

# Select Committee on Communications

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

Tuesday 30 April 2019

3.30 pm

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Members present: Lord Gilbert of Panteg (Chairman); Lord Allen of Kensington; Lord Bethell; Baroness Bonham-Carter of Yarnbury; Baroness Chisholm of Owlpen; Viscount Colville of Culross; Lord Goodlad; Lord Gordon of Strathblane; Baroness McIntosh of Hudnall.

Evidence Session No. 5

Heard in Public

Questions 47 - 52

### Witnesses

I: Sir Colin Callender CBE, Chairman, Playground LLC; Peter Kosminsky, Director, Stonehenge Films.

### USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on [www.parliamentlive.tv](http://www.parliamentlive.tv).

### Examination of witnesses

Sir Colin Callender and Peter Kosminsky.

**Q47 The Chairman:** Welcome to this House of Lords Select Committee evidence session for our inquiry into the future of public service broadcasting. We are looking to assess the impact of the disparate and changing media landscape on public service broadcasters and whether or not the public service remit is at risk. If it is at risk, does it matter? If so, what public policy remedies are appropriate?

I am delighted that we have two expert witnesses today who are high-profile independent TV producers. We are very grateful to you for taking time to come to talk to and give evidence to the Committee. Today's session is broadcast online, and a transcript will be taken.

Our witnesses are Sir Colin Callender and Peter Kosminsky. Would you introduce yourselves and at the same time give us an overview of changes that are taking place and have taken place in the UK production sector and your assessment of the likely impact of new services, such as those from Apple and Disney, and their effects on the market and the independent production sector in the future?

**Peter Kosminsky:** I am a writer and director with coming up to 40 years' experience of making television programmes in this country. I must say I'm surprised to find myself a witness before this august body; it is not something I would ever have expected to do. I suppose I am here as a kind of canary in the mineshaft.

I should make it clear that I am not an executive and I have no broadcast responsibility. I have worked for them all over the years, but I am here reporting the concern felt by myself and many of my colleagues in production about the imminent breakdown of the co-production model which has enabled public service broadcasters—PSBs—to make high-end drama in this country for many years. From my point of view, it is quite serious.

I am sure that most of you will know the way PSB drama gets commissioned. You take an idea to the BBC, ITV or Channel 4; if they like it, they give you some development funding, which might fund research, or certainly a script, and at the end of the process you are hoping for, even praying for what used to be called the green light. If you get it, you buy a bottle of champagne and pop it open because you are 'green lit'. Except you are not, because nowadays, as I am sure you know, the cost of drama has spiralled extraordinarily, in particular in the last few years. We can talk about the reasons for that later, if you like.

A programme that would have cost about £1.2 million an hour three years ago will now cost about £2 million an hour or more. Of course, PSB drama tariffs cannot keep pace with that. Of that £2 million an hour cost, the PSBs can only contribute about £800,000. If you add the Government's tax breaks—what we call the soft money—that will take it up to about £1 million an hour. If costs are £2 million an hour and input £1 million an hour, the shortfall is £1 million an hour—half the budget. That is even with the broadcaster's so-called green light.

In the old days, a sales company would have made up the difference, something such as BBC Studios, which used to be called BBC Worldwide, or All3media International. They would offer a guarantee against future sales. They would back their instincts and cash-flow the shortfall, which was historically about a third of the budget, but they're also feeling the squeeze from the SVODs. The companies they sell on to, such as ZDF, Canal+, ABC and CBC, are all feeling the squeeze. And so our sales companies can no longer close that gap, particularly when it is half the budget.

So the question is if the situation is so bad, how have the programmes been getting made? The answer is that the PSBs have been closing the gap with co-productions with the SVODs, shows such as ITV's "Vanity Fair", Channel 4's, "Kiss Me First" and BBC's "Collateral", but in the last

few months that situation has started to change. There is evidence both here and from the agents in Los Angeles that the SVODs are less and less interested in co-productions with our PSBs.

Instead, as I am sure you have heard before, they want to own the whole IP. A senior figure in Channel 4 drama told me recently that the SVODs used to be in and out of their offices all the time, asking, "What projects have you got? What meetings have you got?" Now they are not interested; they are nowhere to be seen. Not long ago the BBC head of drama and the BBC director of programmes travelled to Los Angeles, but they were unable to get a meeting with Netflix. Think about that: Netflix would not even take a meeting with the BBC.

As you know, Apple entered the TV production sector last year with a much trumpeted \$1 billion commissioning budget. It set up a rather glamorous office in London and hired Jay Hunt, a vastly experienced commissioner, but they made it clear from the start that they were not interested in co-productions of any kind. So of course, if, as producers like us, you have a highly commercial programme idea, you don't bother with the PSBs anymore; you just take it straight to Netflix, Amazon or Apple. They'll talk a lot about global appeal, and if you have that kind of show they will welcome you and they are fully financing.

