



Select Committee on Communications

Corrected oral evidence: Public service broadcasting in the age of video on demand

Tuesday 2 April 2019

3.30 pm

[Watch the meeting](#)

Members present: Lord Gilbert of Panteg (The Chairman); Lord Allen of Kensington; Baroness Benjamin; Viscount Colville of Culross; Lord Goodlad; Lord Gordon of Strathblane; Baroness Kidron; Baroness McIntosh of Hudnall; Baroness Quin.

Evidence Session No. 2

Heard in Public

Questions 14 - 32

Witnesses

I: Professor Patrick Barwise, Emeritus Professor of Management and Marketing, London Business School; Professor Petros Iosifidis, Professor of Media Policy, City, University of London; Professor Jeanette Steemers, Professor of Culture, Media and Creative Industries, King's College London.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Professor Patrick Barwise, Professor Petros Iosifidis and Professor Jeanette Steemers.

Q14 **The Chairman:** I welcome our witnesses. We are very grateful to you for taking the time to come. We are just starting our inquiry into the future of PSB, asking broadly whether the PSB remit can survive the current fragmented media landscape. Is it desirable that it should? Is it under threat? If so, what are the remedies? What should we do about it? We are looking for a broad view on the subject. Today's session will be broadcast online and a transcript will be taken.

We very much hope that, with three eminent academics with us, we will be able to sort out some of the evidence out there to get our inquiry under way. In a moment, I will ask you to introduce yourselves and to answer questions from our Committee. In introducing yourselves, I have a broad opening question: what is the best definition of public service broadcasting? Is the concept still relevant in the age of streaming and digital media? How well do the PSB broadcasters meet their remit and obligations?

Professor Petros Iosifidis: Thank you very much for inviting me here. I am professor of media policy at City, University of London. I will start by answering the question.

Public service broadcasting is broadcasting intended for the public benefit or broadcasting in the so-called public interest. Of course, to be fair, "the public interest" is a notorious term; it is difficult to define it exactly. These public benefits and the public interest is exactly the opposite of so-called commercial interest, so public service broadcasters should serve the public interest rather than purely commercial interests. That does not mean that they do not provide content and programming for mass consumption; of course they do. They inform, educate and entertain, to go back to the Reithian tradition, but their remit is mostly to stay with education and information.

In my view, public service broadcasting is more important and more relevant today than in the past because it can contribute to democracy, culture and the economy. It can contribute to democracy and culture because it can provide reliable and trusted news. It has been there for a long time. It has established a bond with audiences. Its trusted news series has been running for a long time, with current affairs programmes such as "Panorama", to give an example. Through such trusted news, broadcasters have established a strong connection with their audiences. Today, we live in an era of so-called fake news and post-truth politics, which is why, as I said, the role of public service broadcasting is more important today for democracy and culture.

It is also important because it supports the economy through the production of programmes, as well as through the support of independent producers, or indies. That is why Channel 4, for example, which is a

commercial public service broadcaster, produces most of its programming through independent production.

That is how I would briefly define public service broadcasting and say why it is more important today than in the past. I could say a few more things, but it would be better to hand over.

The Chairman: We will move on, but we might come back to you with some further questions arising from what you said.

Professor Steemers, could you give us a brief introduction and an answer in relation to that question? How effective do you think broadcasters are at meeting their remit?

Professor Jeanette Steemers: I am from King's College. I also think that public service broadcasting is still very important and has an important role in social cohesion. It is not just about being available to everybody, as it currently is. It is about the public service remit and providing curated content, which is much more important now that we have social media and a growing lack of trust in the media. This trust is very important. Some public service broadcasters are struggling with it at the moment, quite frankly.

It is about quality content that speaks to audiences living in the UK. The institutional and regulatory framework for that is vital. That does not mean that it should be set in stone; it needs to change and adapt as circumstances change. It should provide something at some time for everybody. That should be reflected in range and variety. Crucially, public service broadcasting is not just about education and information; it is also about entertainment. I am a great fan of "Great British Bake-Off", which is now a Channel 4 programme. I believe in a full public-service model that serves both majorities and minorities. We in the UK are living in very fractured times, and public service broadcasting is a space where people in Britain come together and look at the debates.

It is incredibly relevant with respect to diversity and range, which are not pursued by subscription video on demand services, which are responsible to their shareholders, not the public. The SVODs are not interested in UK content for people living in the UK; they are interested in subscribers.

I have a strong interest in children's content. Netflix is offering great stuff at the moment if you like international content, but there is not much for British kids. It is really important to have nationally focused public service broadcasters, because online media are largely dominated by US companies and I really cannot see other European or UK players coming in to challenge that. There may be some smaller UK children's providers such as Hopster and Azoomer coming along, but the US players have a first-mover advantage, and even more so in the children's sector.

Public service broadcasting is important for grown-ups, but it is even more important for kids because it encompasses in microcosm diversity and range. Quite frankly, other providers out there are not really providing stuff for kids who live in the UK. Amazon and Netflix are not doing that much for British kids. Even in the UK, at the moment—

hopefully things will change with the Young Audiences Content Fund—we are looking mainly at the BBC.

Public service broadcasting is crucial for grown-ups and for kids.

The Chairman: Thank you. We will come back to talk specifically about children's programming in a moment. Professor Barwise, welcome back to the Committee.

Professor Patrick Barwise: Thank you. I am emeritus professor of management and marketing at London Business School, but a lot of my work is about media, including broadcasting policy. I give my definition of public service broadcasting on page 4 of my written submission, which I think you have. It is very pragmatic; I am saying that public service TV broadcasting in the UK is TV broadcasting by the UK public service broadcasters, which is not quite as circular as it sounds because I then define a public service broadcaster as a broadcaster managed and regulated both to be universally available and to deliver public service objectives in addition to those which a purely commercial broadcaster would deliver.

You asked whether universality is still relevant. Universality is really about values; I place very high value on a service being universally available at little or no cost. In addition, we have four public purposes, which were set by Parliament and refined by Ofcom: informing our understanding of the world—I do not think that the need for that has become less; stimulating knowledge and learning—ditto; reflecting the UK's cultural identity—if anything, even more; and representing diversity and alternative viewpoints—as Jeanette has said, that is also very important.

Given the squeeze on resources, I think our PSBs are fulfilling their remits remarkably well. That is not just my view, it is also the public's view, and the best source for this is Ofcom's annual PSB review for 2017, which says on page 10: "The PSB purposes and characteristics are still rated highly by the public both on importance and on delivery".

On the next page the review says that the public's responses on all those questions increased between 2011 and 2016. As Petros has said, in a world of disinformation, the importance of impartial news is greater than ever, although, to be fair, all three of our broadcast news providers, including Sky News, are regulated to be impartial. From time to time we hear people suggesting that that is a bit out of date. No it is not, in my view.

The Chairman: Thank you very much, Professor Barwise. Could you confirm that in due course you will send us an updated version of the document you submitted to the Committee and which you have just referred to, as formal evidence to the Committee that we will publish?

Professor Patrick Barwise: Yes. That will pick up anything you raise with me today and a few more thoughts that I have had. It will be possible for you to publish that, but not yet.

The Chairman: Thank you very much. You have touched, Professor

Barwise, on the remit of PSBs and how effectively, in your view, they are performing, and evidence of what viewers think about those questions. Does anyone else have anything to add on the attitude of licence-fee payers/viewers to the provision of PSB and whether they think they are being well served? Obviously we can talk to Ofcom, but is there any further evidence that you could invoke for us?

