



Select Committee on Communications

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

Tuesday 7 May 2019

3.30 pm

[Watch the meeting](#)

Members present: Lord Gilbert of Panteg (The Chairman); Baroness Benjamin; Lord Bethell; The Lord Bishop of Chelmsford; Baroness Chisholm of Owlpen; Lord Gordon of Strathblane; Baroness Kidron; Baroness McIntosh of Hudnall.

Evidence Session No. 7

Heard in Public

Questions 59 - 70

Witnesses

I: Alastair Fothergill, Company Director, Silverback Films; Jane Turton, Chief Executive Officer, all3media.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Alastair Fothergill and Jane Turton.

Q59 The Chairman: I welcome witnesses to this evidence session of the House of Lords inquiry into the future of public sector broadcasting—PSB—an assessment of its future in the fragmented media world and public policy issues arising from that. I am very grateful to our witnesses, Jane Turton and Alastair Fothergill, who I will ask to introduce themselves in a moment and then take questions from the Committee. Just to let our witnesses know, today's session will be broadcast online and a transcript taken, which you will have an opportunity to have a look at.

I start by asking our witnesses briefly to introduce themselves and in their introductory remarks to answer an opening question: could you give us a brief overview of changes taking place in the UK production sector? How do you expect the launch of new services such as those from Apple and Disney to affect the production sector?

Jane Turton: I am chief executive of all3media. We are a company owned by two shareholders, Discovery Communications and Liberty Global, through a joint venture. We are the largest independent production company in the UK and we are very proud of that. We see ourselves as a global business, but we are based in the UK and were born in the UK back in 2003. Because I thought it might be relevant, I looked to see what proportion of the programmes we make are for the PSBs in the UK. About 70% of our UK content goes to the UK PSBs. It is slightly more than that if one includes their family of digital channels. They are hugely important to all3media and to the sector. It is a pleasure to come to talk to you about their importance, which is pretty critical to the health of our business.

To help you place us, the shows we make include "Gogglebox" for Channel 4, "Call the Midwife", "Midsomer Murders" for ITV, "Fleabag", which has recently been very successful on Amazon and BBC3, "Hollyoaks", which is a big soap that comes out of Liverpool made by Lime, "Horrible Histories", "Homes under the Hammer" for the BBC, et cetera. Our biggest customer is Channel 4, which you will find to be true for many of the big independent groups, because it is I think numerically probably the biggest commissioner of independent content in this country. It is probably actually slightly bigger than the BBC just because it commissions only from independents.

We are a big British producer, but with enormous global aspirations, which I guess gets to the second part of your question on the arrival of the SVODs and your specific question on the newcomers. We used to call Netflix and Amazon new entrants; I think they are now middle-aged. There are newer entrants even than those. I am sure that Alastair will talk about Disney because I think he has more first-hand experience than we do, but as far as that is concerned, the obvious point to make is that we are running businesses. We are running commercial operations.

We need to take risks by spending money. Development is expensive and people are expensive to employ.

To do that, give or take, one needs to see the opportunity for growth. We achieve growth by selling more programmes. It is an extremely simple model. To sell more programmes we need more revenue spent on content. You will be well aware that the PSBs have not increased their spend over the last 20 years in real terms. It has gone down. We now have to look more and more to outside both the UK and the PSBs to allow us to take risks and to continue to invest and to grow.

The arrival of these new newcomers is a positive, because, again, one of the most obvious points to make is, other than what has changed in the market, what has remained constant: it is all about quality, talent and the quality of the programmes that that talent produces. Newcomers coming in to buy those programmes is helpful.

Alastair Fothergill: I am co-director of Silverback Films, based in Bristol. For many years I worked in the BBC Natural History Unit, producing series such as "Blue Planet", "Planet Earth" and "Frozen Planet". I left in 2012 to set up my own company based in Bristol. We just make high-end, landmark natural history. We are at the big-budget end of the wildlife business. We have just completed Netflix's first landmark natural history series, "Our Planet". We have three series in production for the BBC. We make wildlife movies for Disney as well. We are a small company.