But there are always going to be some UK dramas that do not have global appeal; that are just about what goes on here. The PSBs have a regulatory responsibility to hold a mirror up to our society; those dramas are a key component of our cultural landscape and have been ever since public service broadcasting came into existence. They are in real danger.

An example would be the fantastic BBC drama "Three Girls", which you may remember was the grooming/sexual abuse drama set in Rochdale. It swept the board of awards at BAFTA and the Royal Television Society. There were front-page headlines in the tabloids and it achieved a consolidated audience of 8.1 million, which is extraordinary these days, but it was commissioned four years ago, well before these changes began to bite. If it was commissioned today, it would struggle to get made.

In the words of one senior PSB drama executive to me, "We are going to be making less hours of TV drama, and in particular less UK-themed drama". If I was trying to be charitable, I might say that an unintended consequence of the SVOD business model might well be the extinction of PSB drama as we know it. Given the nature of drama production, the changes will take two to three years to work their way through to the screen, by which time the infrastructure of the PSBs will be gone, which is why it is such a relief that you are looking at it now rather than waiting until it is too late to prevent it.

I suppose I should come up with a proposed solution. We talk about public service broadcasters and we talk about video on-demand providers. On the TV in the corner of my sitting-room, or on the streaming app on my iPhone, they appear identically; they are moving images on the same screen. But of course they are actually very different. Some are regulated, rightly. They have content obligations that

go with their licence to broadcast. Others, on the same screen, have no regulatory obligations at all.

I'm suggesting that we give them just one regulatory obligation: if the SVODs wish to broadcast to the UK audience of 60 million-plus, they should be obligated to pay a levy per head on all their UK subscribers. That would create a pot of money available exclusively to UK PSBs to compete for, programme idea by programme idea, to replace the shortfall caused by the SVOD decision to withdraw from co-productions with the PSBs. It would not be unprecedented. In France, they have a 2% levy, rising this year to 3%, and in Germany they have a 2.5% levy, on revenues made in their territories by the SVODs from subscriptions. I propose the same for the UK.

How will the SVODs react? They fought the levies in France and Germany in the courts before settling eventually, but what would the situation be here? I had a one-to-one conversation with Reed Hastings at the end of last year of about an hour. He is, as you probably know, the CEO and co-founder of Netflix, and he was visiting London. The surprising thing is that he is not against a UK levy as long as it is compulsory—in other words, legislated, not voluntary—and applies equally, a level playing field, to all non-PSBs, including Sky.

How do we rebuild the broken co-production model for PSB drama in the UK? We require a per capita levy on all SVOD UK subscriptions to create a contestable fund to replace the shortfall caused by their imminent withdrawal from co-production, and in that way ensure that our public service broadcasters can continue to make drama that speaks to the specific concerns of UK audiences as well as the wider world.

**The Chairman:** Thank you, Mr Kosminsky.

**Sir Colin Callender:** Thank you for inviting me today. My career has been in part informed by several inflection points in the entertainment industry over the years. As a producer, I produced "Nicholas Nickleby", which was contract 001 at Channel 4. It was the very first commission that Channel 4 financed and commissioned, so I was there as a producer at the beginning of the growth of the independent sector in the UK.

At that time, we were very active as producers in the co-production market, raising money from Europe and the US. During that time I worked with Home Box Office, which back then was in its very early days. I subsequently moved to New York to become an executive at HBO and worked there for 25 years during the Camelot days, when HBO redefined the US television marketplace. Most recently, with the advent of the SVODs and the growing interest in British programming in the US, I decided it was time to go back to being a producer, and I now run a company called Playground, with which Peter and I made "Wolf Hall", if any of you saw that.

As we try to make sense of rapid change in the means of delivery in the entertainment business, I am reminded of an apocryphal story about Henry Thoreau. Back in the 1840s, when Samuel Morse invented the telegram, a friend of Thoreau's rushed to Walden Pond to inform him of

this great invention, and Thoreau's question was, "But what did the telegram say?" That is relevant, because when we talk about the changes in the industry we need to distinguish discussion about the means of delivery from what is actually being delivered.

In response to Peter's remarks, I think we need to look at public service broadcasting in a way that is not defined by the marketplace. It is not about the landscape of the marketplace, which is what the witnesses who spoke to you last week talked about. They positioned public service broadcasting as filling the gaps in the marketplace. I do not look at it that way at all. I look at public service broadcasting in terms of the creative landscape of the industry, not in terms of the marketplace.