Professor Jeanette Steemers: The evidence proffered by Ofcom is that there is a high degree of satisfaction with services. However, as time goes on I think you could see that fracture a little, because there are services out there that are not that expensive. If you pay, I do not know, 10 pounds a month or something for Netflix, people might weigh that up. So there are financial considerations. Some of the pay TV services in the UK such as Sky are probably under more threat from SVODs in that respect—if it provides good value for money.

On the children's side of things, parents constantly say that they are very, very pleased with the performance of CBeebies and CBBC. The satisfaction levels are up around 80%, which is fairly high (Source: Ofcom). The issues in the future might arise less from SVODs and more from what is happening in the country as a whole as we become more fractured.

Professor Patrick Barwise: I would back up what Jeanette has said. On the revenue models of the SVODs, the US VODs include YouTube, which is a free-to-air, advertising model, which is very different. But the SVODs are in head-to-head competition with pay TV, so they are a direct threat there.

There is obviously a perennial discussion about the licence fee. If the *Daily Express* runs a survey, you find that 97% of people think the BBC is not value for money. If you run a normal survey with a representative sample, you may find 30% of people saying that it is not value for money. About five years ago, the BBC ran a so-called deprivation study in which we went mainly to that 30%, who lived without any BBC services for nine days. At the end of that nine days, we gave them each £3.60, which is the money they would have saved on the licence fee, and two-thirds of them changed their mind. I can send that to you, if that would be of interest.

The Chairman: That is very interesting. As always, the methodology—the incentive—is critical.

Professor Jeanette Steemers: The biggest threat is the Government meddling with the licence fee. Paddy has already pointed out the settlement in 2015 on licences for the over-75s, which is a massive burden.

The Chairman: We will come on to that.

Q15 **Baroness McIntosh of Hudnall:** I just wanted to ask you about something that has puzzled me as a non-expert in looking at the various bits of evidence in the stats. The BBC is obviously different from other public service broadcasters because the funding model is different—it is

theoretically not reliant on having a commercially viable model to make it viable.

In that context, what weight do you place on share of the market, as it were—the share of viewers?

Professor Patrick Barwise: Of viewing figures?

Baroness McIntosh of Hudnall: Yes, because I find myself puzzled about how to weight that against the numbers of people who are prepared to subscribe to Netflix, for example, or the numbers of people who apparently watch Channel 4 or ITV.

Could you talk a bit about what significance you attach to the decline in viewing figures? Everybody tends to see them as alarming and frightening, but is it actually because the market is so much more diverse now?

Professor Patrick Barwise: That is exactly right. As I said in my submission, one very important issue which the Committee can influence is the way regulators define the market. Netflix is quite clear that it is in the same market as our PSBs and so on. Our regulators should take the same view. I am encouraged by the fact that you are running this inquiry. As I said, I hope that I am preaching to the choir on this.

There are two metrics that are different from each other if we look at value for money of the BBC. One is reach. A view you will hear from time to time from cab drivers is, "Why should I pay for the BBC if I don't watch it?" The answer is, "You do". The BBC is not very good at this because the data sources are different, but if you combine the reaches at the household level for the three BBC services, in a week it is 99%. The idea that someone spends an annual licence fee and no one in the household gets any value could be true in principle, but in practice it is not. Reach is very important. As you say, it is bound to go down because it is a more fragmented market. In my view, we should define that market to include online television as well as broadcast television.

The other value-for-money metric is the cost per hour. That is not so much the share of viewing as the amount of viewing. The cost per hour is a bit less than 10p, or something like that. Clearly, compared with almost everything else it is very little. Part of the irony of all these policy debates is that broadcasting—even pay TV, but particularly the BBC and the advertising equivalent on commercial PSBs—is tiny as a proportion of consumer expenditure, but huge as a proportion of the way people allocate their time.

We have all these debates about money, but we are actually talking about something that is hugely important for our culture, democracy and so on, and in pure entertainment terms is terribly important to people, yet we talk about the money as if it is proportionate.

Professor Petros Iosifidis: You are quite right to say that the BBC, because it is funded by the licence fee, is different from the other public service broadcasters that are funded by advertising. I come from Greece, where the public service broadcaster is considered a state broadcaster,

not a public service broadcaster. This is the case in many other Mediterranean countries, such as Spain, France, Portugal. The connection between public sector broadcasting funding and advertising is a bit tricky, because sometimes you respond to the demands of advertisers, rather than audiences or the public interest.

My point is that the BBC should be the cornerstone of broadcasting here in the UK, even though commercial broadcasters, such as Channels 3, 4 and 5, can also be public service broadcasters. When I discuss that with my colleagues in Greece they find it very strange that commercial broadcasters can be perceived as public service broadcasters. There is a difference. That is my final point: if a broadcaster is funded by the licence fee it is politically and economically independent. That makes a huge difference when it comes to the quality of programming.

Professor Jeanette Steemers: The notion of public service broadcasting is that sometimes you go for the big audiences with, say, "Strictly Come Dancing", but there are times when you need to go for the small and narrow audiences, which might be defined by gender, class or whatever group you are aiming for. That is important for a public service broadcaster, because they can take the risk to do that, whereas commercial broadcasters cannot always, because they are selling audiences.

Q16 Baroness Benjamin: It is great to hear you speak so passionately about the importance of quality and relevant children's content. As you know, many of us have fought long and hard for the children's contestable fund to provide UK-produced quality content for children on the commercial PSBs, which the BFI has just launched. We hope it will be a success.

With that in mind, should the BFI contestable fund for children's programmes provide a template of funding for all public service content for other genres? If so, where should the funds come from?

Professor Jeanette Steemers: I should declare an interest, because I chair one of the fund's steering groups that represents producers. The Young Audiences Content Fund is fine as a solution for a particular problem, which is the funding of children's content. That has been a market-failure genre for years and years, ever since the commercial PSBs were told in 2003 that they no longer had to keep quotas on children's content. They just were not spending money on children's content. Effectively, the only commissioner and funder is the BBC.

It is quite a neat solution for children's content; there are huge risks if you try to apply it to other genres, because if it is successful you might get Governments looking at the fund and saying, "Why don't we cut the licence fee a bit more? Why don't we use it for drama or documentaries?" This is what they do in Denmark. Danmarks Radio, the Danish public service broadcaster, has just lost a huge chunk of its funding to a contestable fund, and there is a similar situation in Ireland. You have to be very careful about that, because if you start funding it out of the licence fee you are not creating more money; you are just taking money

from the BBC. The BBC has enough pressures on its funding anyway to pay for licence fees for older people.

The Young Audiences Content Fund is a really interesting and neat solution for children's content. I really hope that the commercial PSBs are incentivised to commission more and different types of children's content. The BFI has done a very good job in setting it up.

Professor Patrick Barwise: It bundles together two things. One is whether the production of original UK content for British children should receive extra money. In my view, the answer is yes. The second question is whether that money should be allocated through a contestable fund. A contestable fund is something that right-wing economists love. The IEA just loves the idea of a contestable fund, because in general it is in the business of trying to turn the rest of life into microeconomics 101, with the market being the answer to everything.

I am mildly sceptical on the second question, but agnostic at this point. I want to see how well it works: do people step up to the plate and go for it, or do we run into lots of definitional problems and so on? I would have thought it was doable for kids' programming, but I must admit that I am cautious about extending it. The question then is whether you are taking more money away from the BBC to do this, or whether you fund it out of general taxation. In my view, it should be funded not out of the licence fee but out of general taxation. If to boost that general taxation you find a way to extract tax from the big US tech companies, this seems one of the good things you can do with that money.

Baroness Benjamin: If it is successful for children's broadcasting, should they continue it and take money from the BBC?

Professor Patrick Barwise: No.

Baroness Benjamin: If the BFI's children's contestable fund is successful, how will they continue it to help the commercial PSBs to provide the extra quality content that children need?

