feel that that is a really valuable thing that they can give the nation. Our creative output is always about offering new things to the British public and also specifically taking the work of UK creatives and reflecting it to the world, which I think is one of the most exciting things that we can do in the UK.

Q224 **Chair:** The impression always is that what your model does, overlaying public service broadcasting, is to cherry pick to a certain extent the more glamorous, more potentially revenue generating scripted drama and that you are allowing the others to do all the spadework in between. But as part of the ecosystem, do you not have a responsibility to also put out there more content more regularly that fits the remit of PSBs?

Anne Mensah: I don't know if it is our job to fit the remit of the PSBs, because that is very specific, but I do think it is our job to provide content for all our customers in the UK. You can see it in the diversity of our content, even in our scripted content, anything from "Top Boy", which is a very UK-focused project, to "Sex Education", which is still looking at



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the lives of young people in the UK, but is globally successful. It is all about complementing what is already in the marketplace and giving our customers new types of programming and the UK creatives new opportunities.

Benjamin King: To build on what Anne was saying, it is important to note also that there is inevitably a slight lag between perception and reality. It has only been in the last couple of years that we have doubled down creatively on our commitment to the UK and the extent of our investment here. In that time, we have hired a number of commissioners who have come from PSB backgrounds and other parts of the UK industry to commission content across a whole range of genres, as Anne was saying, such as kids and family, documentary, factual and so forth. It will be 18 months to a couple of years before many of those programmes are available on our service. I think once that happens people will see that over the last couple of years we have pivoted in our stance here to commissioning an increasing amount of UK-originated content out of the UK.

Q225 **Chair:** We have the BBC annual report out today. There is a huge debate about the future direction of the corporation. As a company that runs on a subscription model, do you think that the licence fee in its current form is sustainable long term, crucially long term? If not, which of the models or combination of models do you think would work?

Anne Mensah: I don't know if it is our role to comment on the future strategy of the BBC. I think we need to look at what we are doing in the UK and ensure that we work with the PSBs to support them long term as much as we can. You can see it in the co-productions that we do with all the PSB channels from "Dracula" to "Giri/Haji". You can see it in our licensed programmes. We are one of the biggest buyers of licensed UK content. What we are trying to do is constantly support, but I think their long-term strategy needs to lie in their hands.

Q226 **Chair:** You told us earlier that you had been at the BBC and Sky. You are a very established industry figure. You must have some thoughts about the long-term viability of the licence fee. You must have some sort of thought in that direction. What is your gut instinct?

Anne Mensah: The truth is I haven't been at the BBC for such a long time and that I am not fully aware of their internal strategy at the moment.

Q227 **Chair:** I am not asking what they are doing. What I am asking you, as someone who is a major player in the industry and is often cited as impacting quite massively PSBs and the BBC, is whether or not you think the licence fee in the long term, crucially, is viable, as someone who has a subscription model. It seems to be quite a straightforward question that I imagine you would have an answer for.

Anne Mensah: There are so many ways that I could say the wrong thing just because I don't know the internal workings of the BBC at this time.



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Q228 **Chair:** I am sorry, forgive me, but just say what you think. You are here to give us your views. There is no right or wrong thing in particular over this. This is an open debate that people are having. What is your actual view?

Anne Mensah: I absolutely believe in the long-term sustainability of the BBC. I love the BBC. I think that it makes some of the best shows, if you look at what it has done this year from “I May Destroy You” to “A Suitable Boy”. I back the idea of having a UK creative economy that is built on a number of different models from subscription through to licence. I would hate to see the BBC diminished in its impact in the UK.

Chair: Thank you for that.

Q229 **Steve Brine:** Thank you, that was interesting. We noted that in your written evidence you talked about the PSBs, because we are looking at the future of public service broadcasting across the piece. You said that they are “essential to maintaining and growing the creatively and commercially dynamic production landscape in the UK”. Following on from what the Chair was asking you, how dependent is Netflix on the talent developed and the innovation that goes on in PSBs? A layperson looking at this inquiry as a whole would think that the PSBs sit there and Netflix sits there, because you are very different beasts swimming in very different ponds. I am keen to understand the dependency and how dependent you are on them.

Anne Mensah: Creatively, I think you can’t extract one part of the creative industry in the UK from another. As much as we work with talent that flows through the PSBs, we also work with talent that flows through theatre. I think that that is why us being based here is so important, so that we are a proper, thoughtful partner in the industry, and it works both ways. We have nurtured some brand new writers within Netflix. Somebody like Laurie Nunn, who is behind “Sex Education”, hadn’t created her own series before she was on Netflix. Equally, by co-producing with the BBC on “Dracula” we are working with the amazing Steven Moffat. You can’t separate one thing from another. We all have to work together for the best of the UK industry.

Benjamin King: I agree with what Anne has said. It is impossible to disentangle what we do from what the PSBs do. That is, by definition, what a creative ecosystem is. The impact that the BBC has had over the last few decades in building the profile of the UK creatively, in nurturing talent, its investment in production and so forth, is one of the key reasons why we have chosen to make our home here and one of the reasons why we are such strong supporters of what it does and want to see it continue doing.

Q230 **Steve Brine:** The counterfactual on you choosing to make your home here—nothing is forever. What would be the impact on Netflix in the UK, where you make significant investment, if public sector broadcasters were dramatically reduced in scale and significance and in their reach



within the sector? What would be the impact on you creatively and as a business?

Benjamin King: That is probably best understood by looking at some of the figures that describe the economic impact that they have in our world. At the moment, as you may be aware, as the Pact television censuses over recent years have demonstrated, the PSBs account for 80% of primary commissioning in the UK; streamers up to 2018 were accounting for only 14% of all production revenues. It is very clear that they have a fundamental and pivotal role in financially supporting that ecosystem. On top of that, the quality of the programming that they produce, as Anne has been alluding to, helps to build the brand of the UK as a creative hub for the world.

Q231 **Steve Brine:** But you are in competition. Do you see it that way? Do you see yourself as a competitor?

Benjamin King: We think about competition extremely broadly. We think about gaming as competition; we think about all the different things that people can spend their time doing online and in front of a screen as competition. Yes, as a part of that the broadcasters are undoubtedly competition, but the relationship is also a collaborative one and we are huge customers of theirs as well. We have provided a substantial source of revenue to BBC, Channel 4 and ITV through the PBS content that we have licensed in recent years.

Q232 **Steve Brine:** The Chair asked your colleague about the licence fee. In your opinion, because I know that you have worked in this industry for a long time and you have very strong opinions, if you looked into your glass ball for 20 years' time, do you think the licence fee will exist?

Benjamin King: I honestly think it is impossible to speculate. As Anne said, that would depend on what the BBC decides to do next and what Government decide to do next. I don't think that is a matter for us, I am afraid.

Q233 **Steve Brine:** Politicians are notorious for not speculating, but this one is asking you to do so. If you were to speculate and you were a betting man, do you think that it will exist in 20 years' time?

Benjamin King: I am not a betting man and I would rather keep that opinion to myself.

Q234 **Steve Brine:** You do have an opinion; that is interesting. Finally, how healthy is our sector compared to other sectors that Netflix operates in? How concerned are you about the impact of the pandemic on the creative sectors in how we have responded as a country, with the support we have been able to give to our creatives, versus other environments in which you work?

Benjamin King: I think that we have responded well to date, but it is important to realise that this is the beginning of a very long road and whether the steps we have taken are the right ones will possibly only be



known in a number of years' time. I would not in any sense want to be complacent about the extent of jeopardy and challenge that the broader cultural sector faces. We are confident that we can play our part in helping to kick start the economic recovery in the sector. I think it has the ability to bounce back, but there are multiple challenges for the broader creative industries. As I mentioned earlier, the huge proportion of freelancers working in the sector is a great concern because there is a real risk that the lack of financial resilience that they face means that they are likely to leave the industry over time if they can't get reliable work and possibly never come back, and we are very worried about that.

Q235 Giles Watling: It is good to see you, Benjamin; good to see you, Anne. Thank you so much for coming today. Following on from the last question, the concerns we all have about loss of talent to other industries because of this coronavirus outbreak, it was very good to hear Benjamin say that you are putting £500,000 into theatre. I have been talking to a lot of major entertainment companies and they are considering doing sponsorship of individual theatres around the country and putting their names above things. Is this something that Netflix might consider?

Anne Mensah: We are working across a number of different initiatives, so we still need to work through whether we do that exact thing. One of the reasons to give the money to a theatre charity for them to work with is that we felt that they were closer to the need and had a better understanding than we did of where to put the money for the biggest impact. We are as likely to extend a working partnership with colleagues across theatre and across a number of different—we are working in concert with ScreenSkills and with other broadcasters to try to alleviate the very real hardship that this crisis has caused.

Q236 Giles Watling: That is very interesting and it is something I might want to take up with you as chair of the APPG on theatre. But moving on, how do you find your relationship with the BBC? Lord Hall, the past director-general, said that in the future he thinks that the BBC would have much less to do with the Netflixes and Amazons because if he were Netflix or Amazon he would be developing his own base—as you have said you are going to do—to do all the things the BBC does themselves. Netflix has expanded exponentially since 1997. Is it moving in to taking over that space?

Anne Mensah: I would say not. Our role is to work with. One of the most amazing things I found during what has been a very difficult year was the idea that different people within the television industry, and including my partner broadcasters, came together to work on solutions to our problem, at a charity level, the BFI or ScreenSkills, but also at a personal level. I was having conversations with my opposite numbers at the BBC, Channel 4 and ITV. We can get through this time only if we are collaborative and I would argue that the best thing we can do for the UK in the future is to continue to be collaborative, to grow the sector, to try to be the best in the world, and that doesn't work if you silo. It doesn't work if you break it down into you versus me, but it does work if you say,



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because of the amazing tax incentives that the UK Government have created, this is an amazing place to work, we have some of the best crews in the world, we have definitely the best creatives in the world, and there is enough for everybody if we all support.

One of the biggest things that Netflix has done—I have been at Netflix for only 18 months—is put in place a number of different training programmes to ensure that as well as working with other broadcasters, we are also putting back into the industry that other people can use. We had a directors training scheme for diverse directors that worked alongside our recent “Top Boy” production. We brought back every single one of those directors we could, but some of them were already doing feature films, other people’s television shows, and genuinely it is all for the greater good.

Q237 Giles Watling: That is all very good to hear, but what I am driving at is that Reed Hastings developed Netflix as a DVD rental company and then turned it into the giant it is today. Netflix must have a corporate vision globally, because it is moving forward and it is moving fast. Is there an overriding corporate vision that you are having to enact in the UK?

Anne Mensah: The corporate vision is definitely local voices, so in this case UK voices, loved by the world. That is the vision, to take the specificity of the UK voice and amplify it globally.

Q238 Giles Watling: But not to change on the model fundamentally any time soon?

Anne Mensah: It depends on what you mean by the model. I hope that we will always innovate in the programme making. I hope that we explore new and particularly diverse voices. There are lots of things that I want to change, but storytelling is storytelling and I think the UK is brilliant at it.

Q239 Clive Efford: What does Netflix do to research who is viewing your product? You say in your evidence to us that you do not collect information relating to subscribers’ gender, race, ethnicity or age. What do you do to assess who is watching your programmes?

Anne Mensah: Predominantly, as you just said, we don’t collect that specific data on our customers. All our data tends to be around what you actually watch. It is well documented that we look at viewing patterns and act accordingly. We don’t use data to control the creative decisions we make, so I am free to make any creative decisions I want to, but I have a very good idea of what our customers are watching, liking and engaging with.

Q240 Clive Efford: But you would have no way of knowing any background of the customers, for instance their age or their ethnicity?

Anne Mensah: We do some independent research work, as all the broadcasters do, but predominantly that is not how we work. What I love



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about the diversity of our customers is that we don't pocket our customers into, "You must be this type of person or you must be that person." We say, "If you like this show, you may like another show." It is a very different way of working, but I think it is quite freeing.

Q241 **Clive Efford:** Do you provide any viewer data to regulators?

Benjamin King: We haven't so far in the UK. There are lots of external analysts who compile numbers around our catalogues and estimated viewership, and Ofcom has used some of that data in its reports. We worked with Ofcom on the publication of their recent PSB review report, but we don't routinely share that data in the UK.

Q242 **Clive Efford:** What would you say to the suggestion that that makes it very difficult to evaluate Netflix's operation in the UK? Would you say that is a fair accusation and doesn't that make it more imperative that you share data with regulators so that that assessment can be made?

Benjamin King: It has not been the case so far that Ofcom has asked us for data that we have refused or been reluctant to share. It is well known that our subscriber base is over 12 million members now and I think there is a broad understanding of the sorts of content that we have in our catalogue. As I said, Ofcom has used external analysts' metrics to talk about how that content broadly performs on the service. My understanding is that Ofcom feels that it has the data it needs to be able to draw an accurate picture of the broadcasting landscape now.

Q243 **Clive Efford:** Do you share data with some of your PSB partners, such as the BBC, for instance?

Benjamin King: We don't because that would be commercially sensitive. We routinely share data with our creative partners to help them understand how the titles that they have developed for us have performed on the show, but we would not be sharing data with competitors.