Sir Denis Forman, who ran Granada in its heyday, said it simply in an interview in the *Guardian* a few years back, talking about the halcyon days of Granada before the 1990 Broadcasting Act. He said: "Granada was not forced to make good programmes—we wanted to. Good programmes came first, then profit, and we made a lot of profit". What we learn with public service broadcasting is that producing great programmes is not a question of the market or a means of delivery. It is about adhering to a set of values in the way you do business. It is a desire to trade in ideas rather than audience numbers.

When we were in the early days of HBO and looking at how we could develop our programming, we were the first programming service to sell our programmes to the audience. Before the SVODs, we recognised that the programme we made had to be worth paying for. Early in that process, we recognised the similarity between HBO, which was subscriber based, and the funding of the BBC, and that the BBC licence fee allowed the BBC to make editorial decisions that were not driven solely by ratings or by economic imperatives.

In the British marketplace, we looked at Channel 4 and we realised that you can serve underserved audiences if you bring in new producers from those audiences and give them a chance to produce shows. We learned that the most successful British programming, which travelled all over the world, was not mid-Atlantic programming, not programming that attempted to produce programmes that competed with America, but homegrown British shows. That was true of everything from "Upstairs, Downstairs", to "Benny Hill", to "Downton Abbey" and to "Fleabag".

The ability to produce those shows is under threat. The SVODs are not a replacement for PSB programming because the SVODs are not interested in making British programming. The SVODs are interested in using British talent to make American programming, and, if the PSB sector is diminished in whatever way, a whole slew of British programming will vanish with it, so I support wholeheartedly Peter's proposal to bring money back into the UK industry that will allow the PSB broadcasters to do what they do best.

Although from the inside, with all the changing things in the marketplace, it looks as though things are very problematic in the UK, the truth is that the British television broadcasting and production landscape remains the

envy of the world. It is a benchmark by which others judge themselves on quality, diversity and richness of talent, and our job is to protect that.

**The Chairman:** Thank you for your opening surveys. Mr Kosminsky, I am sure we will come back in the questioning to your proposal for a levy. We have a range of subjects to get through, so we will get on with it, and perhaps you could keep your answers reasonably concise. Then we will probably want to pick up some of the issues that you raise with us.

Q48 **Lord Gordon of Strathblane:** I want to follow up your point about price inflation. Presumably the sector that benefits from the inflation is in favour of it, because the actors and the camera operators are getting paid more, and so on. I imagine it is rather like the Premier League in football. Is the inflation happening in one specific sector exceptionally?

**Peter Kosminsky:** To answer that, and I will be brief, we need to address why there is such rampant inflation. It genuinely is the price of success. The Government made provision for a tax break. I was on the board of the British Film Institute at the time, and the objective, as declared at the time, was to make this country attractive to inward investment. That has certainly happened. It has become a fantastically attractive place to make television programmes, particularly to American production companies. The problem is that the training of our crew members has not kept pace with it, so, with the straightforward law of supply and demand, the price has gone up.

There are other factors. If people work for American companies, where they earn large sums of money, and then they are asked to come back to work for British companies, they seek similar remuneration. Like my colleague, I viewed some of your earlier testimony and the discussion about \$110 million for a season of "The Crown". Everyone wants to work on "The Crown", and there are not enough crew to go round, so prices go up because there is a shortage.

**Lord Gordon of Strathblane:** It is the skills shortage that is largely causing the inflation in price.

**Peter Kosminsky:** There are other factors, but that is the main factor.

**Sir Colin Callender:** And, in combination, production crews being paid American-style wages rather than British-style wages.

**Lord Gordon of Strathblane:** How quickly can that problem be solved by training?

**Peter Kosminsky:** When I was at the BFI, which is involved in the funding of Skillset, that was almost our monthly meeting obsession and focus, but it is a little more complicated than that. We almost need a psychologist here to assist us. Some of those jobs are not pleasant. Being a spark on a drama, for example. To take "Wolf Hall" as an example, we are all inside shooting our scene very happily with some nice heaters, but the lamps are all outside the window, where it might be absolutely tipping it down and freezing cold. There are sparks out there. Not everyone wants to do that job. It is not as if people are biting our hands off to enter these training programmes. It is a slow process, often

familial; often it is developments within families. With the massive increase in production here, and the factor that Sir Colin mentioned as well, the supply is not keeping up.

I risk getting myself into serious trouble now, but a good example is the situation in Wales, where a lot of production is taking place at the moment, and great that it is. The Welsh Government have given certain financial incentives for production in Wales, so of course everyone wants to film there because it provides a bit of extra funding when times are difficult. But how many first-line, front-line crews are there in Wales—two, maybe two and a half? I am being candid. When they are busy, who is crewing these shows that the Welsh Government is co-funding? That is the issue we are wrestling with.

**Lord Gordon of Strathblane:** Sir Colin, you said that the SVODs are not interested in making British-specific drama, such as, presumably, "Line of Duty". Does that not leave a huge gap for public service broadcasters in this country to continue to make that drama?