Professor Patrick Barwise: That is a very good question and of course is part of the huge issue about the way the BBC funding deals were agreed in 2010 and 2015, which was an abomination, and their outcome, which, particularly with the free licences for the over-75s, is potentially disastrous.

We need to find a way to limit the damage that those two deals did and we need a proper process for the future. We should then almost certainly continue with the extra funding for children, either through the contestable fund if it works as well as we hope, or through some other method—just giving some money to Channel 4 or whoever and saying, "You have to use that on children's programming". We need to stop politicians raiding the licence fee for other things.

Q17 **Baroness Benjamin:** Following on, we have the Amazons and the Netflixes coming up the fast lane like Lewis Hamilton trying to overtake our commercial broadcasters. Do you feel that the non-public service commercial broadcasters should be encouraged to start producing public

service content? Do you think we should find ways for them to operate on a level playing field?

Professor Jeanette Steemers: You are talking about commercial broadcasters, so their aims and objectives are different. Their objectives are to make a profit and to satisfy their shareholders. There is nothing wrong with that. They are selling audiences. I am not sure how you can incentivise them to do public service content unless you give them large amounts of public money. Even if you give that to them they might not want to make that sort of programming if it is for minorities or small audiences. They might want that money if it is something to put into drama or entertainment. That would be interesting for them.

This is also one of the issues with the Young Audiences Content Fund. The BFI and the people behind it will do it, but it is also about persuading people who have commercial goals in mind that they need to invest in content that will not bring them lots of revenue. Actually, if some of the commercial PSBs had run children's content properly they could have made some profits from it—if they had not closed down certain production houses such as Cosgrove Hall or if they had looked at things such as licensed merchandise. They missed a trick on that. It is very hard to persuade them to invest.

Other countries have contestable funding. Ireland, for example, uses contestable funds to invest in drama, and people get other little bits of funding from the EU or tax breaks. They do a bit of hotchpotching to put a budget together. It is very difficult to persuade commercial organisations to do public service broadcasting if their main priority is to make profits.

Baroness Benjamin: They seem to be drifting into that world, with the David Attenboroughs encouraging them.

Professor Jeanette Steemers: I love David Attenborough, but his type of natural history programme is profitable. You can sell them around the world internationally. The Americans watch them. It is not the same as a documentary about life in a northern town, or something like that, which will not go anywhere internationally. Natural history has always been a phenomenal mass seller. I should think that David Attenborough makes the BBC or BBC Studios a lot of money, but it is much more difficult with other types of public service content.

Professor Patrick Barwise: I absolutely agree with that. I am very sceptical about the idea, particularly in the case of the big US tech companies, partly for cultural reasons: the whole concept of public service broadcasting is very alien in Silicon Valley, and it is beyond New York in that sense.

David Attenborough is an exception because there is a huge global market. A lot of what we are talking about with PSBs is very specific to the UK or even parts of it. That is a very large bridge to cross. I would tend not to go there. The PSBs are very good at producing public service content, but they have financial challenges. We need to ensure their financial sustainability, and then they will continue to invest in public

service content. We definitely need to level the regulatory playing field. There are a lot of detailed issues there that I am sure you will explore.

- Q18 **Baroness Kidron:** We will come to a lot of the things you raised. I was struck by the idea of how successful BBC children's television is—you gave statistics earlier—but then the conversation seemed to drift. We have people who do it really well, so we take money away from them to give it to people who do not really want to do it and have been told that they do not have to.

Could you put something about that journey on the record before we go into contestable funds and everything else? It seemed quite interesting.

Professor Jeanette Steemers: Parts of the children's market are very profitable and popular. They are also good content. Just because something is animation does not mean to say that it is rubbish. Kids love it. They love "Teletubbies", "Paw Patrol", if anybody has kids, and "Peppa Pig", which is huge and was supported in a joint commission by Nick Jr. and Channel 5.

Professor Patrick Barwise: If I could just interrupt, one of the joys of "Peppa Pig" is that you now have parents in America who are worried that their kids are starting to sound a bit British. The empire strikes back, or the other way round.

Professor Jeanette Steemers: It is easy to make good, profitable content that sells well for the pre-school market in animation. The UK has a long track record with that. It continues to do things such as "Octonauts" and "Peppa Pig". I looked on Netflix last night, and all those shows that have been on the BBC—"Go Jetters" and that sort of stuff—are on Netflix. Things that the BBC or Channel 5 took a chance on to push along have now been bought up by Netflix, and children are enjoying them again. It was the BBC, Channel 5 and, earlier, ITV that took the risks in putting investment into that content. It might not have been a lot of investment, as it is very hard to fund that sort of programming. If it is animation or even drama, you have to get a lot of funders on board.

If you look at the schedules, the problem is that animation works quite well but the BBC is really the only organisation commissioning drama and factual content. I pulled out the figure yesterday that last year ITV commissioned three hours of factual content for kids. That is fair enough; it is a commercial company and I can understand why it does not commission it.

The economics are not good for drama that is very UK-focused or for factual content. Over the past 10 or 15 years, the number of people making these shows has gone down because they cannot make a living out of it. There are fewer and fewer producers to make it, which is a real shame because you are not building capacity for future shows. The money is not there. If you talk to independent producers they are tearing their hair out. They are trying really hard by getting 10 or 12 different sources to get this sort of show on the road, but it is very hard to bring the money together.

Q19 Baroness Quin: I was struck by what Professor Barwise and Professor Steemers said about the importance and financial challenge of being able to cater for the UK market and different parts of it. I wonder how you feel the PSBs are serving the different localities, regions and nations across the UK. Do you think the situation is improving or deteriorating, partly because of the financial climate PSBs are operating it?

Professor Patrick Barwise: To me, it will always be a challenge and there will always be complaints. Those complaints are not necessarily that highly correlated with those who would have a right to complain if you were to look on the outside. There is a correlation, but it is not that high. The West Midlands, for instance, gets very much less than its share, but you do not hear a great deal from there. You might say that that is because you do not get a lot of whinging in the West Midlands, because this is obviously a political process.

My impression is that, if anything, it is getting slightly better. Obviously the Channel 4 move is a very conscious thing. The BBC's move to Salford was a very conscious thing. We have a genuine policy trade-off here. Despite what some people believe, geography still matters—Silicon Valley is still in Silicon Valley, and so on. One must not fall in love with the ecosystem metaphor, but it is actually quite a good one. If you say that every episode of every programme is a new product, this is all about creativity, innovation and so on. Innovation tends to cluster.

That is one thing we have learned in the past 50 or so years. The natural way for the market to go is everything happening in London. We have very good reasons for saying that we do not want that, but we have to recognise the trade-off. I do not think there are any easy solutions here. There are good reasons for saying that we will not have everything happen in London because this is a national broadcaster for the whole of the UK, so we have to do things to make that happen. I think we are doing that, but this will be a never-ending process. It is genuinely difficult.

Professor Jeanette Steemers: Politically, as I said, there are fractures in the country, in the nations, north and south. There was a time when ITV was based on regional companies and there was plenty of production in the Midlands, with Central Television around Birmingham producing dramas such as "Crossroads". Bristol was a centre for natural history. It is still making quite a bit of animation. So was Norwich when Anglia TV was there. All that fell apart when ITV was allowed to consolidate. For perfectly acceptable reasons it felt that it needed to become a big company.

It is really important that the BBC is represented in the regions. It is very good that it has an outpost in Salford for children, but it is still seen as a metropolitan type of organisation. It is very interesting that the Young Audiences Content Fund has been established in Leeds and Manchester, I think, and that Channel 4 is also being asked to move out of the capital.