I agree with a great deal of what Jane said. At the moment, in the natural history market the BBC tends to put in less than 20% of the budget for these big, high-end series such as "Blue Planet II". However, BBC Studios, the commercial arm of the BBC, which used to be known as BBC Worldwide, sells them very successfully. Natural history is an earner for the BBC and returns money to the licence fee.

The SVODs are very welcome. Netflix has done only one big series, but I think it will go for more natural history because of the success of the last one that we have just made them. Apple is a smaller player in the UK. It has commissioned just three natural history series and I think very few dramas. I know Disney well because I have made movies for it. It has just bought National Geographic as part of the deal. National Geographic is traditionally at play in the documentary and natural history field. I suspect that there will be more commissions.

Overall, the natural history documentary business in the UK is in very fine health. Big successes on the BBC such as "Blue Planet II" and "Springwatch" mean that the BBC order book is full until 2023. Most of that work is going to the BBC Natural History Unit. It is one of the few areas where the BBC still employs significant production staff, but players such as Discovery and Nat Geo, which had gone away from high-quality natural history, are returning to it. Bristol is booming with work from the BBC and various international clients.

The Chairman: You described natural history blockbusters as earners for the BBC. Do you mean that it sells the rights for those big

blockbusters for more than the production cost and makes a profit on them?

Alastair Fothergill: Substantially so, yes—five or six times its investment.

The Chairman: Is that true of any other genre?

Jane Turton: Yes, for some drama that would also be true. For example, we make “Call the Midwife” for the BBC. It will be returning substantially more to the licence fee from the exploitation of the show overseas than the BBC paid for it.

Q60 **Baroness McIntosh of Hudnall:** I am very interested in what you said about the quantum of your work that is produced for the PSBs; 70% is a very high number, but 30% is not. Can you tell us a bit about what the differences are from your perspective as an independent producer between producing for a PSB, whether it be the BBC or Channel 4, and producing for somebody else—Netflix, Disney or whomever? What are the pluses and minuses?

Just to be clear, we have been told that it is part of the ambition, certainly for Netflix and possibly some of the other SVODs, to move into being wholly in control of the production process—funding the whole thing—and no longer co-producing with PSBs and others. Can you give us a bit of an insight into how it is at the moment and whether you think there is more that PSBs currently do, given their limited resources, to retain the interest of the people who have the ideas, create the work and then make it so that they will continue to do it with PSBs?

Jane Turton: The answer is, as ever, complex. There are a number of different models currently. We make genuinely original originals for the SVOD companies. Netflix is the biggest commissioner. It commissions series such as “The Crown”, or a show that we make called “Free Rein”, which is a children’s drama set in north Wales, and “Sex Education”, which I know you have discussed before because I have read the transcript. The SVOD companies will commission them as original commissions. They wholly own them and fully fund them. That is one of the differences. They pay a premium on top of the cost of production that compensates the producer for the lost opportunity because they are no longer able to exploit the rights.

That is a model. Netflix would like to do more of that and it will continue, I am sure, to do so. It has a new strategy that, again, I am sure you are aware of, which is to go to local markets and commission local content. It is sometimes foreign language, so it is starting to commission German and French content. It has commissioned its first Dutch drama. It continues to commission British drama. Conveniently, we speak English. It likes the quality of what we produce and that tends to travel well but, let us be clear, it is also being produced to drive British subscription.

That is one end of the scale. The other end is them acquiring on a tape basis something that pre-exists that they had no hand in creating at all. In between is this area that you have talked about, the co-production

model, where they will come in early to part-fund alongside a UK PSB. We like that model because it tends to mean that we maintain the critical relationship with the UK PSB, often the BBC but also ITV. For example, we recently made a series called "The Widow" with Kate Beckinsale, an expensive drama, the minority of it funded by ITV and the majority funded by Amazon.