**Sir Colin Callender:** Absolutely. One must not be blinded by the success of "The Crown". "The Crown" was made for very distinct reasons: the attachment of Stephen Daldry, the director; the fact that there had been a play; and there had been a movie that Peter Morgan wrote. "The Crown" is not the first swallow of spring. There will not be a slew of entirely British dramas made by the SVODs. "The Crown" is a special case. There is absolutely no question: the television dramas that I imagine everyone around this table loves and watches are not the sorts of things that the SVODs are making. They look at whether programming will speak to the global market.

The other key characteristic of the SVODs is that they are the first global networks. They are the first networks to commission programming for the world market rather than just the US. They build their creative decisions based on formulas about which actors are well liked and are seen a lot. Netflix famously builds its editorial decisions based on all sorts of matrices that it gets from other viewing habits. They are not based on, "Is it a good idea? Is it a piece of programming that we should be telling? Is it a story we should be telling? Is there inherent merit in it?" They are based on a set of matrices that are not necessarily traditional editorial considerations at all.

**Lord Gordon of Strathblane:** Does that not leave a huge market still available for British public service broadcasters? In which case, why are we as worried as Mr Kosminsky was saying we should be?

**Sir Colin Callender:** If it is funded properly. That is precisely the point.

**Peter Kosminsky:** There is absolutely that gap. That territory for our traditional PSBs remains, but they cannot afford to make their drama.

**Lord Gordon of Strathblane:** Could somebody tell me the cost per hour of "Line of Duty", for example, very roughly?

**Peter Kosminsky:** Around £2 million an hour.

**Lord Gordon of Strathblane:** Really?

**Sir Colin Callender:** It will easily be £1.5 million.

**Baroness Bonham-Carter of Yarnbury:** I used to work in television, like my friend over here, and, I think like you, Peter, I started off in current affairs. I have not worked there for a bit, but, as I understand it, technological advances mean that you can do things cheaper; I think everyone would rather not, but there are ways. I have never worked in drama and I am interested by the fact that in drama that does not seem to be the case; you need three lighting people or whatever, and you cannot amalgamate skills with new technology in the way you can in other bits of television. Is that a possibility in the world you are talking about?

**Peter Kosminsky:** If I could seek some clarification, are you asking if there is a way to do what we do cheaper?

**Baroness Bonham-Carter of Yarnbury:** I am asking a similar question to the one Jimmy asked: whether, because it has an enormous amount of money, the way that Netflix makes high-end drama is necessarily the way that high-end drama has to be made. I suppose that is what I am saying. I was at the Design Museum this morning, at the amazing Kubrick exhibition. It is very interesting; it was long before high technology, and he was just filming things, as I understood it, through slits in cardboard and stuff to get effects. I suppose that is what I am really trying to say.

**Peter Kosminsky:** We tend to choose the technique and the approach appropriate to the subject matter. If your drama is two people in a box set, which can be riveting—look at “Frost/Nixon”—that is inevitably going to be cheaper than “Game of Thrones”. But I do not myself believe that the responsibility of the public service remit is to give the British public we all serve cheap and cheerful drama, and that there is a sort of ghetto drama, which you can do for about £800,000 an hour, and then there is all the glossy stuff, stuffed with digital effects, that is being done over there, and expect people, out of patriotic loyalty, to come and—

**Baroness Bonham-Carter of Yarnbury:** I was not suggesting that.

**Peter Kosminsky:** None of us, I promise you, is profligate, because money is incredibly tight, but the basic rates of the people we hire have gone up astronomically, and there is increased expectation on the part of the audience. Take “Doctor Who”, a programme on which I have never worked. When I was a young kid hiding behind the sofa watching “Doctor Who” at five o’clock on Saturday afternoons, you could almost see the sets wobble. It was made in a studio with some occasional film inserts, which looked a bit odd. Nowadays, when people sit down to watch “Doctor Who”, made spectacularly well in Wales, they expect to see some leach-through from the effects that they are seeing in the latest “Avengers” movie. Of course, we cannot do that, but we certainly are not expected to give them the old wobbly sets.

What we do has to respond to the climate, but we are certainly not doing it in a profligate way. It is well known that the BBC has said that for the \$110 million that was spent on one season of “The Crown”—I am sorry



we keep bashing the poor old "Crown"—they could and did make 18 different dramas.

**Baroness Bonham-Carter of Yarnbury:** Please do not think I was suggesting profligacy. I am picking up on what has been asked before and whether it is always necessary to spend so much. The skills point is hugely taken, but is it always necessary?

**Sir Colin Callender:** The key issue is that the greatest costs on any production are crew and labour. That is the largest thing. It is amusing that you should talk about this with Peter because, famously, we lit the whole of "Wolf Hall" with candles, not with big lamps, but it sure as hell did not lower the budget of the show.