These questions are not just about money but about public service broadcasters being connected with their communities and different people around the nation. Some of the politics we are seeing may reveal that

people feel disassociated from politics, because all the media, including the press, are largely London-based.

Professor Petros Iosifidis: I am not an expert in children's programming on public service broadcasting, so I rely on my colleagues on this. We need to distinguish between animated programming and drama, because most of these global streaming companies provide so-called animated programming rather than drama. That is my point as far as children's programming is concerned, but of course you know better about that.

Going back to your point about whether public service broadcasters still serve different nations and localities, it is part of their remit to do so. It is part of the public service obligation. They have specific quotas. They are doing so, especially ITV, which is serving different regions and localities with local news and so on.

To generalise, this is all part of the universality principle: we should not be just London-based or London-centric. You need to be able to serve different localities and regions and provide a universal service, for minorities and the majority, and for different religions and so on as part of the public service obligation.

I do not think this is the case for global streaming media. It is not part of an obligation, anyway; they are not obliged to do that. They provide global programming, especially US-based programming, but they do not have an obligation to provide local programming. They also do not have a financial motive to do so. To go back to your question, public service broadcasters still serve the different nations quite satisfactorily.

Baroness Quin: I was prompted partly by what Professor Steemers said about ITV's reorganisation, because it seemed that that resulted in quite a sharp reduction in regional programming. It is very true of the West Midlands. I certainly remember Tyne Tees Television doing a tremendous number of very interesting local and regional programmes. There is still a gap there, although I accept that overall there is still an obligation to the regions. That is why I asked whether it was improving or deteriorating.

Professor Jeanette Steemers: Of course, the famous Ant and Dec started off in Tyne Tees. That says something: it is not just about people on screen—different voices and stuff—but the people behind the cameras and the commissioners. They also need to come from different parts of the UK.

The Chairman: We might come back to a discussion about diversity and what we really mean by it if we have some time. I cut Baroness McIntosh off earlier. She asked a supplementary, but I did not allow her to ask her principal question.

Q20 **Baroness McIntosh of Hudnall:** I wanted to ask you about audience behaviour, particularly young people's. There is a great deal of anxiety—frankly, I think there always has been—about whether young people will do what the people who are older than them did and whether they will choose a different route.

At the moment, there seems to be some evidence that the younger age groups are not watching television and using their screens in the same way earlier generations did. Specifically, they are spending less time watching public service content. Claire Enders put it to us last week that they grow out of that; that watching YouTube is specific to being young, and you might find in 15 years' time that they have grown up to watch more of what the BBC provides, let us say.

First, what evidence is there about the way young people consume streaming content and, secondly, where you think it is going?

The Chairman: Who is best placed to answer this?

Professor Jeanette Steemers: They are watching less on a TV set. I would have to check the Ofcom figures, but it has gone down six or seven hours over the past 10 years. Some say they are watching 10 hours a week, some 13 hours a week. They are watching less on a TV set, but they are still watching TV. Kids watch less than adults because they are doing other things. They are at school and stuff like that. They tend to watch less.

Baroness McIntosh of Hudnall: This is not just about kids but about a younger demographic.

Professor Jeanette Steemers: It is also for the younger demographic. They are still watching a lot—Ofcom does the statistics—but they are watching it online. They are watching more on Netflix and YouTube, and they are also watching public service content online.

This is where public service and commercial broadcasters are missing a trick. They need to do more to help that audience to find stuff, but that necessitates a lot of investment in things such as discoverability, algorithms, putting your stuff on an app or whatever. My feeling is that some organisations such as ITV have been a bit slow with that. The BBC has tried to put a little more money into that by making its stuff more discoverable, but, again, it costs money. The BBC and Channel 4 perhaps do not have the same resources as Netflix or YouTube to do that.

There are examples of other public service broadcasters in other countries that have had great hits on YouTube. Some of you might have heard about NRK, the Norwegian broadcaster, and "Skam", which was an online soap. Norwegian broadcasters say that their enemy is not the commercial broadcasters but the SVODs, so they put their stuff out there and people discover it. They did not care that they were putting whole episodes online; it was about getting engagement with young people. It was not a children's show, it was a show for late teens, but a lot of kids watched it. It is the same with the Danes; Danish television is shutting down its children's TV channel next year, so they are having to prepare: "How do we find our audience online?"

A bit more imagination is needed from the public service broadcasters to enable discoverability and promote that sort of stuff. I hope they have lots of bright people who can help them to do that. Last year, the BBC said that it would spend a lot more money doing that. Some would say that it should spend the money on content. I think it is going to put some

£37 million into trying to make sure that the content is found by young people.

The Chairman: For clarity, because we look at the facts, are you saying that, in your view, young people—I do not mean children—are watching as much PSB content as they ever were but they are just watching it online, or are you saying that they are consuming less PSB content than they were?

Professor Jeanette Steemers: It is difficult to say, because we do not have the research for it. The audience research is not sophisticated enough. My hunch is that they might be watching less, but they are certainly still watching stuff. It just might not be public service content.

Professor Patrick Barwise: They are watching less. There are quite a few issues here. One is that the big thing people rightly focus on with the new competition from the FAANGs is Netflix in particular bidding up the cost of programmes.

That is one of the big cost escalations. As Jeanette says, there are others, one of which is that PSBs are having to spend more on technology, discoverability and so on. Netflix described itself as having a foot in Hollywood and a foot in Silicon Valley. It is native to those types of company. Amazon is, again, obviously part of greater Silicon Valley. Discoverability is the way it operates.

Coming back to your question about whether this is a cohort effect or a life-stage effect, it seems to be both. Looking to the long term, one thing we know about today's 15 year-olds is that in 25 years they will be either dead or 40. Assuming that they are still alive, the question is what they will have in common with today's 40 year-olds. They will probably have mortgages, marital problems, bad bosses and all that, so they will want to unwind. Quite a lot of that unwinding is likely to be in the evening in a semi-awake state, like the TV audience today.

Total television and AV consumption is slightly increasing because there are more opportunities outside the home, so it is not that people are stopping consuming television or TV-like material. Having said that, the cliché of digital natives is overstated, but it has more than a grain of truth. There is a genuine cohort effect in that later generations are behaving differently because of what they grew up with and what they are used to.

In addition, there is the issue that PSB content tends to be more challenging, which is what we want in general. Children and younger people, left to their own devices, will tend to choose less demanding options. There are more of those now and they are more widely available.

In my view, it is a long-term trend. Having said that, the question was whether they are likely to watch more public service broadcasting as they get older. The answer is up to a point, as long as it is there. That is why we keep coming back to the funding issue. If we keep cutting the BBC off at the knees, it becomes an irrelevant question and we will gradually evolve towards the US, in which PBS is pretty much irrelevant to everything. Nobody bothers with it.

Baroness McIntosh of Hudnall: That is a political question as much as an audience behaviour question.

Professor Patrick Barwise: It is both, but absolutely.

Baroness McIntosh of Hudnall: It has strong elements of both. Specifically on the growth of SVODs, a new one is about to arrive from the public service broadcasters. Apple has just come on to the market, and there are one or two others that we know are probably lurking about as well.

Is this a zero-sum game where every time a new one comes along somebody else pays the price in lost viewers, or is the market infinitely expandable? What impact will the arrival of new SVODs be likely to have on public service broadcasters?

Professor Patrick Barwise: When we say the market, if you mean viewing, it is not very elastic. That will be a substitution effect. If you mean revenue, it depends on the revenue model. YouTube, which behaviourally is the big one, is not an SVOD; it is advertising-funded and part of Google.

As you add more, including from Disney and all those people, you will get more choice. Other viewing shares will go down. It will probably put more pressure on all UK broadcasters' costs, not just the PSBs'. The net impact on UK production is hard to call. It could go either way.