We like those sorts of models because, as you can imagine, we have the benefit of a UK relationship and the UK editorial input, which is very valuable and not something that one should underestimate; you have a commissioning editor at ITV who sends notes, is involved and understands the market, casting, writing and so on. We make it as a British programme but for a combination of different funders.

To answer your question, it is a mixed model. The danger would be if we ended up exclusively in that first place where it is commissioned only by Netflix and we have no rights; for producers, that is not the best outcome. We would like more of the co-production model but, as you have been discussing in other sessions, that can be quite difficult to pull off. It becomes more so as people want to start to take more rights, the BBC iPlayer window being one example. There is this third bit, which I think they will continue to do. We should remember that the vast majority of Netflix's content is still acquired content; it is not commissioned but acquired tape. Again, Alastair can talk about this: a lot of what Netflix has built its natural history success on is programmes that I am sure he made when he was at the BBC.

The answer is that it is complex. The challenge, in this world of complex deal-making, is for the producer to continue to create content that is so desirable that hopefully it can leverage those deals in a way that makes sense.

Baroness McIntosh of Hudnall: Could I press you a bit on precisely that point? If you have something that everyone wants then you can name your price, not just in your world but in all sorts of worlds. If the person who has the most to offer is an SVOD when it is to do with something highly desirable, whether original content or the people who want to be involved with the content, do you sense any serious danger that other people will simply be priced out of the market for that core creative content?

Jane Turton: No. Having read the previous transcripts, I am not sure that we as a sector have made our point well enough. To the UK producer, the relationship with the UK PSBs is essential. We value that relationship enormously—partly because of the terms of trade, incidentally, so there is an economic and commercial reason for that, but also because in those relationships most of the content is commissioned by them. Those relationships are long-standing and based on trust, concepts that may sound soft but are extremely hard in the world of creative production where you are running a risk every time you produce a show; as you know, you are exposing yourself to audience reaction, catastrophe, disaster or overspend, whatever it may be. So probably the single most important thing is that the person you are dealing with is

your long-term partner, even more than purely the size of the licence fee. We turn down shows with streamers if we think there is a better combination in going another route, as we are building a long-term business. Does that answer the question?

Baroness McIntosh of Hudnall: It does. It is a pleasantly optimistic take on what has been presented to us in slightly more apocalyptic terms by other witnesses, so I am interested to hear you say that. Mr Fothergill, could you talk about that from the perspective of, for example, the very high-profile—I hesitate to use the word, but let us use it—defection by David Attenborough from the BBC to Netflix? Whatever the background to that was, it certainly gave the impression that an SVOD was in the position to buy the top guys.

Alastair Fothergill: Yes, I can tell you quite a lot about Sir David's defection. I do not think David would describe it as a defection at all.

Baroness McIntosh of Hudnall: Of course he would not, and I mean no disrespect.

Alastair Fothergill: He is still very much involved in the upcoming big landmark series for the BBC. This was a bit of a one-off, and actually he did it because I asked him to; we have a very long working relationship that goes back many years. You may not have seen "Our Planet" but it is the first of the big blue-chip natural history series to deal with the environment, and I needed to do work with the World Wide Fund for Nature. When I first pitched it to the BBC, which wanted it very much, I said, "I still have to work with the WWF", and as a public service broadcaster it was not comfortable with that. We also knew that we had to have a very large website to carry the message—the BBC does not fund large websites except for news and sport—and initially the WWF was going to fund it. Then Netflix came in and funded the whole lot. David was delighted to come because he thought the project was very worth while. He has not defected at all. Does that answer your question?

Baroness McIntosh of Hudnall: It answers the question, but it also focuses on precisely the point that when there is something really big that needs to be done in the way that you have described—and I respect every aspect of what you say—one funder is able to say, "Yes, we'll pick up the tab for all of that". That is quite a significant factor, isn't it?