**Baroness Bonham-Carter of Yarnbury:** That is like "Barry Lyndon", I believe, as I learned this morning.

**Baroness McIntosh of Hudnall:** I want to nail this point. I do not mean disrespect to my colleagues, but whether there is a cheaper way of doing it is absolutely at the heart of the issue. It is surely about the fact that you need the same people. You need the same people, with the same levels of skill, commitment and artistry, if you are going to make "Line of Duty" as you do if you are going to make a programme by Netflix for a world market. Those skills are always in short supply; they always have been.

When Lord Gordon asked whether there was a market into which the public service broadcasters can still step and expect to find that the SVODs are not there because they are not interested in making the stuff, you appeared to be saying yes, but you said very quietly, Sir Colin, "If it is properly funded". That has to be the issue, does it not? You talked about values earlier. It is no accident that production values are what make us respond to the work, and they are not cheap.

**Sir Colin Callender:** Yes, that is correct, but there are two things. We are looking at the role of public service broadcasting in the new digital landscape, with SVOD and the other technologies that are delivering programming to audiences. In discussing the role of PSB within that landscape, there is a suggestion, as was raised last week, that public service broadcasters should operate as commercial broadcasters and let the market decide; as one of your witnesses last week said, audiences know what they want to watch. If we devolve to that world, programmes such as "Line of Duty" and all the programming that we have talked about in this sector, in this creative landscape, will be lost.

The imperative to protect the PSB landscape is greater than ever because money is shifting from PSBs to those other guys, but there is an enormous creative opportunity to re-establish and reaffirm what we do best if we can create funding mechanisms that allow that programming to be made, because it will be the only place it is made. That is why Peter's notion, going back to the days of the Eady levy, of a levy that goes back into the industry here and allows public service broadcasters to address the increasing financial cost, is very sound and smart.

**The Chairman:** We are going to come back to the levy in a moment, but

now we want to talk about current trends in co-production.

**Q49 Viscount Colville of Culross:** I declare an interest in that I am a series producer at Raw TV making content for CNN.

Mr Kosminsky, you talked about the problems with trying to get co-productions with SVODs at the moment. There are two things. Are we not seeing that there are still some co-productions between SVODs and PSBs? I understand that "Bodyguard", for instance, was a co-production. Was that then, and now we are not seeing that?

My other question is that surely there are still co-productions to be done with all the other channels across the world, from which money could be gained so that the PSBs can hit the tariff?

**Peter Kosminsky:** I have thought about the second part of that, but could you remind me of the first part? Forgive me.

**Viscount Colville of Culross:** Yes. Surely we have seen some co-production between the SVODs and the PSBs, such as "Bodyguard".

**Peter Kosminsky:** That is interesting, because some of us were making quite a fuss about this issue at the tail end of last year. As I mentioned, Reed Hastings from Netflix came over and met a wide variety of people—as I said, he met me one-on-one for an hour because I had been quite noisy on the subject—and what my colleagues within the PSB drama commissioning departments tell me is that there has been some relaxation. "Bodyguard", of course, is a slightly different example, but where there was felt to be a tightening, or reluctance to co-produce, there has been some loosening.

When I spoke to Reed Hastings about it, I said, "Is it not true that your long-term business model is to own the whole IP?", and he said, "Absolutely". There was no hesitation. You should call him; see if he will come. Because there has been quite a fuss and because of what happened in France and Germany, there has been an extension of the transition period.

On the second issue you raised, unfortunately the companies to which we might go to seek partnerships of the kind you describe are all feeling the same financial squeeze in their markets, where the SVODs are also present, as we are feeling. As I am sure you know, the normal vehicle through which we would try to construct a co-production with companies such as those would be an international sales company. Almost every television programme that gets made is made in association with a sales company. The difficulty is that the people they draw money from are also feeling the squeeze, so at the very time when we might need more money from them, because the budget gap has increased, they themselves have less funds at their disposal. So it's a sort of perfect storm for us in terms of reduction in ability to meet our budgets.

**Sir Colin Callender:** Your point about "Bodyguard" is exhibit No. 1 in the point I am making. "Bodyguard" is not "Line of Duty". It was very popular, glossy and sexy and everything else, but it was like an American show. It was not "Wolf Hall", it was not "Line of Duty" or any of a number

of shows that you would want a public service broadcaster to make. That is not to say that the BBC should not be making it. It is completely legitimate that within the range of programming it makes it should make something such as "Bodyguard", but it is not an accident that it was one of the shows that Netflix bought, or co-produced or whatever. That is what Netflix is looking for. There is a swathe of other shows that you would still want to see on ITV, Channel 4, BBC and Sky, but that they will not want to buy.