Q244 **Clive Efford:** You have a lot of content from PSB companies on your platform. Wouldn't sharing data with them actually inform them better so that their product perhaps, if they needed to, could be better shaped towards what your viewers want to see? Wouldn't that benefit you and the PSB providers?

Benjamin King: I will let Anne come in if she likes to. We know from research that Ofcom has produced that the PSB content that we license on the service has been very helpful in returning audiences to the PSB channels. For example, they have been catching up with boxsets on On Demand; when new seasons launch, it helps drive footfall to the PSBs and channels. We know that there is to some extent a symbiotic relationship there, but the data we share, particularly in the context of licensing negotiations, would be a commercial matter and generally considered quite sensitive.



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Anne Mensah: To build on what Ben is saying, creatively, which is my space, I love the freedom. I would hate for us to try to mould the creative to a numbers game. The whole point is to allow the BBC or Channel 4 or ITV, whoever we are working with, to make the show that is right for them and we will then license that show. For us to step in ahead of that and start to make demands on the creative is not what we do for our own shows and it is definitely not what I would want to do for the PSBs.

Q245 **Chair:** I will follow up on one point that Clive touched on a moment ago about algorithms and how you select the product for people to view. In my own case, I am unashamedly a horror movie-phile. I will watch any horror movie no matter how bad, and many of them are absolutely appalling, but at the same time, whenever I come on to Netflix, I am presented with endless horror movies. I go back at the weekend and I find my Netflix has changed because my wife does not like horror movies. She likes romantic comedies. We end up in a situation where people like something and they are pushed towards more of it, a bit like YouTube and its algorithms. Isn't there a danger that you end up in a televisual hole? You end up seeing the same content all the time and you don't expand your views. That is something you don't get in linear broadcasts, in public service broadcasts, because you are given a suite of options. What do you think of that?

Anne Mensah: The system is built to be optimistic, so if you love horror it will let you know which horror titles we have coming out, but it will also say, "People who like horror also like—" something that you couldn't even imagine. There are correlations that are really unique. If you look down the rows it will recommend things other than horror. If you have watched any British television, for instance, you may end up with a row of British television that has nothing to do with horror. It won't be purely horror.

We have other techniques, because it is in our interests for you to understand the totality of what you can watch on Netflix. We have recently introduced the top 10 so you can see what other people in the UK are watching. There is also "trending now" that will tell you what is trending globally. Yes, there will be the horror pieces because the system recognises that you love horror and we want to make sure that you are happy and you have seen everything we can offer, but optimistically we want to make sure that you see other titles as well, and obviously there is a search function.

Q246 **Chair:** Yes, but presumably it works mostly on the premise that if you watch something you want to watch something very similar. That is different from a PSB that will offer you a suite of different options. That is quite a major difference, isn't it? If we do go into a world in which Netflix, Prime and so on dominate, we could end up in a televisual hole where we watch the same thing over and over again.

Anne Mensah: That is not how the system works. The system is optimistic so that we are trying to make sure that while your needs to



watch things you love are met, we also offer you other things that you might not yet know that you love.

Q247 **Damian Hinds:** Obviously, you do both of these, but what do you consider to be your core business? Is it to be the producer of the best original series or is it to be the best video-on-demand service or something else?

Anne Mensah: Could you repeat that, because I am not sure I caught the top of it?

Damian Hinds: You obviously do both of these things, but what is your core business? What do you measure yourself against most in your corporate strategy? Is it being the producer of the best original series on television or is it being the best subscription video-on-demand service in the world or is it something else?

Anne Mensah: Our primary goal is to create shows that our members love.

Q248 **Damian Hinds:** The creation of content rather than the platform, primarily? I realise that you do both, clearly.

Anne Mensah: It is just giving our members shows that they love.

Q249 **Damian Hinds:** Sorry, Anne, that is the opposite. Giving your members shows that they love means the maximum possible choice and bought in from anywhere. Making the best shows means making the best shows and they may then be made available to your members or anybody else, wherever those people happen to be. Do you consider primarily to be a maker of telly or a deliverer, a distributor, of telly?

Anne Mensah: Personally, I am a maker because my job is creation, but across our portfolio we also distribute.

Q250 **Damian Hinds:** Quite often, you are dealing with you as a distributor, as a channel, and somebody else who has made the programme, or sometimes it is a co-production between you and somebody else. There is a possibility—Ofcom has raised this as a concern—that some people may not notice the brand of the producer. What research do you do on the noticing of brand and the prominence of brand with your audiences?

Anne Mensah: I will pass over the detail to Ben, but all our shows—let's say, for instance, BBC shows—are labelled as BBC shows and are searchable by the word "BBC". I don't know the detail of any specific research we have done in this space, unless Ben does.

Benjamin King: Anne is correct. I don't believe that we have conducted any research into how those titles have performed specifically, but, as Anne said, we give very clear attribution to BBC and all PSB content on the service where it is second-run on Netflix. In addition to that, you can search for BBC content or Channel 4 content in the search bar and find it that way. We make it very easy for our members to search and discover



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that content, but we don't track how it performs. I think Ofcom said in its most recent research into this at the beginning of this year that there are something like 1,200 hours of PSB in our catalogue at the moment.

Q251 Damian Hinds: If people go looking for it they absolutely can find it, but presumably your brand marketing department and your corporate strategy department would prefer that people notice the Netflix logo and do not notice a third-party logo. That makes business sense, doesn't it?

Benjamin King: I don't believe that when most people watch television they are that aware of where the television is coming from. It is something that we focus on in the industry, but audiences in general are less aware of it in the same way that they don't necessarily notice who publishes a book, for example, when they are reading it.

Q252 Damian Hinds: That would tend to work in your favour. As a growth channel, as a growth video-on-demand service, that will work to your long-term brand equity advantage rather than to that of third-party producers, such as the BBC or anybody else.

Benjamin King: We see that people who discover shows on our service that have been licensed from PSB will be more likely to watch those shows when they return to the PSB channel. I think that there is plenty of evidence that the relationship from a creative and a commercial point of view is a symbiotic one in that sense.

Q253 Damian Hinds: In 2018, your subscribers were estimated to watch approximately 134 minutes a day. What were the most recent figures before lockdown and how did lockdown affect viewing time?

Benjamin King: We don't share data about viewing hours publicly. The Ofcom report showed that the consumption of streaming services doubled during lockdown, from about 30-odd minutes a day to over an hour. That is in part due to the fact that there is also a growth in the number of available streaming services. Other competitors coming online are taking more of audiences' attention. We also saw during that time that viewing hours on broadcast increased significantly. I think that everyone was a winner in that period.

Q254 Damian Hinds: After this period, do you expect the viewing times to go down again or do you expect/hope them to hold up from this extraordinary period?

Benjamin King: It is difficult to say. That speaks to a larger question about what behavioural change you anticipate. We expect the growth trends to decelerate, as I mentioned earlier, and it remains to be seen whether longer term this will fundamentally change viewing habits or lead to a step change in viewing habits. Unfortunately, on that point no one knows any better than anyone else.

Q255 Damian Hinds: You have a phenomenal record in improving the stickiness of your customers. Along with Facebook and one or two other



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companies, it may be one of the most incredible business stories in modern times. So far, you have forgone advertising revenues, as did Facebook and Google at the start. Could you clarify for us the role of product placement? There seems to be a lot of fairly prominent branding in some of your shows and we gather that cash paid is not for this, but it is barter, in many cases, for co-promotional activity. Can you explain how you account for that internally?

Benjamin King: When you say “account for it”, what do you mean by that?

Damian Hinds: How do you measure the value of a KFC placement, for example, relative to the marketing activity it does on your behalf?

Benjamin King: I will pass over to Anne because she might know the detail of this better than I do, but I am not aware that we account for it in the way that you have described.

Anne Mensah: No, I don’t believe we do, but I am sure that we can provide additional evidence if we find that to be different when we talk to our colleagues.

Q256 **Damian Hinds:** Is it true you don’t do any product placement for cash?

Benjamin King: Not to my knowledge.

Q257 **Damian Hinds:** It is only for co-promotional activity? There is no paid product placement on your programmes?

Anne Mensah: I think that we should ensure that we have the correct data on that and come back to you.

Q258 **Damian Hinds:** Thank you. What is the role of campaigning documentaries like “Cowspiracy” and what is the decision-making process that ends up with them being featured on your platform, commercially or morally?

Anne Mensah: At Netflix, we have a very devolved way of working so that each commissioner has their own estate and the ability to make their own decisions. We don’t have an overriding plan for which documentaries are performing in which way. I couldn’t say that there is a structure to that, but I might be talking about a situation that I am not fully across, so we can easily come back to you on that.

Q259 **Damian Hinds:** These documentaries can be very powerful. If you are the BBC or ITV or whoever else—politicians, of course, will complain at you from time to time if you are—you have a set of criteria for having balance and making sure that people see all sides of the story. You don’t have that balance with a campaigning documentary. There must be some process in which you decide what to feature and what not. There is a related question, which comes back to what the Chair was asking about algorithms. If you have just watched a campaigning documentary, what do you see next? Is it another campaigning documentary that is taking an



even stronger line or do you see the opposite view?

Anne Mensah: We take our editorial responsibility hugely seriously and, as you know, all our shows are BBFC approved. I am not aware of a policy for campaigning documentaries, but I wouldn't want to speak to it. Documentaries is not my speciality, so we can go back and find further evidence, but I am not aware at the moment of a policy to create campaigning videos.

Q260 **Damian Hinds:** Compared to the world that we all grew up in, TV today has so much more choice, so much more control for the viewer, so much more variety in what they could see, but, as Julian was saying, the effect can be that individuals end up with less variety in what they watch. Stepping away from horror films for the moment, that might also include one's exposure to news and current affairs, but of course that is a matter of choice. This is individuals exercising their right to decide what they do with their time. If there were to be a decline in news watching and consumption of current affairs, do you think that would be a bad thing or just not something that you or we should have a view on?

Anne Mensah: I absolutely believe in the role of strong and impartial news across the country. I thoroughly believe that the role of the PSBs to create news is incredibly important.

Q261 **Damian Hinds:** But you don't feel a need to carry some of that news and current affairs content and even push it out in some way to your viewers?

Benjamin King: One of the things that we have tried to do at Netflix over the years is focus on the things that we believe we can do best. That is why we are increasingly ramping up our original productions and broadening the number of genres that we commission and license across, because we think that is where we have a strength and knowledge of the market and the kind of culture that supports what we do. To move into news or current affairs would require a very different kind of business and mindset and we believe it would be a distraction from the things that we know that we can do.

That is not to say we don't think that news and current affairs, as Anne said, is incredibly important in a societal sense. That is exactly why there is such a need for the PSBs to find a sustainable future, but I think it is also important to remember that people increasingly get their news from a plurality of different sources and outlets today. In that sense, we are seeing some fragmentation in the market.

Q262 **Julie Elliott:** Good morning, Anne and Benjamin. In your submission you have talked a lot about localised content, local content. I would be very interested to know what Netflix's definition of local or localised content is.

Anne Mensah: I used to be head of drama in Scotland, so I absolutely believe in regional diversity. I believe in diversity at its core anyway, but I think in the UK regional diversity is key to a healthy creative infrastructure. At the moment, that diversity tends to be around our



filming bases. We have “Sex Education” in its third series shooting in Wales and we have put a lot of work into ensuring that we have training schemes that are specifically based around local schools and colleges to ensure that we are putting back into that community. We have “The Irregulars” shooting in Liverpool, “Top Boy” in London. I think it is really important that we work with local creatives because the difference between just putting something somewhere and truly having a voice is the creator. We have “Zero Chill” shooting in Sheffield with Lime Pictures, which is a regional indie.

I am 18 months in, it is early days, but it is definitely a core part of our strategy to work with creatives around the country. We have been doing a number of events with me and our production team to meet local crew, local producers, and ensure that we have ideas coming in from across the country.

Q263 **Julie Elliott:** You are talking about quite widespread placing of where content is made. When you refer to “local” and “localised” in your submission, is that what you are referring to or are you referring to the UK?

Anne Mensah: I will pass that over to Ben.

Benjamin King: Yes, we are. The reference to local content is a reference to UK-originated content that is commissioned by—

Q264 **Julie Elliott:** It is referring to the UK, not to the areas that Anne was referring to there?

Benjamin King: There is a great deal of diversity across the UK in the content that we are commissioning and we make a lot of our shows all over the UK. Anne mentioned “The Irregulars” in Liverpool; we are building a natural history programming hub in Bristol; we have made a number of films in the south-west recently. We are all over the country, so inevitably that regional diversity feeds into the finished product.

Q265 **Julie Elliott:** That’s fine and I am delighted that you are doing things all over the country. I am not saying that is not a good thing. I think that is a great thing, but what I am saying is that the submission referred to “local” and “localised” a lot and I find it a little confusing as to what you actually meant by “local” or “localised” in your submission. If you are not totally sure what you meant in it, if you can’t answer that now, could you go away and have a look at what you have said in your submission and then come back to the Committee and tell us whether, when you are referring to those words in your submission, you are meaning the types of “around the country” content making that Anne has referred to or are you referring to the UK? If you could clarify that point, it would be really helpful.

Benjamin King: I can clarify it now. It is a combination of the two. It is UK-originated programming, as opposed to US-originated programming.