Baroness McIntosh of Hudnall: If I understand you right, it is also likely to undermine the political case for continuing to fund public service broadcasting. Is that your view, if eyeballs are what you are counting?

Professor Patrick Barwise: Marginally. It depends on how important you think universality is. All these services are available only to people with proper broadband. In this country, we still have about 8 million adult fellow citizens who, for practical purposes, are not online. That is a very slow journey, so it is not universal in that sense.

Secondly, with the exception of YouTube, these are subscription-based, so they will never be universal because they will always price themselves in such a way that they are not universal. If they were universal, their shareholders would say, "You are underpricing". To me, it is unambiguously bad for a PSB to have more of these coming in.

Q21 **Viscount Colville of Culross:** Briefly, Professor Steemers, you talked about discoverability of programmes, particularly on public service broadcasting—BBC programmes. The BBC has made a big effort to move into the digital sphere. After all, it set up iPlayer and has a YouTube channel. I am interested in the digital licensing scheme that was introduced to raise some more money from viewers going to that digital offering. Has that digital licence fee been at all successful in raising revenue? Do either of you know?

Professor Patrick Barwise: What do you mean by digital licence fee?

Viscount Colville of Culross: I thought you had to pay a licence fee if you had a digital device.

Professor Patrick Barwise: I think that was explored but not pursued. If you watch only live TV or the iPlayer, that in a sense is fairly marginal. The number of homes that genuinely watch only online is very small. It is much talked about, but it is very small. A digital licence fee in that sense is certainly necessary, partly for future-proofing, but at this point it is fairly marginal.

Q22 **Lord Gordon of Strathblane:** I want to deal with the impact on commercial public service broadcasters. Starting with Professor Barwise, if ITV takes a hit in audience terms it can be argued that its effect on revenue is disproportionately high because the cost of reaching, say, 15 to 25 year-olds goes up and ITV prices itself out of the market. Is that the case?

Professor Patrick Barwise: The relationship between the viewing of commercial, advertising-funded TV and its revenue is not straightforward. This goes way back to the Peacock committee and all that. One of the very big reasons for not having advertising on the BBC is that almost everyone agrees that essentially all you would do is take the same advertising pie away from Channel 4 and ITV. If ITV uniquely loses viewers and its competitors do not, it will lose revenue proportionately.

Lord Gordon of Strathblane: I am sorry, I was probably taking ITV as a general for advertising funded PSBs, but it is unlikely to affect ITV and not Channel 4.

Professor Patrick Barwise: Exactly.

The truth is that we do not know. If you look at what can be quantified in the world of media optimisation, it tends to be relatively tactical. If you have a certain advertising budget for television and you say, "We're trying to maximise the reach among a particular target market", you can do that. If you are asking the bigger question, which is whether people have overinvested in digital, in online, because it is a shiny thing and you do not want to be left behind, the truth is that we do not know the answer because it is based on semi-informed judgment.

If you say that the only show in town that can deliver genuine, very fast reach with audiovisual content is commercial TV, that continues to be the case until the point is reached where the audience is more and more fragmented and people lose faith in it, and they say, "We're simply paying too much per thousand for that benefit", so you could have not quite a catastrophe but an acceleration—

Lord Gordon of Strathblane: A tipping point.

Professor Patrick Barwise: Exactly.

Lord Gordon of Strathblane: If we take the age group that advertisers seem to worship, the 16 to 35 year-olds, who in my view do not have nearly as much money as the over-55 year-olds—

Professor Patrick Barwise: No. You are absolutely right.

Professor Jeanette Steemers: I am not sure that they do worship that age group, because it is the age group that does not have so much money.

Professor Patrick Barwise: I agree with Lord Gordon that they should not. Remember that everyone who works for an ad agency wants to be 20 years old, so it is disproportionate.

Lord Gordon of Strathblane: My point is about the move away from linear TV, which may be occasioned not by streaming services but by people just moving to what they regard as a portable television set—in other words, their tablet—as happened with transistor radios. Surely the effect on a highly-prized target for advertisers will be disproportionate.

Professor Jeanette Steemers: One of the problems with the younger age group—I am talking about people aged around 15 or 16—is that the broadcasters are not providing anything for them that they really want to watch, that is specific for them. If you are not providing anything for them, they are not going to watch it and they will look for that stuff elsewhere; they will go to YouTube and find funny videos, YouTube influencers or interesting things on Netflix. Over time, they, particularly Channel 4, have perhaps not catered for that age group, which is why that age group is not watching.

The long-term issue there is that if young people and children are not watching public service broadcasting as they grow up, they will probably not seek it out when they are older because it is something that you become habituated to.

Lord Gordon of Strathblane: We must surely agree that none of us has evidence for this because the experience is too recent. It is a question of whether we have a hunch that people will, as it were, grow up in their television viewing, or not.

Professor Patrick Barwise: I think it is a mixture. As they get older, they may become more interested in news, and so on. The policy task is to make sure that when they do grow up we still have public service broadcasting for them to consume.

The people who will be particularly concerned about the issue you raise—advertisers trying to reach younger viewers—will be Channel 4, because that is its sweet spot. The BBC has a huge challenge, of course, because if the over-75s, who are the biggest consumers of BBC radio and TV, are not paying for it, there is the big issue of intergenerational fairness. That is one of the many cases in which the BBC is criticised either way: it is criticised for not doing enough for young people, so it says, “We need to do more for young people”, as part of its strategy, and it is criticised for taking some resource out of Radio 4 and so on. There is a genuine dilemma there.

Professor Petros Iosifidis: Also, we do not know how the technology and the market will develop in 20, 30, 40 years.

I want to make two very brief points about your statement. First, I asked my third-year students the other day what they watched yesterday. They

said, "Come on, Petros, we don't watch television any more". This is a sign of the younger generation moving away from linear television.

Secondly, I asked them about the BBC—to be fair, they were international students—and asked them to compare it with Netflix. They did not know what the BBC is all about, but they knew all about Netflix.

I will also make a couple of points about how the market is changing, and how audience behaviour is changing, especially among the young.

Q23 Lord Gordon of Strathblane: That leads me very neatly to the effect on the BBC, because arguably the effect on audiences might not be as financially important as it is to commercial public service broadcasters. There is an issue with the justifiability of the licence fee when people can come forward and say, "I don't watch broadcasting any more, I go to video on demand. Why are you interfering in that market? The licence fee was designed to interfere in the broadcasting market. This is not broadcasting". How do we reply to that?

Professor Patrick Barwise: I would say that they are mistaken about their own behaviour. I am a fairly hardline person who likes proper data, so I look at the real data. In the deprivation study, we went to the 28% who said, "It's not worth it", and two-thirds of them changed their mind.

So people say that, but we should have a 10-year ban on people at conferences talking about their kids' media consumption. I have to say that BT executives are particularly prone to saying, "My three year-old daughter is on YouTube". This is absolute nonsense. Sorry, I like proper data, and I think we should use proper data for policy.

Professor Jeanette Steemers: When you look at the facts—Ofcom does a very reasonable research report on young people—you see that the top news source, the one that is most trusted, is the BBC. It is followed by Facebook, I have to admit, but it comes top.

Professor Patrick Barwise: It is not followed by Facebook. The *Sun* comes bottom, you will be amused to hear.

Professor Jeanette Steemers: Yes.

Professor Petros Iosifidis: With catch-up services, you cannot watch iPlayer without a proper licence, but that is not the case with the forthcoming BritBox, which is different and we will probably talk about it later.

The Chairman: We will talk about it later, yes.

Q24 Lord Gordon of Strathblane: Finally, how do subscriber services get away with not publishing audience figures?

Professor Jeanette Steemers: They are private companies and that is their currency.