Alastair Fothergill: It is. Everything that Jane said about the value of working with public service broadcasters, particularly the BBC, is true, and it applies just as much to us as it does to all her companies. Where the BBC is most at threat is that it has not increased its budgets at all. When I did "Blue Planet", half the budget came from the BBC. For the series that I now do for the BBC, that figure is less than 20%. The SVODs want all rights. Netflix is in 190 countries, and the reason that it likes natural history is that it travels very well. It is globally attractive. I do not think any of the big SVODs that are talking to us now or will talk to us in future about big natural history projects will consider a co-production.

Q61 **Baroness Kidron:** I should probably declare that I have worked with companies in the all3media group at some point. I am also a member of Directors UK, which will be in the next session. I am interested in picking up that last point. We have asked in other sessions whether the BBC or other PSBs have too many constraints. I am very interested about the WWF point. Do you think it is an unfair constraint on the BBC that it is made to feel uncomfortable alongside an organisation that may take a more direct view on a subject?

Alastair Fothergill: I think the BBC's concern about working with WWF was specific to this project. Its perspective was that it could not work with a single charity, but the problem is that there is really only one global charity in the conservation world that has the money and the reach that we needed. I think that was probably a one-off.

Baroness Kidron: Jane, you have made it clear that you have read what happened last week. Peter Kosminsky made quite a strong case about inflation, particularly in drama, which is his area, saying that over the years we have seen the costs of making drama go up because of the new entrants. I wondered what your view of that was. Do you agree that there has been an inflation of costs so that the price per hour is simply higher whatever you are doing, irrespective of who you are?

Jane Turton: Our numbers mirror almost identically the sector numbers that he uses. For what we call high-end drama, from £1.1 million per hour we are now north of £2 million per hour. There has definitely been inflation across all genres at a time when, as Alastair has just said, licence fees have at best remained flat. If you look at where inflation is coming from, you see that it is mostly talent—but, of course, most of the cost in the budget is talent, as you know. Some location costs have gone up, because people know that, if it is part-subsidised by a tax credit, we have to reach the £1 million threshold. Therefore they will tend to price accordingly. That is one thing that you could look at. I do not think that you should do away with a threshold, but it could be interesting to look at lowering it. You might then help the production community manage cost in aggregate more effectively—I stress “might”.

The tax credit has been an enormous help and a huge success. As producers, we love it. We have put 12 shows through it this year. We might otherwise have gone overseas in many cases—we used to go much more to Belgium, South Africa and Holland than we do now. Again, it is very difficult to say that we would have made a show overseas had it not been for the UK tax credit, but I am pretty confident that we have kept more production in this country because of it and managed to put all that money back into budgets. You have a better-quality product as a result.

Inflation is real, but we must not be completely obsessed by high-end drama. Peter makes high-end drama because he is a high-end drama director. We have also started to experiment quite successfully in mid-range, above soap level and into the £750,000-an-hour bracket. That is quite fun, because—who would have thought?—those have now become co-productions. They are not co-productions with Netflix necessarily but

with European broadcasters and some American broadcasters, and we are doing interesting packages with people such as Channel 5.

The Chairman: Could you give us an example?

Jane Turton: Yes. Did you watch “Blood”? Adrian Dunbar, who is very famous now from the Sunday night show “Line of Duty”, is just going into “Blood 2”. We have been recommissioned. We made it for Irish broadcaster TV3 and Channel 5 with a tax break from Ireland and the UK as a package. It still has a deficit, but it is £750,000 an hour and it goes around the world being sold by All3Media International. That is a supermodel; we are starting to do more of that type of thing. It is not entirely about high-end; we would like to think that we are slightly more imaginative than that. There is this area between soap budget and high-end which is really interesting storytelling. It could be more regional; we are looking at a lot more regional production for that and have something coming out of Liverpool in the next batch. It is very British—quite definitely, very British stories.

Baroness Kidron: That sounds fantastic. That middle rung is a very fertile area. As someone with 70% PSB, are you worried that PSB programming may not be able to afford high-end, period, especially with the crunch around co-production?

Jane Turton: No, because as long as they come in to develop early, to partner with us early, to commission and to work up these shows, we will always go to them first—and we do. I am in danger of sounding naive and optimistic again—

Baroness Kidron: We love optimism here.