Q266 **Julie Elliott:** You are referring to the UK?

Benjamin King: Yes.

Q267 **Julie Elliott:** Okay, thanks. Damian Hinds put questions to you about current affairs and news. What would it take for Netflix to decide to move into that space or would you never decide to move into that space?

Benjamin King: We certainly have no intentions to move into that space for now or indeed for the foreseeable future. We believe that what we do best is provide an entertainment service to our members and that is what we are focused on doing.

Q268 **Julie Elliott:** There isn't really anything that could happen that would make Netflix move into the current affairs and news space?

Benjamin King: Not that I can envisage, no.

Q269 **Julie Elliott:** It is widely reported that Netflix uses a worldwide algorithm to predict taste that regards demographic data as irrelevant. Is that true?

Anne Mensah: Yes. As we were saying, it doesn't predict taste, but we track what people are watching. Rather than say we are following you as a woman or by age, we follow by taste.

Julie Elliott: You follow by what people watch? Great. Thank you very much.

Q270 **Damian Green:** You both elegantly sidestepped questions about the future of the BBC and the licence fee, in which context I commend an answer I heard Reed Hastings give on a podcast recently where he said that he didn't want to say anything about the licence fee, but he did think that Netflix subscription should be made compulsory. This is clearly the corporate answer that should be given on that.

Can I clarify what I think I heard you say in relation to the wider public service broadcasting ecology in this country, which is that without it Netflix would be weaker and less effective? Is that a correct interpretation of what you are saying?

Anne Mensah: I think that the PSBs historically and now offer the creative landscape in the UK an amazing base of creative opportunity and shows to watch. I think we would all be less.

Q271 **Damian Green:** My question was slightly more specific than that. Would it be a less attractive place for Netflix to set itself up without that landscape?

Anne Mensah: I think the UK is attractive to Netflix because there are great creatives, great crews, great studio spaces in the UK. Those things are as well as the PSB. On a personal level, I think that you can't take the impact of the PSBs out of the creative ecology of the UK without it becoming different, but I don't think it would mean that Netflix didn't still feel that the UK was a tremendous place to be.



Q272 **Damian Green:** I can see that it is a tremendous market, but I am thinking more about the creation of talent. It is a classic thing. You said, Anne, that you worked for the BBC for a time and you have gone on to work for other broadcasters. The BBC, but also the other PSBs, are terrific training schools that some of our best talent has gone through. It is in that context. It is in the production context that without the public service broadcasting ecology that has grown up, one of those classic things that doesn't work in theory but does work in practice, the international creators like Netflix would find Britain a less attractive place to do their business from. I want to check that that is what you are saying.

Anne Mensah: I don't want to say that it is a less attractive place, but I think it makes it a more attractive place. I wouldn't want to diminish the role. I was trained by Carlton Television, so I don't want to diminish the role of other places, but I think that is part of what makes the creative ecology here so brilliant.

Q273 **Damian Green:** Sure, and I was specifically saying the whole PSB ecology and Carlton was part of that. On the regulatory front, at the moment you are regulated under EU laws because you are established in the Netherlands. Presumably that might change when the transition period ends. Would there be any implications for you if Ofcom started regulating you rather than the European regulators?

Benjamin King: It is not our expectation at the moment that anything will change following the transition period. Ofcom has made it very clear that unless an on-demand service has its headquarters and the base of all its editorial decision-making in the UK, it wouldn't foresee any need to impose country of destination-style regulation. At a hypothetical level, if we were to be regulated by Ofcom, that wouldn't materially change any aspect of the service that we provide in the UK. We go above and beyond the regulatory framework to gold plate content standards and audience protection because it is in our interests as a service to do so and to have that brand reputation among our members. That is why we entered into a partnership with the British Board of Film Classification last year, the first video-on-demand service to do so, applying their ratings to our whole catalogue. That is why we have recently updated, strengthened and introduced greater levels of granularity into our parental controls.

Q274 **Kevin Brennan:** Benjamin and Anne, thank you both for appearing before us. I want to ask you a little bit about Netflix as a company and where it is domiciled, where it pays taxes and so on. There is a report out by a charity called TaxWatch on Netflix, which you are probably aware of, that says that the revenues from subscribers in the UK in 2018 for Netflix was £860 million, yet Netflix pays very little tax in the UK because that money is credited to a Dutch company. Anne talked a bit about the tax relief that makes the UK an attractive proposition for companies. What is your response to that issue about the way in which Netflix is structured allegedly to avoid paying tax in the UK?



Benjamin King: I would like to start by emphasising that we do pay all the tax that is required of us under UK law and every other jurisdiction that we operate in. Our accounts from 2018, which is our most recently published set, showed that the operating profit we made across our entities at that time was offset under HMRC's group relief regime rules by the losses that we made on certain of our productions. That is indicative of the depth of our investment in the UK, the number of shows that we are making here, which last year created 5,000 jobs.

On our structure, it is correct that our headquarters is in the Netherlands. It is the headquarters that is responsible for the provision of our service in Europe and certain other parts of the world as well, and that is why the profits from that part of the business are taxed in the Netherlands, which is completely in accordance with international norms.

Q275 **Kevin Brennan:** TaxWatch concludes with this sentence, "We believe that the Netflix case raises some real concerns about the operation of the high-end TV tax relief scheme, which could see it being used by companies to claim credits on production costs, whilst locating the income from those productions offshore".

In other words, the charge is that one of the reasons why you might be making such a high level of investment now into production companies in the UK, by setting up 16 production companies or whatever it is and so on, is obviously both to produce great content, which we would all welcome, but the allegation in the report that I have to put to you is that you are moving into that space, rather than using independent production companies that already exist, because it will enable you directly as a company to take advantage of the very generous—as you have already discussed—high-end TV tax relief available in the UK, but not pay here. Is there any truth in that allegation?

Benjamin King: There is not, and there were a number of inaccuracies and false assertions in the TaxWatch report that we noted at the time of publication. When it comes to claiming the high-end television subsidy—

Q276 **Kevin Brennan:** Benjamin, at this point, on that very point, the final sentence of its report says, "Our research was put to Netflix ahead of publication. The company declined to comment".

Benjamin King: I do not have a comment on that. We were asked for a comment at the time at which it went to press, but we were not consulted on the detail of the calculations that it estimated in its report.

Q277 **Kevin Brennan:** Given the opportunity you have now to comment, what would your comment be to the Committee?

Benjamin King: I do not have the details of the TaxWatch report in front of me. There are certainly a great many inaccuracies in the report. On the high-end television tax relief, I would say that the overwhelming majority of productions that we make in the UK are made by independent production companies and they are the ones in receipt of that tax credit.



Q278 **Kevin Brennan:** Would you be able to furnish us with your comment on those inaccuracies in writing to the Committee following this session, given that the only information I have is that Netflix declined to comment?

Benjamin King: Yes, we would be happy to follow up in writing on the detail of that report.

Q279 **Kevin Brennan:** That would be very helpful and I am very grateful. Thanks, Benjamin, for that.

By the way, I am a very big supporter of the high-end TV tax credit and would not want to see it undermined in any way or misused in any way and I am glad it is being used to make high-quality productions, but it is important that that caveat is set down. I have also in the past suggested it could be used to promote some of the values that, Anne, you were talking about in terms of diversity in the industry, both in front of and behind the camera. This week, the Oscars have announced some diversity standards for even being able to qualify for an Academy Award. Do you think that the high-end TV tax credits should have some sort of diversity gateway attached to it along with the other qualifying principles that already exist?

Anne Mensah: I cannot speak for that. That is absolutely a question for Government. What I can say is that diversity is at the heart of everything we are doing at Netflix, so I would hope that we are working in tune with the BFI guidelines. We have three pillars of diversity at Netflix, essentially our shows, our training and the stories that we want to lean into.

Q280 **Kevin Brennan:** You have told us that in your evidence, Anne. All I am asking is, with your great experience in production, do you think that having that additional incentive built in to the high-end TV tax credit might make the industry as a whole—I know you are taking it seriously—take diversity more seriously and act more quickly?

Anne Mensah: It is a really, really nuanced conversation and rules can be a blunt instrument. My worry would be a glib answer to that. We need to look at a number of different routes into diversity, because it is about pipeline, it is about voices, and I would hate to say that you can fix it through a set of checkboxes.

Q281 **Kevin Brennan:** Can I ask you about intellectual property? When we had ITV in front of us in this inquiry on 14 July, I asked about a programme you mentioned earlier yourself, “I May Destroy You”, the Michaela Coel drama series that was a big hit on BBC 4 and may yet win a lot of awards. In an article I read, she said that this series had not gone to Netflix because Netflix refused to allow her to have any share, even a tiny share, of the intellectual property in that drama in that deal. Is it Netflix’s blanket policy never to allow creators and artists any share of the intellectual property?

Anne Mensah: Absolutely not. That was an amazing show, but we have a huge range of different producers that we work with.



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Q282 **Kevin Brennan:** Sorry, so when Michaela Coel said that, it was not accurate when she was told, “We would never share any of the intellectual property with the creator of the programme”? Is that not right?

Anne Mensah: I was not part of that conversation, but for the way that we are working now we have a number of different models. Not every model is right for everybody. One of the reasons why I think that plurality in the marketplace is important is that it puts the strength in the hands of the creator and the producer in order to be able to choose where they go. That is a really good thing. You want people to be able to take their material where it suits them. I know that I put creators at the heart of what we do and we try to match the deal to the type of show.

Q283 **Kevin Brennan:** That sounds like a great story, but it is not what she said about her experience of dealing with Netflix. I would be interested to know what her reaction might be to what you have said in relation to that.

Going on to the issue of PSBs—perhaps a slightly counterintuitive question—do you think the BBC could have made “The Crown”? I have watched it and its portrayal of the royal family is quite explicit from time to time in terms of their private lives and so on. Do you think the BBC could even have made it without the outrage in this place and in *The Mail on Sunday* and elsewhere effectively bullying it into not making a programme like that?

Anne Mensah: I would hope the BBC has the freedom to make anything that it deems appropriate for its remit. I would hate to think that anybody would bully the creativity of the BBC. That would be everything that we did not want in the market.

Q284 **Kevin Brennan:** Would you not agree, as somebody who has worked for the BBC, that if you were trying to commission that programme, the level of outrage there would have been against the BBC for daring to portray members of the royal family in that way would have been such that it would have been very, very difficult for the BBC to proceed to commission it in the form that it came out?

Anne Mensah: I would not want to speculate. The BBC does lots of things that look at contemporary culture, that look at historical culture, and the BBC needs creative freedom. I would not want to speculate about what “The Crown” would look like on the BBC, but I do stand behind its ability to do what it thinks is right and proper for its service.

Q285 **Kevin Brennan:** I have one final question. Prominence is a key issue around public service broadcasting. If we are to have something we believe in, which you clearly do, called public service broadcasting, it should not be locked away in a cupboard and hidden from potential viewers due to the modern technology. Why does Netflix pay television manufacturers to have a special button of its own on the remote control, when public service broadcasting is being buried further and further away



from viewers in the interfaces that the public have with broadcasting and streaming?

Benjamin King: Several of the streaming services enter into commercial negotiations with the hardware manufacturers for those buttons. I am sure if Netflix did not, others would take its place. Whether that opportunity is extended to the public service broadcasters is obviously going to be a matter for Government and Parliament to decide upon.

Q286 **Kevin Brennan:** It might be possible that this Committee, for example, could recommend, as part of prominence, that public service broadcasters ought to have the right to have their own button.

Benjamin King: That is obviously within the Committee's gift and it is an area where we are relatively agnostic, because it is better a question for the hardware manufacturers and the platforms and other gatekeepers and aggregators of content. As such, it is not something that we have a policy view on.

Q287 **Chair:** To pick up on one point Kevin made earlier on in terms of diversity, I remember you said that diversity was at the heart of what you do. To be slightly more specific—we have figures in terms of your global workforce—could you furnish the Committee in writing the gender, race, ethnicity and socioeconomic background of your UK workforce? Would that be possible?

Benjamin King: We have not collected that data in the past. One of the impediments is the speed at which our footprint here in the UK is growing. We were a handful of people about three years ago and we now number nearly 300, so we have not made a point of collecting that data to date.

Q288 **Chair:** You have collected the data globally. Have you not included the UK in your global figures?

Benjamin King: I am not sure when those figures were from. That would have been a snapshot at a moment in time that is doubtless now out of date because of the speed at which our workforce is expanding.

Q289 **Chair:** Okay. That is on your own corporate website, effectively. Basically, you are saying your figures on there are out of date and virtually useless and you don't know the gender and ethnicity of those who work for you in the UK?

Benjamin King: No, we do not.

Q290 **Chair:** Is that responsible?

Benjamin King: They were certainly correct at the time of going to print, but the speed at which Netflix is expanding means that inevitably that data will be out of date as soon as it is published.

Q291 **Chair:** With respect, there are lots of companies that are expanding, but you would expect that someone as high profile as yourself would have



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these figures to hand in some respect. Why is it that you have not taken this seriously enough in order to keep a regular log of the gender and ethnicity of those who are working for you?

Benjamin King: We take that data and we take the diversity of our workforce incredibly seriously.

Chair: Obviously not seriously enough to collect the data.