**Viscount Colville of Culross:** You talked in your introduction about the setting up of a contestable fund on the back of levies. How would that contestable fund be administered and how would we decide where on earth it should go?

**Peter Kosminsky:** When I floated this idea with the broadcasters, that was the question they all asked, because there is a question of editorial control. If we think about the Film Council, if we think about the lottery funds that are distributed by the BFI in the film world, we have models for that kind of thing; we would not be starting from scratch. It depends on how you view it.

If Sir Colin was producing and I was directing a production for one of the PSBs, and we had the kind of financial situation I was describing, where the PSB was putting in, with the soft money, about half the money we needed to make the show, the contestable fund would be another place to go for money. Sir Colin and I would probably go there. I do not think it would be done by the broadcaster. We would pitch to that fund. We, and you as legislators, would need to think carefully about the constitution of that body. I know what we would do. We would pitch our ideas, just as we do to the BBC and Channel 4, and just as we might do when we are trying to do a co-production with HBO or somebody like that. It would be another place to go for money.

**Viscount Colville of Culross:** Could you divide it between the public service broadcasters and allow them to make those decisions, as we do with the licence fee?

**Peter Kosminsky:** That is another option, but personally I favour a contestable fund. I worked in the old days of ITV when there were the big five companies, and the money was split up for prime-time origination. Forgive me, former colleagues, but there was a bit of, "We've got this chunk of money. What shall we spend it on?" The idea of doing it as I suggested would keep the system editorially robust.

Q50 **Baroness Chisholm of Owlpen:** I am very excited at the thought that you might join up again and make some good programmes, as you said. We need more of that, please, but that is not my question.

I want to ask about the levy in Germany and France. Has it put off people such as Netflix wanting to co-produce programmes with them, or has it not been a problem? Have they been happy to carry on or has it made them draw back a bit?

**Peter Kosminsky:** That is a very good question, which cuts to the heart of the issue. There is a particular circumstance in that programmes in France tend to be made in French and programmes in Germany tend to be made in German, so they have a kind of inherent protection. If Netflix wants to broadcast at large rather than in a niche area in either of those countries, it has to make programmes in those languages. We have both the advantage and the disadvantage of a common language with the United States, and that is why so many shows are made here and why our crews are in short supply.

**Sir Colin Callender:** That is absolutely right.

**Peter Kosminsky:** Notwithstanding that, and despite its desire to build an audience in both those countries, Netflix fought the attempt by those Governments, in the European Court eventually, to impose those levies and eventually settled in both territories. I have some cuttings here.

I think that is why by the time I got to Reed Hastings there was an acceptance that this is inevitable. That is why I come here today urging that thought on you. We would be pushing against an open door because they fought the battle in those countries. This is not precedent-setting; it is already done in other countries. As Sir Colin said, we have experience of doing it in the past, and I think we could do it very successfully. Netflix, Amazon, Apple and one or two others would grudgingly accept it, as long as they were compelled, but nobody is going to do it unilaterally as a kind gesture to public service broadcasters.

**Viscount Colville of Culross:** The new AVMS EU directive is going to demand that 30% of production is made in the countries where it is shown. Who knows whether or not we are going to benefit from that directive, but is it something that might be worth legislators considering in our country?

**Peter Kosminsky:** With the greatest respect—I do not mean this as a criticism of what you have just said but of the argument—that is a monumental red herring. It is not about enforcing the making of stuff here; we do not have a problem. They're making it here already. It is enforcing the making of stuff about here that is the problem.

**Sir Colin Callender:** The reason the Eady plan ended was that it turned out to be a great freebie for American studios. It did not really support British production; it supported American studios coming over to film here.

**Peter Kosminsky:** Sir Colin is right. I think, with the greatest respect, that the European legislators have missed the point, although it may be more relevant in their jurisdictions. Because of the tax breaks that were introduced by the Government, we have no difficulty getting people to come over and make stuff here. It seems like a sort of no-brainer that you compel them to come to make stuff here and they use our people. They are already using our people. What they are doing is starving our ability to make "Three Girls", to make the shows about here that the audience loves; 8.1 million watched it. How do we make those shows?

If I could make one final point on that, you might be thinking, hang on, there is no circumstance that you are describing where, even if the SVODs continued with co-production, "Three Girls" would be one of the candidates, but it is the loss leader argument. To take a current example, the BBC is co-producing "Dracula" with one of the SVODs. It is a generous co-production arrangement; it releases funds for the PSB broadcaster to make, almost as a loss leader, a UK-themed drama. That is why I gave the quote that we are going to be making less drama, but in particular less UK-themed drama.