Professor Patrick Barwise: They have audience figures, because they are online. It is part of the data.

Professor Jeanette Steemers: You mean like Netflix?

Lord Gordon of Strathblane: We have heard evidence from people saying that Netflix does not publish audience figures even to people it co-operates with.

Professor Patrick Barwise: No, they do not publish it, but they have a lot of data and they see it as a strategic asset.

Lord Gordon of Strathblane: How do they get away with not being forced to publish it?

Professor Jeanette Steemers: It is a trade secret. They do not want anybody else to know. Funnily enough, the public service broadcasters should be a bit more open with their data, particularly children's data. I would love to know more. For Netflix, that is their currency and how they determine what programme they will make next—they know that 54 year-old women watch this programme, or whatever.

Viscount Colville of Culross: It is an absolutely crucial issue that the SVODs do not publish their data. In order to get much more of an equal playing field between them and the PSBs, should the regulators start looking at whether they should be forced to publish their data?

Professor Patrick Barwise: I suspect it would need legislation—

Viscount Colville of Culross: Yes.

Professor Patrick Barwise:—but, to me, that is perfectly doable. In general, with the big tech companies there is what we call a techlash, with Facebook in particular in the dock again and again for all sorts of things. This is not up there with stealing the election in America, and so on, but it is part of the same thing. The Silicon Valley culture is one of very extreme libertarianism of that kind, and the issues that we are talking about are fairly alien to them.

But, hang on, this is our country, and it seems to me that we could do much more to take control in that way. It requires a lot of thought to determine what the right things to do are. Some of this should be at the Europe level, and so on. We have also had it in the advertising world where Facebook keeps on marking its own homework and then having to admit, "We got it wrong".

Q25 **Baroness Kidron:** I am interested in whether you think there is huge confusion between device and content, and whether people are thinking about the device on which they access content instead of what the content is. Do you think that is spoken about enough? It is a bit like saying, "Well, the chances are 99% that someone in your household was accessing this".

Professor Patrick Barwise: In the last week, for example?

Baroness Kidron: Yes. They may have accessed it on their phone, on the radio, et cetera. Do you think that we as policymakers are concentrating enough on trying to imagine a world where we are device-neutral, so that we can then consider the uses and value of content and how we measure that in all sorts of ways?

Professor Jeanette Steemers: It is a constant problem that gets constantly misreported in the press. Every year, Ofcom does its statistics and stuff and says, "Kids aren't watching television any more". Actually, they are watching loads of content—probably far more than they need to—but they are watching it on different devices, such as their mum's phone, an iPad, the big TV in the corner or whatever.

Regarding devices, it should be about content and viewing. Several of us academics have spoken to Ofcom about that and asked that when it does its research it concentrates more on what people are watching and what they value, regardless of the device, as well as where they are getting that material and how they are finding it. We do not have enough information on how people locate stuff and discover things.

Baroness Kidron: So that is something useful that we could think about in our report.

Professor Jeanette Steemers: Absolutely.

The Chairman: Let us move on. I ask the witnesses for some pace in their responses, because we still have so much material to cover.

Q26 **Lord Allen of Kensington:** Before I ask my question, I need to declare my various interests. I am chairman of Global Media & Entertainment, advisory chairman of Moelis & Company, a bank that advises media companies, and I have a declarable shareholding in ITV.

I am keen to get your views on whether public service broadcasters have done enough to challenge the rise of on-demand viewing. Secondly, a decade on from the disastrous decision by the Competition Commission to kill Kangaroo, BritBox is now coming along. I would be interested in your views on how viable that is. In my view, 10 years has made a big difference, but is it viable? Do you see BritBox sitting comfortably with free-to-air public service broadcasting?

Professor Petros Iosifidis: BritBox is probably the forthcoming British Netflix. Some people have already labelled it that. It will make a difference, but not a big one, because it is coming late to an already overcrowded market, with the presence of Netflix, Amazon Prime and many other streaming services.

The other problem I can see is that only two shareholding companies have introduced BritBox: ITV and the BBC. I would like to see more public service broadcasters, such as Channel 4 or Channel 5, doing that.

Lord Allen of Kensington: There have been discussions with Channel 4.

Professor Petros Iosifidis: Okay. As I said, the market is overcrowded. It has to produce something distinctive. Global streaming and video on-demand services concentrate on global content, so BritBox should probably concentrate on UK-centric programming, at least to begin with.

Finally, for this to be successful, it must be priced appropriately and competitively: say, something between £5 and £7 per month. Netflix services start from £5.99 per month, so it should be something like that, but it is coming a bit late into an overcrowded market. It should have

come a bit earlier. It has the consent of the regulators and the Competition Commission this time; it is not like Project Kangaroo many years ago.

The Chairman: Jeanette, what is the response of broadcasters to on-demand dealing, specifically BritBox?

Professor Jeanette Steemers: I am not an expert on this particular issue, but one of the issues concerns rights. Public service broadcasters such as ITV and the BBC do not own those programmes and are struggling. Obviously, the producers would like to hold on to those rights and maybe sell them to Netflix or create value for their companies.

On IP, I think it was in 2003 when the law was changed and broadcasters no longer had control of their IP. Since then, we have grown some important independent production companies, many of which are now owned by US companies. I have nothing against that; people have worked hard and deserve the fruits of their labours. However, that has not always been great for public service broadcasters, who are at a disadvantage against Sky and Netflix, which buys all rights. It is an issue.

Professor Patrick Barwise: If you are going to talk to Netflix, you might ask how it defines a "Netflix original", by the way. "Bodyguard" was made by an ITV subsidiary and commissioned by the BBC, which, outside the UK, it has the rights for most of the territories, but it is advertised as a "Netflix original". I would be intrigued to hear the answer to that question.

Lord Allen, you know my views on the Kangaroo decision 10 years ago. I have been explicit about it. It has an implication for today; particularly since Ofcom became the external regulator for the BBC—rightly, in my view—there has been the danger of them not wanting to be seen as a soft touch or to be seen to be going native. There is a danger of it being a bit too tough on the BBC in responding to some of these issues, 10 years on from Kangaroo. I know that Sir David Clementi spoke about this issue in Oxford, and I agree with his sentiments.

Let me come back to what I said in my submission about the market definition. In my view, that is where the CC went wrong all those years ago. Can we just make that ancient history? We now have a ferociously competitive, very large market in which the PSBs are very small players. Can we not artificially slow them down with unnecessary bureaucracy, as well as other things?

BritBox will be a very small player. It is viable, but it is not a game-changer. Personally, I do not think that there is a problem, even with BBC programmes, of people saying, "I paid for them already so why should I pay for them again?" The answer is that people had the opportunity to watch them before. If they want to watch them again, beyond a certain point the proceeds will be spent on more programmes for them and everybody else. I do not have a big issue with that.

Lord Allen of Kensington: If BritBox is not a game-changer, what could or should we be doing?

Professor Patrick Barwise: For me, the only big issue is over-75s. The 2010 and 2015 funding deals—I say deals, but this was the Chancellor of the Exchequer in a closed room over a weekend with a baseball bat—are an atrocious way of determining the long-term future of our national broadcaster. If we cannot reverse that or mitigate it, we will end up in a very bad place. It seems to me that all the other issues pale into insignificance compared with that.

- Q27 **Viscount Colville of Culross:** You mentioned Netflix keeping global rights. Of course, the PSBs, particularly the BBC, have terms of trade agreed with the independent production companies, which allow them to keep their global rights and the copyright. Now that so much of the BBC's content is commissioned from independents and the BBC studios seem an ever-diminishing resource for the BBC in reclaiming copyright and selling on rights, should those terms of trade be revisited?