Benjamin King: We are not obligated to collect it in the way that those who sold, say, a broadcast licence in the UK are obligated to do so. Diversity is at the heart of our strategy as a business, both in terms of what we put on the service, the people who make it and the people who—

Chair: I am sorry, but I am afraid those are just words. That has no meaning whatsoever when you cannot furnish those data for the Committee, so I am going to move on.

Q292 **John Nicolson:** Thank you very much indeed, Chair. I loved that question about the BBC making “The Crown”, given the pressure they have been under about singing “Land of Hope and Glory” and the fact that BBC newscasters have to put gooey, sentimental expressions on their faces when they read royal stories. The idea that it would make a hard-hitting drama like that about the royal family seems fanciful.

Moving on, Anne, there has been a lot of discussion about the words “local”, which in this context apparently means UK, and “regional”, which in this context apparently means local in England. However, your background, as you have told us, is BBC Scotland. Your Scottish dramas do very well, do they not? What research do you do about the specific tastes in different nations and regions?

Anne Mensah: As I said before, we do not look at very, very identifiable data about our member base; we look at what people watch. One of the things that I think is so special about what we do is we are not trying to tell you what to watch. You could be a 60-year-old woman in Glasgow or a 15-year-old boy in Australia or in Africa, and your link is what you watch. Not what you do or who we might say that you are, but what you watch, which is a great way of levelling, particularly for diversity. It stops you having any stereotypes about what people love and it allows what they do to take you to what they love.

Q293 **John Nicolson:** People the world over seem to like dramas set in Scotland, such as “Outlander”. The BBC, as you know, having been in charge of BBC drama, enormously underinvests in Scotland. Scots pay far more for their licence fee than they get back from the licence fee. Is that an area where you could profitably step in? I do not mean profitably just in financial terms, but creatively.

Anne Mensah: I do not think it is about, as you say, profit in financial terms, but, as I said before, the whole of the UK is an incredibly rich, creative space.



John Nicolson: What about Scotland?

Anne Mensah: Scotland, definitely.

Q294 **John Nicolson:** I want to focus on Scotland because I am the only Scottish representative on this Committee. What about Scotland specifically, given how successful Scotland appears to be as a drama location and given, as I say, the BBC's underinvestment there? That seems to be an area that you could effectively target, providing jobs in Scotland and also providing something for people worldwide that we know they enjoy. Everybody enjoys looking at Jamie in "Outlander", do they not, and obviously the high quality of the acting as well. We need more of it?

Anne Mensah: Yes. I would not want to position it as us versus the BBC. Before lockdown, we took a team up to Glasgow to make sure that we toured the new studios to look at the plans for the future, to interface personally with the creative community in Scotland, because we believe that by being there—obviously, lockdown has had two effects. First, we have not been able to go back and, secondly, there is a great levelling experience in terms of everybody is on Zoom. The idea that London creatives have better access to us is no longer the case. I will absolutely back Scottish creativity. I worked for a long time with Simon Donald on "Fortitude". I absolutely know that Scottish creatives are fabulous and would welcome them to Netflix.

Q295 **John Nicolson:** That is good to hear. You certainly came out with my favourite line of the whole evidence session when you said earlier on, "You might not know what you yet love" That is the ultimate optimist's line.

Can I ask you a question, Benjamin, about phishing? We know that during covid there has been a huge increase in the number of scams. Netflix appears to be one particular provider whose customers have been targeted by scams. I notice *The Daily Record* covered this. It said that email phishing scams have been around for years, but they have increased exponentially during the covid-19 pandemic, with people being told that their credit card details are out of date and asked to resubmit credit card details. A lot of people, especially older people, tend to fall victim to this particular scam. It is very distressing when it happens and people can lose huge amounts of money. It is not just about conning Netflix customers specifically, because the details, according to the story, are then sold on to the highest bidder and people can lose huge amounts of savings through this. What are you doing to protect your customers from these scams? Is it something you have addressed?

Benjamin King: Thank you for raising that, John. It is obviously an area of great concern for us for all the reasons that you describe. We did notice an uptick in scams and those sorts of attack through lockdown. Our response to it has been, first, to increase the number of customer service agents that we have working for us to deal with these concerns when they are raised by our members, because we have seen an uptick



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there. We are always trying to strengthen our own security protocols and we give advice to our members on how to keep their information secure and to change their passwords regularly.

Q296 **John Nicolson:** Have you noticed that phishing is a particular problem for you?

Benjamin King: I could not say if phishing specifically was a problem for us, but we have been aware of an increase in the sorts of scam that you mention over the lockdown period, as indeed have many other online services.

Q297 **John Nicolson:** It might be worth some further investigation about this, since, as I say, *The Daily Record* reports that your customers are being specifically targeted for phishing.

One final question. I put out a tweet and a Facebook message asking for people to provide me with questions. I have one from a fellow parliamentarian, Stewart McDonald, who asks when is "Deutschland 89" going to be on our screens.

Benjamin King: I will pass that one to Anne.

Anne Mensah: I have to say I have no idea. It was a fabulous series, though, was it not?

John Nicolson: It was. Fabulous music involved and great acting.

Anne Mensah: What I would suggest is that Anna Winger, who is the amazing creator of that series, wrote "Unorthodox" for Netflix, which is also fabulous. I would suggest in the meantime to watch "Unorthodox".

Chair: Thank you. On that plug we will bring the session to an end there. Thank you very much, Anne Mensah and Benjamin King, for your evidence. We are now going to take a short, two-minute recess while we set up our second panel with Sky. Thank you.

Examination of witnesses

Zai Bennett and Ali Law.

Q298 **Chair:** This the Digital, Culture, Media and Sport Select Committee and we have our second panel, which comes from Sky, in our review of public service broadcasting. We are being joined by Zai Bennett, Managing Director of Content at Sky, and Ali Law, Director of Policy, UK and Ireland, at Sky.

Good morning. Thank you very much for joining us today. How did the collapse in ad revenue during lockdown affect Sky, what is the outlook for the coming months and what impact is this likely to have on your programming?



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Ali Law: Thank you, Chair, and thank you for the opportunity to address the Committee. I will talk about the ad revenue side and then pass to Zai to talk about the production.

Covid was hugely challenging for us, for our business, but it is in good shape and we are beginning to see the green shoots of recovery. We clearly had some significant short-term challenges. As you have heard from other broadcasters, there was significant pressure on advertising revenue and we saw Q2 figures down as much as 40% for broadcasters on a year-by-year basis.

We also had some challenges specific to Sky. For example, with no sports to show, we had a situation where many of our customers were pausing their subscriptions, which we allowed them to do, until fixtures were resumed. However, our business is broadly in good shape. We retained around 99% of our customers and 95% of our sports base. On the advertising side, we think we are seeing green shoots of growth. The 40% to 45% advertising market declines that we saw through the spring and the early summer reduced significantly in Q3. Advertising is always an economic indicator that will track with the economy, but we are hopeful that, as the economic recovery kicks off, advertising will track to it and we will get back to a relatively substantial and robust base.

Chair: And production?

Zai Bennett: On production, we ceased production on the vast majority of our programming, certainly all our scripted programming. Some key areas, obviously, like news, continued or where we could make shows safely. We adapted the offering we have. We made sure our customers had a very rich schedule of original drama, comedy and entertainment and film. Within three days of the lockdown, we also launched an extensive educational collection segmented into the curriculum-based learning groups via Sky Kids.

We launched two new services during the lockdown period—Sky Documentaries and Sky Nature. They were already planned for, but we managed to launch them remotely. We have also made brand new shows in lockdown, socially distanced and safe shows like “Portrait Artist of the Week” or an entertainment show like “Russell Howard”, and we continued production where we could safely, such as “League of Their Own” but without a studio audience.

We are now back into production on scripted programming and we are back up to speed. We also led the way with other broadcasters on the protocols to go back into safe production as well as donating £500,000 to the TV and Film Charity to help freelancers who were in financial need.

Q299 **Chair:** There is a likely black spot, effectively, coming up, though, in terms of programming because you have not been able to produce for quite a while. Even in terms of your movies, for instance, they have been on hold as well.



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Zai Bennett: For us the autumn schedule action is still relatively rich. Where we are seeing shortfalls in content, that is more from the first half of next year and we are doing a number of things to try to mitigate that to make sure our customers have the same sort of level of content that they are used to having. We are acquiring additional shows and we are trying to commission quickly into other genres where you can move more quickly.

Q300 **Chair:** Your submission suggests that the likes of ITV and Channel 4 are not sufficiently distinctive in terms of their delivery of public service broadcasting content. Why do you think that is and what do you think you do that overlaps a PSB remit?

Ali Law: I will handle the first part of that question. I do not think we cast doubt on Channel 4 in terms of its level of distinctiveness.

Chair: On ITV?

Ali Law: Yes, our view on ITV is that it is the product of regulatory intervention that was drawn up at a very different time. It is a privately owned broadcaster that delivers a mixture of content, some of which is public service in nature and some of which is purely commercial. I do not think it is that we think it does not have distinctive content; it is just at that high level in that respect they do not look all that different from Sky. Most of the things they produce they do because they are commercially profitable activities that they are incentivised to do to deliver for audiences, and that is the same approach as us. Therefore, it is not that we are saying they are not distinctive from a pure programming point of view, but from a high-level perspective, we think we make a significant contribution in the areas of public service content that is similar to that of the commercial PSBs.

Q301 **Chair:** What is similar about what you do?

Zai Bennett: I will step in here. We make original British drama, original comedy, entertainment. We make original documentaries and children's programming and, of course, Sky News. We are one of the leading content originators now in the UK. If you want to judge that independently, if you look at the BAFTA awards, we won 12 BAFTA awards this year, we won seven the year before that. That is more than ITV, more than Channel 4 and more than Netflix in both of those years, so there is definitely a quality to our output that has been recognised by industry.

We are investing a huge amount. We announced in 2019 that we plan to double our investment in original content by 2024. That will be in excess of \$1 billion. We are making 80 new originals this year, which is a 25% increase from 2019. As I mentioned a moment ago, we launched Sky Documentaries and Sky Nature service and we are originating for both those services. As I mentioned earlier, we also make original British children's programming. We have commissioned news, natural history,



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comedy, music and documentaries for children across the past year. That complements what we have from the US.

In terms of production, we have launched Sky Studios, which creates original programming for us, NBC and a range of others. We are also opening Sky Studios, Elstree, in 2022, which will be a state-of-the-art production facility. That is going to lead to new jobs and we think £3 billion of production investment.

The main thing for us is that all these genres and everything that we invest in show that our audience and our customers value them and want us to make. As an example, the highest-rating shows in our service have been our originals services in the last two years. Anything that gets more than 2 million viewers has been original, excluding "Game of Thrones", which is its own wonderful series.

Ali Law: Just to add and build on that, Sky News is definitely something that fits into that remit of delivering public benefits. It is widely available and it provides high-quality, impartial news. Ofcom's own research shows that it outscores the PSBs on a number of factors—trust, accuracy, impartiality and range of opinions. Therefore, for us, Sky News is the perfect example of what feels and looks something that is very much in service of the public without a specific obligation to do so.

Q302 **Chair:** Currently delivering public benefit, as you put it, has been profitable?

Ali Law: Yes, absolutely. We have shown with the significant benefits of the brand reputation—which has its own drive towards profitability overall, but also all the things that Zai was talking about just then like the significant viewing figures that we are driving in terms of our original content and the value that our customers, who of course are also the public, place on them—that commercial incentives will deliver significant levels of public benefit and public service content.

Q303 **Giles Watling:** You tell a very positive story about production coming back, scripted production and all that. Leaving aside for one moment freelancers, how many people does Sky employ in the UK, do you have an idea?

Ali Law: It is around 24,000 in total, but obviously that covers the full remit of what Sky does, including our broadband and communication services and our contact centre workers as well.

Q304 **Giles Watling:** Touching on what the Chair said earlier about some loss of income, I gather there was a drop of profits of 9.4% and things are now beginning to look up. I get all that. Do we have jobs at risk?

Ali Law: There is a significant level of uncertainty in terms of how the overall economy is recovering. Sky did not use the Government's furlough scheme in the UK through the pandemic process, but like all businesses facing headwinds we will continue to evaluate the strength of



our business, the strength of consumer demand, and keep that under very close levels of attention.

Q305 **Giles Watling:** You think that there may be job cuts coming up down the line?

Ali Law: I am not in a position to comment on that one way or another, partly because we are still in an ongoing situation in terms of the pandemic. As I said, we saw our way through it in the first instance. You noted the drop in profit. It is something that businesses, like any business, have to take a view on over a period of time and we will continue to stay close to consumer trends and consumer demand in that way.

Q306 **Giles Watling:** You were telling a positive story about production going back in, scripted production happening, so you are looking at expansion rather than contraction. You feel positively about that?

Ali Law: Zai may want to come in. On the production side of things we continue to have significant ambition in this area. Notwithstanding the impact of the pandemic, we continue to have big plans when it comes to Sky original production over a period of time.

Q307 **Giles Watling:** Zai?

Zai Bennett: Absolutely. I will be repeating what I have said earlier, which is that we are doubling our investment by 2024 in this area, so that will impact over those years.