**Sir Colin Callender:** There is another implication for the industry here of that whole new change: the SVODs' desire to own all rights worldwide will be a direct attack on the ability of independent producers to survive in the UK because it is the complete antithesis of the PACT agreement in which producers are able to own rights. The need to shore up a co-production sector of the industry alongside entirely domestic production is not just a question of protecting the making of certain types of shows; it is also a way of protecting the long-term life of the independent sector.

**Peter Kosminsky:** Good point.

Q51 **Lord Bethell:** What are the differences between producing content for public service broadcasters and producing content for subscription video on-demand services? You have covered some of that question already, so I am going to ask my supplementary at the same time. What more could public service broadcasters do to encourage independent companies and creatives to work with them, which is the point I think you were just referring?

**Sir Colin Callender:** Let me address the former part of the question from having sat on both sides of the table. There is an enormous difference. One thing is simply the cultural difference: the SVODs are American and the PSBs are British. The ways shows are made there and the ways shows are made here are completely different. Because the public service broadcasters' concerns are not solely ratings driven, or not solely driven by financial decisions, the actual people they hire in editorial jobs and the conversations between commissioners and producers are different. They are conversations about, "How do we make this great? What is the idea at the centre of this show, and how do we make it the best it can be?" That is not the conversation that takes place in an SVOD, because their immediate imperative is not making a great show. Their immediate imperative is getting more subscribers.

For the SVODs, the programming is basically a sophisticated marketing tool to get people to sign up for subscriptions. As a creative producer, you are speaking a fundamentally different language between the two. There is a show that was made here, which is worth looking at, called "Sex Education". Has anyone seen it? It was made by Netflix.

It was developed here for British television, but if you watch the show now it could be set anywhere. You have no idea where it is set. The high school, which is an English high school, has lockers down a corridor, as

any American high school would have, and the kids are wearing bomber jackets. It looks entirely like an American show. It does not look anything like a British show. That is what happens to a show that would have been made for ITV or BBC and would have been a very distinct UK show. When it goes over there, that is what happens to it.

**Peter Kosminsky:** Could I address your supplementary? Is that okay, Colin?

**Sir Colin Callender:** Go ahead.

**Peter Kosminsky:** If I understood you correctly, Lord Bethell, you asked what the PSBs could do to encourage independent companies to work with them. As things stand, and referencing what Sir Colin said earlier, the rights issue is a major attraction. As things stand, the SVODs want to own the whole IP. When I started working for the BBC, in 1980, it was a very interesting situation. You directed something and got a fee for it—not particularly generous, I have to say—and that was it. You were hired like a hired gun and the BBC retained all rights. Interestingly, here we are 40 years later almost coming full circle with the SVODs. That is the basis on which they operate. They hire independent producers, directors and writers, and the fee is fantastically generous, thus inflating what people expect to earn, but you have no participation in the success of the programme, no profit share.

That, as Sir Colin said, is the model on which the flourishing independent production sector in this country, which has been such a net revenue earner for the Government, is based. The one thing the PSBs can offer is that same model. If you make a programme for, let us say, Channel 4, what does Channel 4 buy with its £800,000 per hour? It buys two UK transmissions in general, and you own, as the programme maker, the rest of the world. If you make that programme for Netflix, you will get a fee double what I would normally expect to earn, but that is it; there is no participation in the success. If it becomes a huge global bestseller, first, Netflix will not tell you what your ratings are, and, secondly, you will never see a penny of profit participation.

Q52 **Lord Goodlad:** Are services such as Netflix more willing to commission content for young people than PSBs, and, if so, what more should PSBs be doing to appeal to the young? Secondly, how can British productions appeal more widely to different age groups and parts of the country?

**Sir Colin Callender:** To address the first part of your question, there is no question but that Netflix has sought out an underserved audience in the US with what they call young adult programming. It is not kids programming and it is not adult programming; it is aimed at late teens. At Netflix, they have a whole division dedicated to that and they have been extremely successful. Up to now, I do not think that has been a particular priority for British broadcasters, but clearly, from the research that has taken place, the BBC is deeply aware that it needs to address that audience and is absolutely capable of doing so.

One of the shows that has been a big success in America that came from here was “End of the ... World”; I will not use the expletive. That was

filmed here, made by Channel 4, so we are completely capable of doing that; it is just that I do not think that audience has been focused on. There is no reason to think that we could not.

**Peter Kosminsky:** I agree.

**Baroness Chisholm of Owlpen:** Why do you think we have not? Why do you think it has been forgotten? It seems an obvious audience, and presumably once you have got them they will carry on supporting you.

**Peter Kosminsky:** We have whole children's departments. I heard you discussing with your witness at the beginning of the month the role of the new contestable fund. I do not need to remind you that the PSBs have licence obligations, and one of them is to serve the different demographics within the audience, but Sir Colin is right that the entire mindset of programme commissioning with the SVODs is different from the way PSBs commission programmes.