Professor Patrick Barwise: In my view, yes.

Professor Jeanette Steemers: I think so, too.

Professor Petros Iosifidis: How?

Professor Jeanette Steemers: That is a thorny problem. You would have to talk to John McVay about it. He may have a completely different view.

Professor Patrick Barwise: Good luck with John McVay. The other way you could go, in principle, is to say that you will extend it to the SVODs. The trouble with that is that it may drive investment away. It is a dilemma. It should be revisited, and it is past its best-before date.

The Chairman: Lord Colville, I think we can come back to that question with other witnesses.

- Q28 **Baroness Quin:** Lord Colville touched a few minutes ago on obligations and regulation, but perhaps I can amplify that by asking whether the obligations on public service broadcasters, such as the content they show and how it is commissioned, are still appropriate. If not, might they be changed in any way? Are general restrictions on broadcasters, such as on TV advertising, still appropriate? If so, how, if it is thought to be desirable, could equivalent restrictions be placed on video on demand services?

Professor Petros Iosifidis: I think the obligations are appropriate. It is not me saying that. Channel 3, Channel 4 and Channel 5, in responding to the Ofcom consultation on proposed programming obligations last year, all agreed that they wish to remain public service broadcasters.

ITV, for example, responded that it was happy to make news for the different nations and regions. Channel 5 also accepted these obligations, but it also said, of course, that the cost to its business of maintaining them, especially the peak-time origination quota, would be huge, and that it would like to extend the peak time.

I do not want to get into details, but the overall response to this consultation was that public service broadcasters were happy with the

obligations and with the privileges that they are getting as public service broadcasters. So it is not just me saying this but the channels themselves.

Professor Jeanette Steemers: The public service obligations are limited to those channels, so they relate only to ITV1 and the children's side of things. People always say, "They can do more on CITV", but they forget that CITV, the kids' channel, is not a public service channel.

I suppose that, as things change, the mainstream channels—Channel 4, ITV1, Channel 5—may become less important to them. People often raise the question as to whether ITV could decide to walk away from those public service obligations if it weighed them up and said, "Do we still need to do regional news? Do we still want to do impartial news? We do not do much kids' stuff anyway. Let's just walk away from it". Only time will tell on that.

On the advertising side of things, there is definitely no level playing field, particularly on the children's side of things. There is YouTube and little kids doing host selling—demonstrating goods, toys and confectionary—to other kids. ITV and Channel 4 are not allowed to advertise any of that stuff. In my view, that was the right decision at the time, because obviously we all have concerns about children getting larger. But the advertisers have just shifted online, and they are not even doing advertising necessarily—they are integrating it into the shows that kids are presenting. This is an issue, and online stuff for children is still very much the Wild West.

Professor Patrick Barwise: You asked a very good question. I will cover it in my revised submission, because there are several points to make.

I would add one thing on the commercial/PSB front. My personal view is that the impact on obesity of further restrictions on HFSS food advertising will be so small as not to be measurable after the event. If the people advocating that really believe in it, we should have a proper regional trial for three years, but that would be an unprecedented degree of rationality in this debate, so I do not expect it to happen.

Baroness Quin: In your view, are there any feasible ways of extending obligations to online and on-demand services, or not? Is it just not feasible?

Professor Jeanette Steemers: There has to be the political will to do it. We have seen some political will at the EU level with the AVMS directive and doing stuff relating to content. The problem with Europe is always whether those things have been enforced. Under the old AVMS directive, there was supposed to be majority content where practicable, but a lot of channels avoided that. I am sure that the SVODs have very good lawyers to make sure that they can get around some of the EU rules.

In all these cases, it is a question of political will. If politicians are not willing to push the legislation forward, and if regulators are not willing to enforce it, we have a problem.

Professor Patrick Barwise: The big opportunity, which will take political guts, is to tax the revenue of the tech companies—and by revenue I mean the revenue that comes from UK consumers and advertisers. Even if they try to shift it offshore, revenue seems to me to be pretty undeniable.

Professor Jeanette Steemers: But we are not the French. The French do this, but we do not have a tradition of doing this. I am not very hopeful.

Professor Patrick Barwise: That is why I say that it requires political will, but it seems to be perfectly doable. Getting them to do PSB content is much more challenging.

The Chairman: Petros, a last word on this and then we will move on.

Professor Petros Iosifidis: My colleagues are right. The revised audiovisual media services directive would like to create a level playing field there, which is going in the right direction, in my view. However, I agree with Jeanette that, in the end, it comes down to how to implement and interpret it into national law. As you probably know very well, you have to transpose every European directive into national law, and there is lots of room for different interpretation. It comes down to legislators and to political will, as my colleagues said.

Q29 **Viscount Colville of Culross:** I forgot to declare an interest. I am a series producer for Raw TV, making content for CNN.

Is there anything we can do to boost the privileges of public service broadcasters? There are two particular areas that I would like to ask you about. First, is there any way of expanding listed sports events? Secondly, and quite separately, should the prominence regime be extended to cover online and on-demand channels and offerings?

Professor Patrick Barwise: My answer is yes to both questions. The execution on prominence is a bit above my pay grade, to be honest. It is quite a technical question these days, and because part of it is to do with global deals done between Netflix, the set manufacturers, Carrera and so on, it seems to me that we have legislation that says, "We don't care what your global deal is. In this country, you will put the PSBs and their online services at the top of the menu". In my view, that is perfectly doable.

Viscount Colville of Culross: Does Ofcom have enough power at the moment to be able to force that?

Professor Jeanette Steemers: I think they need to ask for legislation.

Professor Patrick Barwise: I do not think they can without legislation.

Professor Petros Iosifidis: I agree that the listed sports events should be expanded. I am a fan of football but I live in the UK, and if you do not have subscription services you are a football-starved person here. You have to have Sky, and perhaps in the future some other subscription, to be able to watch them.

Professor Jeanette Steemers: You have to watch women's football. It is on BBC.

Professor Petros Iosifidis: I will. On the issue of prominence, I agree with Patrick that content recommendation and discovery mechanisms in connected television devices are very complex, and discoverability is very important, especially for public service broadcasting content. If you have Netflix and Amazon Prime, you pay a lot of money for the content to be on top in electronic programming guides, and how can public service broadcasters compete? Prominence is very important.

The Chairman: So there is the prominence of the sporting list. Can you add any other new privileges that might accrue to PSBs?

Professor Patrick Barwise: In my report, I included protecting the DTT spectrum, where the situation is slightly similar. Bear in mind that this is a much smaller industry than telecoms, so the mobile operators will always have more money. The Treasury naturally thinks that that spectrum should always be auctioned, because that is what it does. There are good arguments for it, but public service broadcasting is clearly not just a financial issue, for reasons we have talked about.

It seems that this requires positive intervention. I was involved in an Ofcom-DCMS project a few years back asking whether we could try to incorporate the social value of the spectrum into the auction. In my view, the answer is no, you cannot. You have to make a political judgment about it. Clearly, DTT is particularly important for poorer and older people. The meaning of the retransmission fees is changing prominence, but it seems that sporting events are a rather straightforward thing to do, so long as you face down all the sporting organisations that insist that their only interest is to invest more in grass-roots sport. You can ask them about their track record.

The Chairman: Some of them do have strong track records in that area.

Professor Patrick Barwise: Some do, but bear in mind that the rights for the Premiership—not the production costs, just the rights—are almost identical to BBC television's total programme budget. This is completely disproportionate. We need policy to push back on that.

Q30 **Baroness Kidron:** I, too, have to declare my interests. I am a director of a small film, TV and theatre company, and founder and chair of 5Rights, which seeks to get rights for children online, including data protection rights.