Q308 **Giles Watling:** One other question from me is on bringing back the freelancers. It is a question I have been asking regularly because of the grassroots, the theatre and other areas that feed companies like yours.

Are you concerned that we are losing talent permanently from the industry because of the dire state that many freelancers find themselves in?

Zai Bennett: That is absolutely an issue for us all and we need to be aware of it. At Sky, in terms of the arts world especially, we are taking our Sky Arts service free to air this Thursday and we are working with a huge range of arts institutions to try to help them bring such shows to the public. With the ENO, for example, we are putting on the first-ever drive-through opera, "La Bohème", later this month. We are open to innovative ways of looking with arts organisations to try to make sure they can still reach people as best they possibly can.

Q309 **Giles Watling:** I am worried about freelancers out there on their own. What steps are you taking to reach those people? Freelancers by the very nature of the business work on contracts. Actors, technicians, prop designers, set designers and all those are out there, and we are about to lose them if we do not do something soon.



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Zai Bennett: At Sky, we are investing far more in our original production. What we are doing is investing far more in original production across the board of the genres that we are making.

Ali Law: To jump in there, we supported our freelancers during the pandemic. To any freelancers who were engaged with us on PAYE contracts, we provided their average monthly pay in full and we have committed to continuing to provide our freelancers with 70% of their monthly pay until at least the end of October, matching the Government's income support scheme in that respect.

Giles Watling: It is the many self-employed freelancers who concern me, actually, but I understand entirely. Thank you very much.

Q310 **Julie Elliott:** Thank you, Chair, and good morning, Zai and Ali. In your submission, you implied that regional news needs a big shake-up. Can you broaden what you think about that and what your thinking on it is?

Ali Law: Our point on regional news is primarily that it is a clear example of a PSB obligation that was drawn up in a very different time. ITV's regional news requirements were created to provide competition and plurality to the BBC, but because of the time in which they were drawn up they do not necessarily bite in a way that drives significant distinctiveness.

Q311 **Julie Elliott:** What do you think ITV is doing wrong?

Ali Law: It is not necessarily a direct criticism of ITV's approach. You look at the distinctiveness and the two services. Both are delivered in broadly the same timeslot. Both have a similar level of audience slant in terms of all the demographics. We know that policymakers have focused on regional news as an area that potentially is one for consideration and intervention.

Our view is that you probably would not adopt the same approach that you have now if you were doing it from a blank sheet of paper. If you were designing the system from scratch there might be other approaches that might be better suited that aim to generate a greater level of competition and a greater level of innovation.

Q312 **Julie Elliott:** The system is there and so we are not starting from scratch. What would Sky change? What can be done differently?

Ali Law: We are not necessarily proposing that there should be a change. We were trying to highlight that, in an area we know policymakers are concerned about, there are alternatives to using the existing system in a certain way.

One of the things we mentioned as an example in our system was the idea of a competitive franchise model. You could set criteria that people would have to bid for to be awarded that franchise. That criteria could include driving greater levels of distinctiveness, reaching audiences in different ways, for example, via digital platforms much more, reaching



different types of audiences, younger demographics and so on. Those are some suggestions. We do not have a fully worked-up policy plan or anything like that that details exactly how an awards process would run. But if policymakers are exploring that area, there are opportunities beyond simply looking at the existing system and trying to drive interventions through that prism.

Q313 Julie Elliott: If we look at your proposal for a five-year franchise, will the public trust that in terms of delivering their news if, in theory, every five years the provider changed? That could happen.

Ali Law: As part of the hypothetical process you go through, you would assess things like the strength of the provision of the provider in question. To be clear, in this hypothetical counterfactual, it would be the case, I am sure, that ITV with its established regional news would be part of that process and part of the competitive approach. You could create criteria that would be aimed at ensuring there was a significant amount of trust and ensuring there was a significant amount of underlying commercial elements that made it robust and made it a strong deliverer of news and hopefully, then, allay the fears that you are suggesting there.

Q314 Julie Elliott: Is Sky considering a move into regional news?

Ali Law: Given the current landscape, there is no commercial incentive for us to launch a regional service. There are two subsidised TV operators already delivering services in that area. The point in the submission is to highlight that if the delivery of regional news is an area that policymakers are concerned about and if they are concerned about certain audiences not being provided or not consuming as much, there are alternative options. Anytime that comes up, Sky News as the traditional challenger to the BBC in this area from a national news perspective certainly would explore any opportunities that were brought about as a result of regulatory changes.

Q315 Julie Elliott: If regulatory changes happened, Sky News has a history in this area. You did a pilot in my own area, Tyne and Wear, in 2012, which closed suddenly after about 18 months. Clearly, you did not make it work then. Would regulatory change make it a viable option? Is that what you are saying?

Ali Law: We would have to look at the nature of that regulatory change, but we are saying that in the existing landscape, with the two subsidised TV operators delivering services, there is not a commercial incentive that would drive a Sky News regional service. Changes to that we would then have to address on their merits.

Q316 Julie Elliott: If we go back to the PSB franchise idea, you have suggested there are other characteristics that public sector broadcasters have to have such as universal accessibility. That is at direct odds with Sky's model of operating. How would you square that circle?



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Ali Law: In a couple of areas, it is not at direct odds. We spoke about Sky Arts going free to air later this week and that will be freely available to everybody on Freeview and on other platforms. Similarly, Sky News has a strong free-to-air proposition both from a broadcast perspective and in terms of the number of digital platforms it is on, the podcasts it produces and so on.

We are not arguing that paid-for content on its own is enough to deliver the objectives of public service broadcasting, but we are saying that it can make a substantial contribution over and above a free-to-air foundation. The vast majority of UK households now pay for content whether it is via established platforms like Sky or Virgin Media or whether it is through streaming services like NOW TV and Netflix. The number of different video-on-demand services that are available at different price points and on a short-term basis means there is a huge level of accessibility for audiences. Even the PSBs themselves are experimenting with paid-for content with the launch of BritBox. Our point is that it might not be sufficient in and of itself—

Q317 **Julie Elliott:** Public service broadcasting news has to be universally accessible.

Ali Law: Absolutely. With the provision from the PSBs and Sky News and a variety of other news providers providing on a commercial basis, there is strong provision in that area at the moment.

Q318 **Damian Green:** Thank you and good morning, both. I would like to move on to the issue of prominence for public service broadcasting. As you know, Ofcom has proposed to extend the prominence legislation to cover digital platforms. What is your take on that?

Ali Law: We acknowledge Ofcom's recommendation. Our view is that partnerships and commercial incentives tend to drive more effective outcomes than complex regulation. From a commercial incentives point of view, as a platform provider we already ensure that PSB content is easily discoverable because we know that is what our customers and our audience want. British audiences continue to have an appetite for British viewing. If you go to the Sky Q Catch Up area, the PSBs are in the most prominent positions already despite us not being regulated on that front. All the most popular connected platforms in the UK—Freeview Play, Freesat, Virgin Media and YouView—make PSB content readily available and highly prominent in this way, too.

The focus has been on that long tail, the newer platforms, but even then we are probably starting to see a rush towards including the PSB apps as standard. From a NOW TV perspective, we have the PSB players at launch. BBC iPlayer is preloaded on Samsung TVs and Apple TV has services from the BBC, ITV and Channel 5. Platform operators will be successful in the UK if they make it easy for their users to get to the content that they value.



We should also remember that there is a level of complexity here in terms of the regulation that Ofcom is proposing. Some of the commercial PSB apps contain a lot of content that is purely commercial in nature. ITV Hub still does not have regional news available in an on-demand environment, notwithstanding the fact that that is one of its key obligations as a public service provider. In designing quite a complex regulatory system, you would have to ensure that it was targeted at the PSB content that is available on demand rather than the more commercial content. You would also have to figure out a way of capturing the long tail because the worst outcome in this situation would be that you regulated the already regulated—us, Freeview, Virgin Media and so on—while leaving that long tail, where you may consider there was a problem, out of the regulations because it was too hard and too complex to include. Those are our concerns about the approach, but you are seeing good outcomes in terms of PSB prominence, certainly when you look at our platform and increasingly at others as well.

Q319 Damian Green: I take the point about new platforms, but you say that the PSBs are prominent on Sky Q. Ofcom found the opposite and said that linear EPGs were less prominent on platforms like Sky Q than previously. Do you think you are giving the PSBs a fair crack of the whip?

Ali Law: The linear TV guide on Sky Q is the second rail underneath the homepage where you land. We make linear content an incredibly important part of our platform proposition, not least because we are a broadcaster that relies on linear content for certain types of our content output, particularly news and particularly sport. We have a strong level of linear content within our proposition that is easily accessible. It is one click away from the homepage. We also know that, still, the majority of viewing is driven from and to the linear guide. Notwithstanding audience trends over a period of time shifting towards on-demand, it is still the case that the vast majority of viewing takes place in a linear environment.

Q320 Damian Green: That is an interesting point. Given that we have all been spending more time in front of screens during covid, has that gradual—and slower than many people expected—shift from linear to on-demand viewing accelerated over the past six months?

Zai Bennett: Yes, it has accelerated and certainly over covid accelerated somewhat as well. We have found that all viewing was up and, when you look at younger audiences, they moved far more to on-demand and to off-platform things like YouTube and gaming. Yes, it definitely has increased.

Q321 Damian Green: What is your projection for the future, then? Having set that trend, is it going to continue or will we go back to what has been for many a surprising persistence of linear viewing?

Zai Bennett: I am completely agnostic in the way I run the services I have. We want to offer customers the choice. If they wish to watch



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something live and linear, that is absolutely fine. If they want to watch it on demand, we try to make things available like that as well. Currently, linear is still about 50% of consumption. It varies from service to service and show to show. Very chewy dramas, certainly when you are accelerating your viewing and bingeing them, tend to be on demand. News and sport is primarily live. It varies between genres and services.

Q322 Damian Green: Presumably you would do things to push viewers towards your own content. How do you do that? Is it the first page they come to?

Ali Law: Not at all. The homepage that we have on Sky Q is designed to showcase the complete variety of content that people have access to via the Sky platform. We have a mantra here: everything in one place easily. That is our desire as a platform operator.

Yes, on occasions, when it is "Game of Thrones" or the launch of "Chernobyl" or something like that, we will have that haloed on the first rail that you see. But we work closely with our partners, both PSBs and non-PSBs, to make sure that we afford them the same approach there.

It is important to remember that the first page that you see is still not the way most people go into their content at the moment. It is there as a nascent method of content accessibility. It is there to surprise people, to show people some things that they might not have seen before and to drive a level of appreciation of the value they get from their relationship with Sky. But we still know that most people will access content either through the linear TV guide or through things that they have self-selected in their recordings area as well. That is an important part of our proposition. It is a way that we can showcase both our content and the content of our partners. But it is also only a minor part of the way we know people access our content.

Q323 Damian Green: That is an interesting and counterintuitive point as well. Around the industry, the prospect of not being on that first page is often seen as the route to slow death. Are you saying that is not the way viewers operate?

Ali Law: We have had a variety of things show on our homepage and we are also innovating all the time. We have had 12 or 13 evolutions of the Sky Q user interface since it first launched four years ago. You do have the ability there to get your recordings from the homepage and to get a variety of apps that we carry on the platform. You will have some suggestions from things that you have not watched yet. You will have our hero rail and so on. It is a mixture of an editorial curated approach and an algorithmic approach that is designed to showcase the best of the platform from all providers. Yes, it is the case that people still quite naturally navigate to the TV guide, recordings and so on to find content that they know they will want to watch or that they have already recorded ahead of watching at a different time.



Q324 **Clive Efford:** Does the existence of public sector broadcasters make you up your game in terms of producing high-quality, original and innovative programming?

Zai Bennett: We have a mixed ecology, which has resulted in incredibly successful outputs. Competition in and of itself helps to push you to portray even better programming, totally.

Q325 **Clive Efford:** If public sector broadcasting did not exist and was not challenging you in that way, would we see a deterioration in the quality of the programmes that companies like yours produce?

Zai Bennett: We also have to consider the external factors here as well, the SVODs and so on. Often, when I am thinking about our competition, I think we make dramas, comedies and scripted programming that is more on a scale and size comparable to that on the SVODs, but we make it more locally and have more of a local and authentic flavour to what we make than the SVODs generally have done in the past. That absolutely is the key difference.

Q326 **Clive Efford:** You do produce high-quality programmes, but would you accept that that is an indication as to the remit of public sector broadcasters to raise the game in that area of broadcasting and the system working?

Zai Bennett: Yes, we believe the system is working and that having that rich mix is working. It means that we have an incredible, thriving independent production community, which is at the moment where we commission the vast majority of our programming from. That is helped by Channel 4, the BBC and ITV commissioning them as well.

Q327 **Clive Efford:** Should broadcasters like Sky receive public funding in the form of contestable funding and tax incentives for content that they would produce anyway?

Ali Law: On this point, we were trying to draw out in our submission the fact that we have spoken already about the number of commercial incentives that drive us and other providers towards delivering content that is clearly of a public service nature. There is an appetite for it. There is the ability to make a commercial return on it. Our view is that that is a sustainable route forward not just for us, but for other broadcasters as well.