I subscribe to Netflix and Amazon, and I look at their output a lot. I hope I am not exaggerating, but it is very hard to find a programme on Netflix, as you may have noticed if you have tried, and every programme is described pretty much with a three-sentence descriptor: "He loves her. She doesn't love him. He's upset".

**Baroness Chisholm of Owlpen:** Exactly.

**Peter Kosminsky:** We do not tend to think it is necessary to be able to describe a programme in three sentences for it to be worthy of production, but I genuinely believe—and you will need a Netflix witness to say whether this is rubbish—that when you are at the commissioning stage of the process, unless you can describe the programme being pitched in three sentences, Netflix will not commission it. The SVODs have a completely different mindset.

Because we are British, we are all embarrassed to say that what lies at the base of what we do is artistic. Forgive us, but we think of ourselves as artists. That is not the mindset there.

**Sir Colin Callender:** The other reason why Netflix has focused on the UK is that the audiences are early adopters of the new technology. They are the audiences who are watching Netflix either on their phones or on their computers on their beds, not watching broadcast television. We are probably behind the eight ball on that.

We need to get ahead of that and understand that appealing to younger audiences is not just about changing the shows we make, because certain shows currently on ITV and BBC, such as "The Durrells", which would otherwise be seen as adult shows, are actually watched heavily by young people. We have to understand that we need to be more targeted in using new technologies and make sure that programming is accessible on those technologies in available ways.

**Peter Kosminsky:** But remember that the BBC moved the whole channel BBC Three to online specifically to try to achieve that.

**The Chairman:** Sadly, we have run out of time. Can I ask one further

brief question? From your background and your expertise, you have talked about the impact on drama of a couple of very significant issues to do with cost inflation and the reduction in co-production. Do those issues, in your mind, extend industry-wide to factual or indeed children's programmes, or are they specific to drama?

**Peter Kosminsky:** Drama has an immediate crisis, so I and some of my colleagues are rather selfishly concerned. As this Committee knows better than almost anyone in the land, the arrival of the SVODs in our country and in our broadcasting firmament raises a whole variety of issues; Sir Colin has touched on one, but there is an impact on our whole independent production sector potentially.

But there is an immediate crisis. I do not want to be specific, because it was an in-confidence conversation, but I spoke to the head of one of the PSB drama departments who said that the co-production model by which we make our programmes has broken down—not "is" breaking down but has broken down. As I said in my presentation, that will take a number of years to work its way through because of the time it takes to go from commissioning to transmission. This is an immediate crisis. There may be crises further down the road for some other formats, but in drama we are the shop window of British broadcasting, and we do not know how we are going to get our shows made. It is an immediate crisis.

**Sir Colin Callender:** I have one final point. One of the things the SVODs are doing in America is buying talent. They are entering into enormously expensive deals with talent, with writers and producers, to get exclusivity. The danger is that that will start happening here. They will start signing up British writers, as they already have, and creative talent on an exclusive basis, which will preclude that talent from working at the BBC. If you look right now at the amount of natural history programming that would otherwise have been made by the BBC that is now being made by the SVODs, the BBC is in serious danger of losing the David Attenboroughs of this world and the—

**Peter Kosminsky:** And the creative teams behind them.

**Sir Colin Callender:** Yes, the creative teams making those shows. That is a very serious time bomb waiting to explode.

**Baroness Bonham-Carter of Yarnbury:** We should be frightened of Netflix having offices here rather than applauding it.

**Peter Kosminsky:** No. If the SVODs are prepared to be levied, we will welcome them as part of the general broadcasting firmament. They make some great shows; this is not an attack on Netflix. I am just saying, perhaps charitably, that an unintended consequence of its business model is that we can no longer fund PSB drama. As long as the SVODs are prepared to behave responsibly in this jurisdiction and help to fund the shows they are damaging, we would welcome them here as part of the multiplicity of programme making.

**Lord Gordon of Strathblane:** In support of the levy, perhaps the use to which it could be put would be either training the crews that would create more talent and therefore stop existing crews exploiting their scarcity



value, or alternatively forcing SVODs to support the independent sector in the way PSBs are forced to do it.

**Peter Kosminsky:** The difficulty is that if you use it exclusively for training, you are suggesting that people out there who work in these grades should take a cut; because there are more people around, they will have to take a cut. That is not the way the world works. They will not. The rate of increase might diminish, but they will not take a cut. We have the immediate problem that the broadcasters can no longer afford to fund their drama, and increasing the amount of training, although it will help at the margins, is not going to solve that problem.

**The Chairman:** Thank both our witnesses. We have been much anticipating your evidence, and you have given us a great deal of very interesting evidence that we will think about. As the inquiry progresses, we may get back in touch with you to discuss further issues. Thank you for taking the time to give us your evidence today.