I have a very particular issue in mind. One of the things that was drawn to our attention was the way big companies coming into the market had extended the production costs of UK drama and high-end factual television. In a period of a year or two, the yearly cost on a UK drama might have gone from £1.2 million to £2 million per hour, let us say. At the same time we are seeing a drop-off on co-productions between entrants into the market and the PSBs. That means in effect that if the costs go up and co-production goes down, they cannot make drama.

I wanted to talk about that specific effect on the market and whether that

potentially sounds a death knell for PSB production, because it simply cannot afford this. We are talking about all the stuff in the infrastructure around it. If they cannot afford to make the programmes at market rates, then what?

Professor Jeanette Steemers: If you are talking about drama, there are different scales of drama. Netflix always says that “The Crown” costs £100 million. I do not know whether it really does. The television industry often convinces itself that it needs more and more money for things, but there are different levels of drama where you do not have to spend so much. Other European countries get on fine. Look at the Danes; they can make quite good-looking drama on lower rates. Then, when Netflix starts getting interested, the costs go up.

Baroness Kidron: Sorry to interrupt, but that is exactly the moment I am trying to get you to talk about. We also have an English-language issue in our programmes. If you are talking about the whole cost of drama going up and it costing more to have a camerawoman and an editor and so on make a drama in Birmingham about something local, will we, two years from now, have the dramas that we have currently if they cannot afford to make them at market prices if the market price goes up? Maybe you will tell me that there is not the case, but this is what we are hearing.

Professor Jeanette Steemers: I think the market will probably adjust to the circumstances. Perhaps they are being charged too much now and things will come down at another point. Netflix might have an inflationary pressure on production costs. In other areas, particularly the children’s side of things, costs are still pretty low and declining. I wonder whether it can be sustainable for those marquee events. Producers will find the level that they might have to adjust to, maybe in two or three years’ time.

Professor Patrick Barwise: In the case of high-end drama, nobody knows, but my view is that this will not go away, particularly with Disney and other people also coming in. It is not just the big tech companies but the big media companies as well, especially for drama that has an international market and happens to use quite a lot of British actors and so on, which is great for them. It is not going away.

Having said that, as Jeanette implied, this is a creative product. We might see more moderate-budget drama that has more limited local appeal and that would therefore be less interesting to Netflix, maybe with less-established people in front of the camera and so on. I agree that it is not a black-and-white issue, but if your question is whether this is a blip or a long-term issue that will continue, I think it is a long-term one. Netflix has massive negative cash flow, but the financial markets are okay with that. It is sustainable.

Professor Petros Iosifidis: The basic economics are that the more competition you have, the higher the quality and the lower the price. That is the rule. In the creative industries, however, you have very high production costs and very low transmission costs. That is why the entry of Netflix, Amazon Prime and other streaming services puts the price up. The creative industries are very different from the other industries.

I have one final point on this. Co-productions between global streaming companies and public service broadcasters would be very beneficial for public service broadcasters and the local economy, the UK economy. How public service broadcasters can afford these costs is a different story.

Baroness Kidron: Can I just have your reaction to this? Apple entered the streaming market in 2017 with a \$1 billion programming budget, but it has announced that it does not intend to co-produce with the UK's public service broadcasters.

Professor Patrick Barwise: That is consistent with my long-term view that the FAANGs will do it if and when it suits them. In some cases, they might even do it in the short term, not the long term. For them, it is a purely financial calculation, so the challenges that you are looking at in this inquiry are long term.

Baroness Kidron: I am sorry to press you on this, but I will finish with this. If the belief of certain sections of the industry is that they entered to get the primary relationships with creative people whom they can then take out, does it threaten the long-term prospects of PSB as we currently know it?

Professor Patrick Barwise: Yes.

Professor Petros Iosifidis: The simple answer is yes, because these companies attract more talent. Talented people are very well known, especially to the younger generation. That is one of the reasons why the younger generation is moving away from the provision of public service broadcasters to the new services: talent is going there, stars are going there—it is a star system.

Lord Gordon of Strathblane: It is analogous to Premier League football.

Professor Petros Iosifidis: It is, absolutely.

Professor Jeanette Steemers: Yes, it is.

Professor Petros Iosifidis: It is premium content.

Q31 **Viscount Colville of Culross:** I will pipe up from my section of the content creators. We have talked very much about drama, but with specialist factual we are seeing the SVODs coming in as co-producers and taking all the global rights as part of their co-production deal. At the same time, we are seeing them able to buy up the stories and outbid all the PSBs. Do you feel that this threat to public service broadcasting is more than just in the world of high-end drama?

Professor Patrick Barwise: It is a mixture. I touched on this in my submission. You may want more detail later on this, and I am not sure where you will get it. Claire Enders will have some, Ofcom should have some, Pact should have some, the broadcasters should have some.

The big dramas are what everyone talks about, rightly, but it is much broader than that. At present, it does not include news and live events, but it does include some sport already at the margin. It also includes a growing proportion of non-US programming and non-English language

programming, particularly if it travels and works well in translation. One of the best things on TV at present is a French programme called “Dix Pour Cent”, or “Call My Agent!”, which is absolutely excellent and is a “Netflix original” that it did not create.

It is much, much broader than the blockbuster English-language high-end dramas.

Professor Jeanette Steemers: But if you look at the inventory and what is up there, they do not have masses and masses of British content. They are very, very picky. I looked for children’s content and managed to find two dramas. One was about horses and the other was about football, and it usually involved an American cast member. They are not investing in hyper-local content, they are investing in big documentaries, perhaps about the environment or natural history, or something about Trump might go down quite well.

What is different about public service broadcasters is that they have that connection with the communities here, which means also doing things that are very local such as local soaps, “Hollyoaks” for kids or documentaries about things that are relevant to people here. Although that might not be the sexiest area of broadcasting or screen content, it is what is unique to them. Netflix can do super-duper dramas costing lots of money about the Royal Family or whatever, but the BBC and ITV can still do stuff that really blows people away, and it is often live entertainment. They do that really, really well, and I cannot imagine Netflix doing “Bake-Off”, “Sewing Bee” or whatever.

Viscount Colville of Culross: On the other hand, the new UK Netflix office is beginning to commission smaller stories from the UK. Kate Townsend, who was at BBC Storyville, is doing exactly that.

Professor Jeanette Steemers: We will have to see how it all goes, I guess.

Professor Patrick Barwise: As I said, the jury is out on the net impact on UK production. The percentage of revenue that gets turned into original UK production is infinitely higher for the PSBs. As you capture viewing and to some extent revenue—it depends on the revenue model—the effect is negative.

On the other hand, if they are throwing money at the problem and the UK is getting a disproportionate share of that money, which is quite likely, the *net* effect could be marginally positive. But the type of content will always be judged on purely commercial grounds, and in the UK, of course, it will be available only to people who are paying.

The Chairman: Sadly, we need to wrap up there, although we have just embarked on an issue that we would have liked the opportunity to discuss further. There is one further question that we would like to put to you. Baroness Kidron will put it on the record, but I will ask you to write to us in response so that we do not detain you any longer.

Q32 **Baroness Kidron:** My question comes in two parts. One is that we would very much like to hear from you about alternative funding models. You

have all touched on this at various points, but we are particularly interested in what is happening in Germany, France and so on and in looking in the round at where the funds could come from.

We are also interested in the likely impact of the revised AVMS and whether you have any views on it. If you would not mind writing to us, we would be very grateful.

The Chairman: Thank you. Theo, our clerk, can give you the details of what is required and clarify the questions if you did not have the opportunity to make note of them.

Professors, thank you very much indeed for giving evidence today at the beginning of this inquiry, not least because you have indicated a number of other people whom we may look to to give evidence and their views on this important subject.