Our point around the ideas of contestable funding and tax relief is that we are in a position where we do not think that the existing model where you just have four broadcasters through whom interventions are pushed is likely to deliver as much public impact as it used to because, as we have heard, audiences are fragmenting and are finding themselves elsewhere. Continuing to choose policy approaches that simply try to prop up the existing system is likely to result in a lesser level of impact.



We think we have shown that you do not need a PSB licence to be of service to the public. We are planning to do more. But our point is that if policymakers have concerns that they think need to be addressed, they should look at cross-sector policies that are available to all firms rather than just restricting the approach to traditional PSBs. That is more transparent and more flexible and does not distort competition. We see that policy has moved in that direction already. The Government have established their contestable fund for public service children's programming. There are tax credits that all broadcasters make use of. Both those approaches are open to broadcasters so long as their productions meet specific criteria. From our perspective, we continue to commission on the basis that it is what our audience and our customers, who are the public, love and value.

Q328 Clive Efford: You say that you want to avoid distorting the market, but if we accept that public sector broadcasters are crucial to maintaining standards—I think you have accepted that—is it right that a company like yours has access to taxpayers' money?

Zai Bennett: We maintain standards because that is what our customers expect and we also hold ourselves to that account. It is not purely by virtue of their existence that we have to maintain, exceed and excel, but we would absolutely accept that the competition that is across the sector, including the SVODs, helps you push further into quality and more innovative and interesting programming.

Ali Law: We should also remember that a couple of the public service broadcasters that we are talking about in terms of ITV and Channel 5 are also privately owned and do also have shareholders who are in receipt of regulatory subsidy as well. Our point is that there is a massive appetite from the market itself to deliver for customers, but if policymakers disagree and have areas that they think need to be bolstered, the best level of intervention is one that is open to everyone rather than just narrowly driven through a subset of broadcasters.

Q329 Clive Efford: How would you say that NOW TV performs compared to other on-demand streaming services?

Zai Bennett: NOW TV is performing well. We do not split out our subscriber numbers. We only publish those as a total across the Sky Group, including NOW TV. You know what it is. It is a low-cost streaming service. The difference with NOW TV from the other OTT services is that it distributes Sky's content instead of commissioning or producing its own. Also, unlike many of the other streamers, it offers live TV.

Q330 Clive Efford: Is NOW TV more expensive than other video services like Netflix?

Zai Bennett: It is slightly more expensive. That is by the nature of what we are offering to our customers. We have entertainment passes, which have 300 box sets. They get linear through the 11 best pay TV channels from Sky Atlantic, Sky One and so on, with a huge array of kids' offering.



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We offer sports passes as well. It is a different offering from what you get from, say, Netflix or Amazon.

Q331 Clive Efford: I am not singling out NOW TV in this, but I find it infuriating when I go onto some of these platforms, see a programme and think, "I would quite like to watch that," and it is not part of the package and I have to pay another subscription or a rental fee for it. There are several layers that people have to go through to access content.

Should it be at the front gate, so to speak, so that you pay a subscription and are not enticed in and asked to pay further subscriptions to access content?

Ali Law: To the extent that we have a variety of different packages on NOW TV, they are organised across simple category lines. There is an entertainment pass, a Sky cinema pass, a Sky sports pass on a day basis and on a monthly basis, and a Sky kids pass. We hope that both reflects the diversity of the content we are providing via NOW TV and allows people to enter a price point that is specific to where they want. With the exception of a sports show that you are looking to watch, it should not be the case that there is anything you see in the entertainment category that you need to pay an extra subscription for, beyond the one-off entertainment pass, which is £10 per month.

Q332 Clive Efford: Subscribers to NOW TV have gone down in 2019. Is cost a factor in that?

Ali Law: We do not break out the number of subscribers, so those will be industry estimates, but we have seen a good rise in customers over the past few months, especially with our cinema and entertainment passes, partly off the back of covid and people spending more time indoors. We are experiencing a strong bounce back even post the sports pause as well. We are growing at the moment. We expect to sustain that growth due to the quality and range of what we offer and more people being exposed to our services.

It is important as well to think that NOW TV operates in a different world from Netflix or Disney+. We tackle the idea of NOW TV's growth together with the Sky portfolio overall. OTT is able to attract customers who are not looking at the full Sky package, but are looking for something that is lighter or narrower or has the ability to dip in and out contract free. It opens up headroom that is a lot harder for traditional pay TV services to target and has been immensely successful for us in doing that.

Q333 Clive Efford: Are you saying that in 2019 NOW TV's subscribers did not go down or are you not telling us?

Ali Law: We do not break out the numbers on the basis of that, partly because it is also difficult to get an appropriate snapshot that is easy to meaningfully interpret. We have monthly passes, we have daily passes



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and we have a variety of different passes. The ability to provide a snapshot that is comparable is perhaps lower.

Q334 **Clive Efford:** You are not concerned about the sustainability of NOW TV going forward?

Ali Law: We saw growth during covid, and we expect to sustain that growth because of what we are offering people.

Q335 **John Nicolson:** Talking about covid, Ali, how important is it for television to provide news as a source of information for older people? We had been talking about younger people previously in this session, but how important, especially during this covid period, has news been as a source of information for older people?

Ali Law: We recognise that news has been hugely important to the whole of society and during covid and in the early days of the lockdown we worked closely with the DCMS to make sure not only that journalists could continue to operate as key workers, but that our TV engineers could continue to go out and do the work they need to do to ensure that people continued to have a provision of service.

Q336 **John Nicolson:** You worked for Ofcom previously. The Ofcom figures show that 94% of those aged 65 and older watch television as their primary source of news. Only 40% use the internet.

In that light, has television news adequately offered distinctions between the different nations when it comes to covering covid and the provisions of covid?

Ali Law: I do not necessarily have a view on the news market as a whole, but Sky—Sky News in particular—has done a hugely important job in charting the spread of the coronavirus outbreak, including within the different nations of the UK. I completely agree with you as someone who has to interpret the different approaches that the devolved Administrations are taking at times. It can get quite complex, but Sky News is often a personal source for me, and it has done a good job in unpacking that and explaining it for audiences.

Q337 **John Nicolson:** I ask because Cardiff University had a study that found that London-based news reports were missing the nuances of devolution and that that had contributed to public misunderstanding of the covid rules in the different countries.

I absolutely accept what you say. It is hard even for those of us following it closely to remember all the different provisions of the different countries. The police in Wales, for instance, have encountered day-trippers from England who did not understand that they were breaking the law by crossing the border. We discovered in my own constituency in Scotland that the authorities in the Highlands repeatedly had to tell people that they could not go and lock themselves away in the Highlands because they did not have the medical facilities to cope with a big



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outbreak of covid brought in by somebody from outside.

It has been quite tough for the broadcasters to get the different types of arrangement in the different countries across to the general public. I am not sure that they have been 100% successful. Are you?

Ali Law: I have not seen the report you are referring to. Therefore, I have only my own personal experience to go from. If you asked every newsroom in the country whether they felt they had covered the ins and outs and the detail of covid at such incredible pace with 100% accuracy, I am not sure anybody would say that. But when it comes to Sky News, we have done an incredibly good job of spreading our coverage, helping to set the agenda at times, be that reporting from Bergamo or our investigations into care homes, putting people at the heart of our storytelling. That has meant a combination of public health information. We have carried the press conferences by the First Minister, we have carried the press conferences from Wales and we have communicated to our viewers on the basis of the information that is set out. We have done so at pace. I am sure everybody would say there are slight improvements that could be made, but we have done an incredible job.

The output and how our audiences have reacted through this are testament to that. I mentioned Ofcom's research earlier in terms of how Sky News outscores the PSBs in a variety of different elements. One of those elements was trust. One of those elements was accuracy. One of those elements was quality. We are immensely proud of the job that Sky News has done during this period.

Q338 John Nicolson: I am a broadcaster and a news journalist by profession. I wonder if you could tell me your view. If the Prime Minister were to come to the podium and deliver a briefing on covid, would you cut live to it? Would you cover it? I know I would.

Ali Law: I am not a journalist. Also, Sky News has guaranteed editorial independence that separates it from Sky Group from a corporate perspective. Comcast gave guarantees to this effect during the bid process. There is a Sky News editorial board that enshrines its independence. They take the editorial decisions that they are highly qualified to make in that respect. I am not going to comment on what I would or would not do because I am in no way trained to make journalistic calls in that way.

Q339 John Nicolson: That is an excellent answer. It is refreshing for somebody to say, "I am not trained." I cannot remember the last time we had anybody appearing before the Select Committee who said, "I don't know," about something. It is an accurate answer because we cannot all know about everything.

You mentioned the First Minister's briefings, of course, and you have covered the First Minister's briefings. A lot of the charities in Scotland, especially the charities for older people, say how good it has been to hear the First Minister every day giving them a briefing. Going back to that



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figure of 94% of old people getting their news from TV news, it has been an important source of information.

There has been a huge stoushie in Scotland because the BBC has succumbed, it appears, to political pressure and announced that it is pulling those daily briefings despite the fact that covid is on the rise. That might be a good place for Sky to step in.

Ali Law: I would reiterate that what Sky News covers and how it covers it is an editorial decision and it has structures in place to ensure that they are completely independent.

The UK has a strong level of broadcasting regulation when it comes to news provision and impartiality in particular. Sky News has a good track record on that front. Not just Sky News, but the news provision from all the PSBs and non-PSBs, stands as an important bulwark in this kind of pandemic against some of the disinformation that appears online. We take that responsibility seriously and that is reflected in our coverage.

John Nicolson: I am absolutely with you on disinformation and I am also absolutely with you on the importance of public broadcasters and others avoiding political interference. It is crucial and has never been more crucial than now. Broadcasters should avoid succumbing to pressure from politicians. Thank you very much for your evidence.

Q340 **Kevin Brennan:** I very much welcome the placement of Sky Arts on free-to-air and I am certainly happy to be featured in some of the marketing for that on social media with a clip from many years ago involving MP4.

On a serious point, does it cost you anything to put it on free-to-air?

Zai Bennett: Yes, there is a cost in broadcasting and securing a free-to-air slot and also then running the channel itself has a cost to it, of course. In the UK, Sky Arts is the only service dedicated to arts and culture. It is among the best funded broadcasters of its type in Europe.

Q341 **Kevin Brennan:** Will the advertising value on it be greater on free-to-air? Will that help to compensate for the costs of doing it or will you still make a loss?

Zai Bennett: That is part of the overall business plan, but it is not something that makes it a commercially attractive proposition in that respect. It is something we want to do because we think it is the right thing to do. It is the right thing for Sky Arts to do for its mission to try to make the arts more accessible and to invest in the cultural economy. It is also important to us. We have been planning this for over a year. It is not something we have suddenly decided to do in terms of covid. It has been long thought about.

Q342 **Kevin Brennan:** In reading your submission in which you make some critical points about ITV and Channel 5 and their role as public service broadcasters, some cynical observers—no one on this Committee has any



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cynicism—might suggest that maybe it is part of a marketing strategy to make Sky as a whole organisation look a bit more like a public service broadcaster to perhaps get into that market in future. Is that unfair?

Zai Bennett: It is unfair to characterise it like that. We think it is the right thing to do for the sort of programming we are trying to create. I am happy to say that we see value in strengthening our brand. Sky News does that and Sky Arts will do that. We are absolutely happy to say that.

Q343 **Kevin Brennan:** Quite rightly, Ali pointed out the independence that Sky News now has as a result of the takeover that happened after the Government were strongly pressured by many people, including me, to make sure there was some competition for the future of that organisation rather than it just being taken over by Rupert Murdoch.

I read an interesting quote the other day from Andrew Neil, the broadcaster and journalist, who said, “Murdoch doesn’t own Sky, which is now run by a woke US broadcaster”. What would be your response to that quote from Andrew Neil about Sky and who runs it these days?

Ali Law: We have been incredibly well backed by Comcast since the takeover. It has shown a desire to supercharge the investment we already had planned and all the things Zai was talking about earlier: the increase in original production, the establishment of Sky Studios Elstree. That all comes because of our partnership and our ownership by Comcast and the way that it backs us. We continue to run the business in similar ways to how it was run prior to the takeover. One of the things that Comcast has been brilliant at doing is coming in and working with us and trusting the model that had made us an attractive company in the first place. We think it is delivering real levels of strength both for us now and in the future.

Q344 **Kevin Brennan:** For the Committee’s information, for how long is the editorial independence for Sky News that you talked about earlier on guaranteed and for how long is the funding for Sky News guaranteed?

Ali Law: Both were given as commitments as part of a bid from 2018 when the bid went through for 10 years through to 2028.

Q345 **Kevin Brennan:** Thanks very much for that. On this issue about regional news that the Committee has already asked about, ITV does have strong viewing figures for its regional news. Perhaps in comparison, despite the commitment and investment that has been made to Sky News, its viewing figures are significantly lower than that.

In what way would having a regional news service delivered through Sky News in any way fulfil the same public service broadcasting commitment that ITV is able to deliver currently?

Ali Law: It is worth me being clear. We are not saying that Sky News is on the verge of launching a regional news service or that we are keen to take ITV’s regional news at the moment away from them in any way and give it to us. What we are doing is outlining the hypothetical of



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policymakers wanting to drive wider audiences and different types of audience. I accept that ITV's regional news figures are good, but they are still some way behind the BBC. They serve a relatively similar demographic, certainly in terms of age, by virtue of being available at about the same time in a linear fashion.

Sky News is not on the verge of doing something from a regional news perspective, but if policymakers are looking at this area there are alternatives to sticking with the same system.

Q346 Kevin Brennan: Can I ask you one other question on prominence, which Damian Green was asking about earlier? One thing that was not mentioned in relation to that was voice recognition technology. We are interested as a Committee in the future of public service broadcasting and it being accessible and visible to potential users of public service broadcasting and streaming.

What is your view about how important voice recognition will be and how we can ensure that if public service broadcasting is to carry on, it is featured prominently within that technology?

Ali Law: As a platform operator, our focus is always on trying to deliver what our customers are seeing and what our customers are looking for. When we design our own voice interactivity and press-the-button on the Sky Q remote, the idea for us is to get people as quickly as possible to the programme they are asking for. We are commercially incentivised to deliver them to PSB content in that respect. In terms of platform operators, be they UK-based or wider, having an appreciation of where audiences' preferences are, I installed my first Amazon Echo about six months ago and when I asked it for the news for the first time, it gave me BBC News. That was unsurprising given the level of viewership, reach and market share that BBC News has.

In these areas, while policymakers may have concerns, there are commercial incentives that are driving quite strongly towards getting people to the content they want as quickly as possible.

Q347 Kevin Brennan: Should commercial news providers be allowed to pay companies that manufacture these devices or run them to get that prominence so that they can trump the fact that the BBC comes up first or should that not be allowed if we are going to have a public service broadcasting environment in the future?

Ali Law: We all strike commercial deals in this way. Again, from a platform perspective, you are still looking at trying to deliver what is most useful to the audience that you have. I would take umbrage at the suggestion that something that delivered you Sky News instead of BBC News was in any way inferior because, as I was saying earlier, we have been the effective challenger to the BBC for 30 years. It is still the case that platforms will make decisions, notwithstanding commercial arrangements, that are ultimately in the interests of the people who use



them because that is how they create a good user experience and retain customers.

Q348 **Steve Brine:** Ali, as an effective challenger to the BBC for 30 years on news, presumably you think you do news pretty well compared to them?

Ali Law: Yes. That is not just my own view. It is the view of the Ofcom research I cited earlier, and it is the view of RTS, which awarded Sky News for a record 13 times News Channel of the Year. We are incredibly proud of the job that Sky News does.

Q349 **Steve Brine:** And presumably you reckon you do it better than ITV?

Ali Law: Again, I would return to the same answer in terms of what the outcomes show at the moment.

Q350 **Steve Brine:** Taking the Heineken analogy, if Sky News did news for the south or north-west news, you would do it well?

Ali Law: I am sure they would bring the same level of quality to any news provision that they delivered, but I would echo what I said earlier. The situation at the moment is that there are two subsidised TV operators in the regional news area and that means the commercial ability to deliver something like that simply is not there.

Q351 **Steve Brine:** Finally, to Zai, with regards to content, I must confess I am not familiar with Sky Crime, which is a new venture, but I do remember you having Sky News Brexit-free at one point last year, which was a brilliant idea. If you could make Parliament Brexit-free, that would be even better.

Where next? A Sky politics channel? I enjoy the Sky golf channel; "Feherty Talks To" is brilliant. Where next? For you, Zai, saying to your bosses, "I am done. I am just going to manage what we have now," is not going to be a great career move. Presumably, they want you to constantly come up with ideas and new innovations. Share with us some of your thoughts and channel fantasies.

Zai Bennett: We try to do what is best for our customers. We are continuing to launch new things. We launched an NFL channel in our sports area. At the moment, in terms of the entertainment area that I am in charge of, Sky One, Atlantic, Crime, Comedy and so on, we probably have the right-shaped portfolio. It is now a matter of making sure that those services have a good pipeline of high-quality British content where it is relevant for them or, if it is American, sourcing the very best there is.

Q352 **Steve Brine:** Do customers contact you with some of these innovations? Do they come from customer suggestions? You say you are customer led. Presumably, if they said they were desperate for a Sky politics channel that featured the DCMS Committee on a regular basis, maybe that is where you would go next.



Zai Bennett: That one has not come across my desk as yet. We tend to be driven by research and audience interactions. That is how we look to what we are going to do with Sky Documentaries and Nature. Our customers were telling us clearly they valued it highly as an area. That is one we were not commissioning original content in, so we moved into it.

Steve Brine: That diversity is fresh and is welcome. Thank you.

Chair: Thank you for your evidence today.

Examination of witnesses

Maria Kyriacou and Mitchell Simmons.

Q353 **Chair:** We are now going to move on to our third and final panel. We welcome Maria Kyriacou, President of Networks UK and Australia from ViacomCBS, and Mitchell Simmons, Vice President, Government Relations, ViacomCBS. I apologise for keeping you waiting. I am afraid I am going to have to say good afternoon rather than good morning.

Maria Kyriacou: Good afternoon. Thank you.

Mitchell Simmons: Good afternoon.

Q354 **Damian Green:** Thank you and welcome, both of you. You may have heard Sky's evidence and may indeed have read the submissions, which basically say, particularly about ITV and Channel 5, that they do not do very much that Sky does not do.

From your perspective as a public service broadcaster, what does Channel 5 offer that viewers cannot get from commercial offerings?

Maria Kyriacou: Thank you for inviting me here today. What do we offer? We strive to be additive to the overall PSB ecology. We want to be differentiated. There are a number of ways we achieve that.

One of them is our commitment to kids' programming. We are the only free-to-air broadcaster that puts kids' programming on every single day. That shows in the results we get. Our reach has increased year on year for the last six years in a competitive landscape.

No. 2 is our news programming. Our news programming skews regional. We are the only news service that over-indexes in out-of-London regions like Yorkshire and the north-east. It skews female. Really importantly, it skews C2DE and that is exactly the audience that does not have ready access to broadband, pay TV or SVOD services.

Finally, if you look at our primetime hours, we focus on documentaries and factual programming, especially programming that reflects modern



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British life. We have since 2014 gradually increased our commitment to original British hours. The vast majority of what we put out is British content. We are investing in the creative ecology of the overall industry. We like to and we choose to particularly support the smaller indies because we think that is how to keep the health and vitality of our creative industry going.

We have specific programmes every now and again that we implement to allow us to pivot a little bit. A couple of years ago, we pivoted to saying that we want small regional indies to come to us. That was in 2018 and by 2019 we were commissioning their shows. Last year, we said we want independents run by black, Asian and minority ethnic producers. There are not a lot of them around. We want them to come and pitch us shows and we will commission from them. We are going to dedicate a certain amount of money just for them. We initiated that in 2019 and in 2020 we announced seven new commissions from them and there will be more to come.

Q355 Damian Green: Picking up one of those points about children's programming, you make the point that you are the only free-to-air specialist in that area. Conventional wisdom has been for years that there is now so much content and, also, children do not watch TV the way they used to. What sort of ratings do you get for your children's programmes?

Maria Kyriacou: True, the conventional wisdom is that this is so highly competitive and the kids have left television. What our research tells us is counter to that. Our reach is about 19 million people every week and we have grown that reach every single year for the last six years. Part of that is because we keep investing in it. In 2019, we committed to doubling the number of hours of original content and we are well on the path to delivering that. We will have 300 new hours to put out there in 2020 and 2021. We think that is how to build loyalty and audiences.

We specialise in pre-school, so we have built a certain level of trust with parents and we are a destination. Again, it is important that we maintain that trust and we keep building on that trust.

Mitchell Simmons: To add to Maria's point, there is also a regional aspect to our kids' programming. You will see, especially in what has been commissioned this year for next year, much more regional kids' live-action commissions, which is also important for maintaining those viewers.

Q356 Damian Green: Thank you. Looking more widely, your response to the covid crisis was to cut the programming budget by 10%. Has that proved enough or is there any more in prospect?

Maria Kyriacou: The 10% cut was natural attrition because we were not getting the volume of original content coming through. Alongside everybody else, we had to move to repeats because we just could not keep all the shows on air. We re-cut. We re-edited. We kept freshening



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them up. Our audiences grew. One of the most pleasing things I can say is that as we came out of lockdown a lot of the spikes in viewing that we saw at the beginning started to ease off. We have had some of our best results and that is because we kept supplying our audiences with something they considered fresh, even though it was largely coming out of re-editing and re-cutting remotely.

It is also because we are starting to put investment into more and more drama. We have done the biggest ever drama launch in September. The biggest month our online player My5 has ever had was in August. By maintaining a certain level of freshness to the schedule and bringing in as lockdown eased more and more new programming, our audiences built up strongly and we are in a good position.

Q357 Damian Green: What about jobs? There have been reports that more widely Viacom will be laying people off around the world. Are there any job cuts in prospect at Channel 5?

Maria Kyriacou: You heard earlier from Sky about the impact on advertising. Sky Media is our ad sales agent and has reported about 40% down in the second quarter. That hit us quite hard and we are one of the smaller PSBs. The story of our audiences is positive. The story about our finances is less so. We are going to have to think about how we run the business as efficiently as possible. The wider ViacomCBS initiatives around merging CBS with Viacom do not play into that. For us, it is about making sure we are the right organisation for the future.

I cannot tell you whether there is going to be a net-net loss of the jobs because at the same time we are considering how we run things more efficiently in certain departments, we are looking at investment in others because we want to build our digital expertise, for instance.

Q358 Damian Green: One of the things that the Committee and many others have been concerned about is the state of freelancers in the industry during covid and the absence of work for months on end. Has Channel 5 done anything to support the freelancers you must have working on many of your programmes?

Maria Kyriacou: I am going to talk about production and then I am going to hand over to Mitchell on certain aspects of this question.

The biggest thing we did to support the freelance community was to continue to develop and commission new shows. Even though we had to stop production, we could carry on developing. We took that opportunity to do that. We have around 120 that were commissioned in the last few months alone. I will pass to Mitchell on other measures that we took.

Mitchell Simmons: Yes, sure. It was a limited impact on our business. We did put a small number of employees—around 60—on the furlough scheme and they were on the furlough scheme for only a short while. Similar to how Sky described, it was only those who were on PAYE. Other



than that, there was a contribution to the Film and TV Charity work to support freelancers.

Maria's point is correct. The nimbleness of Channel 5 has meant that it has pushed to find new productions to invest in. That is the way it has felt best to support the freelance production community.

Q359 John Nicolson: Can I return to the question of news and specifically news on Channel 5? Ofcom reports that when it comes to news, Channel 5 scored lowest in almost every single category. Why do you think that is?

Maria Kyriacou: Can I ask Mitchell to step in? I do not know the details of the Ofcom report in particular.

Mitchell Simmons: Which report are you referring to?

Q360 John Nicolson: It is the Ofcom report into news trustworthiness, among other things. The only two areas where you did not score lowest among news providers was impartiality, where you were the second lowest, and local news, where you were third out of five.

Mitchell Simmons: That report in terms of consumer research is a mischaracterisation of what 5 News does. We would argue that 5 News, as Maria has already said, skews outside of London. It skews to the north, to the borders. It skews towards women. It skews towards working-class audiences. Channel 5 is the first news of the day, often, for many people. It is on at 5 o'clock. For many people, it is the only opportunity for them to see the news each day.

Our experience and our feedback from viewers is that they are supportive of us. They come back to us. They are very sticky in terms of repeat viewers. Our view is that 5 News is high calibre with high-calibre presenters. That consumer research is somewhat frustrating.

Q361 John Nicolson: "Frustrating" is the ultimate euphemism. If your defence is that the reason you do badly in all other categories is because you focus on local news provision, that tactic does not seem to be working. On local news, Ofcom reports that you are third out of five providers. If that is your best defence, it may be time for a new strategy.

Mitchell Simmons: 5 News would say that it provides local news. What 5 News—

Q362 John Nicolson: It focuses on local news.

Mitchell Simmons: 5 News focuses on issue-led stories that affect different communities around the country. That is the strategy it has taken. We find that in that regard it becomes differentiated from the other broadcasters. It is not necessarily led by the stories in Westminster. It tends to be led by the key stories that we have at home and that is how we approach news on Channel 5.



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Q363 **John Nicolson:** I do not mean to be unkind, but I do not know anybody who says, "I must dash home and watch Channel 5 News." People tune in to Sky, the BBC and ITV. You are not cracking it when it comes to news provision in terms of, I suspect, public demand and public tastes. Those figures rather bear that out.

Mitchell Simmons: I would slightly push back a little, if I may. People in Westminster are absolutely not the audience for 5 News.

Q364 **John Nicolson:** I do not live in Westminster. I work in Westminster. I have not been in Westminster since the beginning of March. I live in Scotland and I talk to constituents.

I love news. I am saying this in a critical way, but I am saying this also in a supportive way because I want people to watch the news. They are disappointing figures for you. Taking the 5 pm news off air during covid cannot have helped.

Maria Kyriacou: We took the 6.30 pm programme off air for two months with Ofcom's permission and support. We took that decision because, right in the middle of lockdown, ITN produces our news and we had a lot of people not able to turn up either because they were shielding or because they were suspected covid cases. We were 20% down. We wanted to protect the 5 o'clock news as much as possible because that was our first news bulletin. Hand in hand with Ofcom, which gave us permission to suspend the 6.30 pm narrative repeat for three months, we took that opportunity. We suspended it for two months in the end and we were back on air pretty quickly, as fast as we could.

Really, the priority there was making sure we were protecting our crews, making sure that they were safe and not run ragged, and that we were not putting them at risk.

Q365 **John Nicolson:** News crews expect to run towards danger. That is what news reporters and news camera operators do. That is the very essence of the job. I put it to you again that taking news off the air at a time of national crisis cannot have enhanced your reputation as a news provider.

Maria Kyriacou: You are quite right to say that our overall ratings—we are smaller than the other providers, but our reach is strong, and our differentiation is strong. It is something we want to continue to build on.

Q366 **John Nicolson:** What do you mean by "differentiation"?

Maria Kyriacou: We skew heavily to C2DE audiences. We skew the way we—

Q367 **John Nicolson:** Tell people what that is in everyday layperson's language.

Maria Kyriacou: Very broadly, the ABC1 demographic is more affluent; C2DE is less affluent.

Q368 **John Nicolson:** Your news is specifically targeted towards poorer



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people?

Maria Kyriacou: No, the skew of our news is on the impact on ordinary people's lives. That is the question. Our editorial ask is, "How does this quality affect—"

Q369 **John Nicolson:** Sorry, you said "skewed towards" those groups. That is another way of saying "targeted towards".

Maria Kyriacou: We take a decision about the editorial direction. How does it impact ordinary lives? The result is that we have a demographic that is majority C2DE.

Q370 **John Nicolson:** It sounds enormously patronising to say, "What do poor people want to watch? I will skew the news towards the poor." It sounds enormously elitist. News is about news values. That is what news is about. You do not say, "Is this going to be watchable by a poor person or a rich person?" It is about the news agenda and what is important. It seems a peculiar way of looking at news. The proof of the pudding is in the eating. You are not leading in any single category of news provision. In fact, you are bottom in all but two.

Maria Kyriacou: I would not want to sound patronising. That is the last thing we would want to do. However, the fact that we have a largely C2DE audience is something that we view as a positive, not as a negative. We want to continue to build upon our reputation in news.

Q371 **Kevin Brennan:** The figures that my colleague John Nicolson was just mentioning are interesting, but they are also a bit strange. It might be worth digging into the methodology of the survey given that it rates the local news provision of Channel 5 not that differently from some channels that do not provide any local or regional news service at all. I suspect that that is not because Channel 5's local news is not valued by those who might watch it.

It also shows Channel 5's ratings across the board being lower than even CNN and Al Jazeera. This is something to do with the limited knowledge, perhaps, of those participating in the survey of all the content. Unfortunately, it does not give us people's opinions of Russia Today and "The Alex Salmond Show", which might have enabled us to make a more direct comparison with what is going on in this strange survey that Ofcom has done.

Is it true that there has been a big change since 2014 in Channel 5 and a huge improvement in the quality of the content and output of Channel 5, certainly in my experience, in the last five or six years, both in terms of programming that is made here domestically in the UK and in terms of its news output?

Maria Kyriacou: We talk about ourselves as going through a renaissance. In the last 12 months, we have won all three "channel of the year" prizes that our industry has. That is through the work of the commissioning team, who have moved the channel away from



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acquisitions to local commissioning. They are responding to what audiences want to watch. We have broadened out the factual and current affairs programming. You will see documentary film making.

Equally, the ratings for some of our strands are surprising us as well in terms of how they are building. We are now moving into more drama. "All Creatures Great and Small" a couple of weeks ago earned us 5 million viewers on a consolidated basis. That is a number that our bigger competitors would be proud of and we are certainly proud of it. We intend to continue to invest in our British-content strategy and to keep building that trust that audiences are giving us.

Q372 **Kevin Brennan:** My take on this would be that perhaps Channel 5 has a big job to do to explain to people what it does do in terms of broadcasting and explain its role as a public service broadcaster. Awareness by the public of what it does in these surveys seems to be low. Clearly, because a lot of the content is not, in fairness, targeted at people who might not necessarily live in Westminster but might work in Westminster, the awareness among policymakers of Channel 5's role within the PSB landscape is low. You have a big job of work to do to turn that around.

Maria Kyriacou: We have seen a lot of engagement with politicians on 5 News. I have had chats with the editorial team since I joined. I have been with the company about eight months now. Through Zoom, I have had a chance to chat to quite a lot of teams. The editorial team has said that in the past they might have felt overlooked, but that is certainly not the case. We have had access to policymakers in the last few months and we do not have any issues in that regard.

In terms of the programming, we offer a broad array of programming. It is not one thing or another. There is a factual skew. There is a preference to put original content and to reflect British lives on our channel in primetime. Since lockdown, our primetime hours have grown by 20% year on year. That is more than any of the other PSBs.

Q373 **Kevin Brennan:** Perhaps in trying to respond to the picture that I have just outlined, Channel 5 could lose the distinctiveness that it currently has from other public service broadcasters. There is no point in you looking like Channel 4.

How do you see Channel 5 in the future of public service broadcasting? If it were removed from the list of public service broadcasters, what would the impact be on Channel 5?

Maria Kyriacou: We see the current editorial strategy working for us and so we will continue that way, which means largely originated and working with a wide range of indies. As much as possible, we want to increase the number of indies we work with. We want diversity of views. We will keep extending an invitation out to smaller indies, regional indies and indies run by black, Asian and minority ethnic creators as well. We



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will maintain if not continue to invest in our kids' programming and build our reputation for news. I do not see us changing our editorial position.

We are not going to compete aggressively for the big reality shows. We are not going to try to steal entertainment shows or outbid everybody else on the big shiny floor shows because our audiences value the factual shows we are producing. They value the documentaries. They are also showing us that they value our creative curation of dramas.

I did not answer the second part of your question, so I wonder if I could pass that to Mitchell.

Mitchell Simmons: I am sorry. Which was the second part?

Q374 **Kevin Brennan:** What would happen to Channel 5 if you were not a public service broadcaster anymore?

Mitchell Simmons: The key point is that Channel 5 has made the most of having a series of obligations upon it such as for kids' TV and for current affairs. We talked about news, but we also must remember that Jeremy Vine is on five days a week. We have quotas on out-of-London broadcasting, for regional and for working with independent producers.

Channel 5 has become a channel that has managed to make the most of all those obligations upon it. It has taken what many in the commercial world might see as restrictions and turned them into opportunities, such as things for kids, such as factual production for documentaries and current affairs. Clearly, there is a financial strain on the market in terms of meeting some of those obligations and, if Channel 5 was no longer a PSB, some of those investments would disappear. But we are happy as a PSB that has significant obligations and we feel in many instances we are delivering above and beyond those obligations.

Q375 **Chair:** In terms of whether the obligations would disappear if you were no longer a PSB, what areas would suffer the most? Would it be children's programming? Would it be news or current affairs?

Maria Kyriacou: I did not hear the beginning of the sentence, sorry. I do not think the mic quite worked. Could you repeat the question?

Q376 **Chair:** Yes, that is fine. I am following up on Kevin's questions. If you were no longer a PSB, what part of your programming would be most at risk?

Maria Kyriacou: We have not played that scenario out because we view our future as one of the important PSBs that add to the overall plurality of our industry and our marketplace. I cannot answer that in any informed way because we have not given it much thought.

Q377 **Chair:** In terms of profitability, do they make money? Does your children's programming make money? Do current affairs make money? Which one makes the most money?



Maria Kyriacou: Part of our recommendations is additional funding for programming. We have seen some real success with the Young Audiences Content Fund. That has helped us differentiate the pre-school programming that we invest in. It is not a matter of wiping out an entire genre. It is the nuances within the genres. If you take kids, for instance, the commercial model can support more animation being made, but the commercial model does not necessarily support regional children's programming, diverse children's programming or even live-action children's programming. The Young Audiences Content Fund has helped us in that regard because the funding it has provided has allowed us to commission those sorts of show and diversify that particular genre.

Our focus on additional funding, again, is about documentary film making, factual film making and investigative journalism, the kinds of genre where the commercial model is not necessarily strong enough to allow producers to fulfil their full ambition for the kinds of show they want to do. It is nuanced. It will not obliterate factual programming. You just might not see the depth and the range that you would like to see.

Q378 **Chair:** Factual programming would be the one that would go if you were no longer a PSB? Is there any part of the PSB remit that you see as out of date or anything you think should be added to it?

Maria Kyriacou: Can I pass this to Mitchell?

Mitchell Simmons: Sure. There is nothing specific that springs to mind. The key way we would regard PSB is that PSB is not about the specific obligations each channel has, but is about a destination a viewer can go to, whether it be for kids, whether it be for news, whether it be for current affairs. It is a comfy and safe space and acts like a first line of defence against what is going on perhaps in the online world, where we do have disinformation, fake news, lack of proper regulation of advertising and so on. Although we feel there are significant restrictions on PSBs, at the same time we receive significant benefits. We feel that the current compact works well.

We do think there should be some tinkering around the sides. We are not unsympathetic to contestable funding, as proposed by Sky. At the same time, we would not agree necessarily with its franchise model because we think that would break up the way the PSBs currently operate. Consumers understand how PSBs operate today and we do not see a significant reason to change that moving forward.

Q379 **Chair:** Do you take the criticism on board, though, that people do not quite realise that Channel 5 is a PSB?

Mitchell Simmons: We would take on board a little bit of that criticism. Certainly, people who know the channel and know the content come back to it. There has definitely been a transformation in the channel, which has been incredible to see. I have worked in the company for a number of years and to see that transformation has been amazing. You are not



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wrong that there is more work to do to be in places like we are here today and to tell people about the positive changes that are taking place on the channel.

Q380 Clive Efford: Has being part of Viacom helped you survive the lockdown and in what way has it been able to sustain you?

Maria Kyriacou: Channel 5 has a dedicated management team. We run it as a British channel and we are all Brits. My duties, for instance, expand beyond Channel 5. We have a certain level of efficiency that comes out of the scale of being able to run multiple channels. Per share point, we are running it on a much lower cost base than everybody else. When finances are constrained, low-cost models are a good way to go. Being part of a bigger organisation means that we have been able to fund our way through the 40% decline that you heard about earlier from Sky. That had a massive impact on all of us. Going forward, it will also help us reinvest in building back up to where we were, hopefully, before covid hit us all.

Q381 Clive Efford: Early on in the lockdown, you were going to cut your programming budget by 10%. Did you fully implement that cut and are any others planned in the pipeline?

Maria Kyriacou: That cut was natural attrition. When we were not taking in new productions, we were not able to spend the money. It was less about slashing the budgets and more a result of the fact that production was not continuing. That is where the 10% came back in.

As we come out of lockdown, we want a lot more first-run programming on there. What you will see as well next year is a stronger investment in genres that we have done only a little bit of in the past such as drama, which tends to be slightly more expensive. We are going to do more drama. It is working. People see us as a destination now for drama. We are going to continue on that track.

Q382 Clive Efford: In a previous answer to my colleague, you were talking about redundancies. During the lockdown, what has Channel 5 done to support freelancers?

Maria Kyriacou: We carried on commissioning shows. We commissioned 120 news shows while we were all in lockdown. We contributed to the TV and Film Charity for them to help freelancers. We supported the calls for the insurance cover. We have been part of the industry-wide moves to support freelancers in our own way. The priority for us was to make sure they kept working and that productions carried on being commissioned.

Q383 Clive Efford: Moving on, Ben Frow admitted that Channel 5 is not the first port of call for viewers. I have to confess to being one of those. Is that something that you want to change for a significant number of viewers?



Maria Kyriacou: Ben has done a fantastic job at changing that perception. If he has put that in, it is because he thought—

Q384 **Clive Efford:** How would you say he has done that?

Maria Kyriacou: Through quality programming. We had the strongest year-on-year growth in our primetime hours of any of the other PSBs. We grew 20%. A lot of our good results have come after lockdown restrictions were eased. Some of our better ratings have come more recently. We have started to win our timeslots, which for a small channel like us is a huge win. Shows like “Our Yorkshire Farm” have done well. “A Greek Odyssey with Bettany Hughes” has done well for us. We have had a lot of new launches that have been strong. Those franchises will come back next year. We are going to keep building on what audiences have told us they like.

Q385 **Clive Efford:** Ofcom has said that the record audiences enjoyed by PSBs during lockdown are going to be short-lived. You are saying that is not the case and you are going to be able to sustain the increase that you enjoyed during lockdown? Is that what you are saying?

Maria Kyriacou: We all spiked at the beginning, but a lot of our most recent strong successes have been after the easing of lockdown. By then, the ratings for the market were already starting to drop. Even though overall it was starting to drop, ours were coming back up.

We are going to try our darndest. Ben is going to try to overcome that challenge. If Ben said that, Ben said it because he is setting himself a challenge to climb over, not because he is fatalistic and thinks that is our future. It is more of a rally for his troops.

Clive Efford: I will end there on that upbeat note.

Chair: Thank you, Clive. Thank you, Maria Kyriacou of ViacomCBS and Mitchell Simmons of ViacomCBS. Thank you very much for your evidence today. That concludes our session.