Jane Turton: We value those relationships enormously. We will trot to see Piers Wenger, Polly Hill or the guys at Channel 4 first every time. It is because of the British storytelling and the British talent, and it is because, fundamentally, we are making those shows for them.

Baroness Kidron: I want to make one point: a lot of the people in those commissioning positions have recently gone to the SVODs.

Jane Turton: Not those three.

Baroness Kidron: Yes, those three are all in place, but the relationship arguably—

Jane Turton: Anne Mensah has definitely gone.

Baroness Kidron: That is an interesting point, too: they are buying up commissioning talent as well, which could be considered very good business.

Jane Turton: You asked earlier whether there is a danger that people do deals with talent. We have always talked about an arms race for content; I think that the arms race for talent is more of a threat. The moment high-end natural history people or directors of dramas tie themselves into longer-term deals with SVOD players, it becomes more complicated.

Baroness Kidron: Alastair, can I ask for your perspective on roughly the same question? I understand that it is narrower, but are you worried about inflation in budgets or does that not operate for you?

Alastair Fothergill: Our actors do not charge repeat fees.

Baroness Kidron: Amazing, that.

Alastair Fothergill: So that end of the inflation issue does not hit us. The hardest thing in our area is the bar. The quality of natural history photography and series in the UK is so high that, every time we start another four-year journey, we always ask, "How can we raise the bar?" All the low-hanging fruit has been filmed to a certain extent, so the natural world is one of our greatest inflators.

Most wildlife programmes in the UK are made in Bristol. Competition for the best producers and specialist wildlife camera operators has increased. That has certainly increased our budgets. At the same time, the success that BBC Worldwide/BBC Studios has had in selling such series internationally has allowed us to push the budget up and get increases in the budget from the BBC.

Q62 **Baroness Chisholm of Owlpen:** We heard last week that one problem that could arise was technicians or skilled people moving to Netflix or the SVODs and being given a contract whereby they were not then allowed to work with the PSBs. Do you see that as a problem: that the skilled workforce will leave the PSBs?

Alastair Fothergill: Not in our area at all.

Jane Turton: It is an American model, but, you are right, they do things called overall deals, but they tend to be more with writers and American showrunners, which is the name for a writing producer.

Baroness Chisholm of Owlpen: So not with the cameras or the technicians.

Jane Turton: Probably less so.

Alastair Fothergill: Not in our area at all.

Q63 **Baroness Benjamin:** There was a time when the BBC was the training ground for new production talent, which we know is not the same today. Has the development of skills and training kept pace with increased demand from new entrants in the UK production sector? How could development of skills in the production industry be better supported, especially among those from low-income and BAME backgrounds?

Jane Turton: That is a huge question. We are trying hard to keep up. I am sure that there is an awful lot still to be done, particularly as we go more regional in this country. For example, we have just opened offices in Leeds and Manchester. We have offices in Birmingham, Glasgow, Liverpool and, since as recently as last week, Brighton. I imagine—because I hear it anecdotally—that finding people with suitable skills, experience and qualifications in those areas, given that we are increasing

the demand in them, may be quite challenging. We will have to do more to develop staff.

Where we have existing bases such as Liverpool, we are doing precisely that. It is about entry-level jobs and then giving people careers in the television sector. We are investing a lot in that. As an independent sector, we are putting a lot of effort and money into it. It is not industrial in the way that it was at the BBC—you are right. It is sometimes difficult to see it in aggregate because there are multiple companies doing lots of different initiatives. I think we are doing quite a lot, but we will need to do a lot more. We are very aware that there are big challenges in terms of diversity. Class is another thing that we worry about. We have challenges there in terms of a broader reach demographically.

Alastair Fothergill: One of the reasons the BBC does less is that it employs fewer production staff in factual documentary-making. The Natural History Unit is almost the only strong group of producers that the BBC still has.

In Bristol, because we have a very tight community of wildlife film-makers, both centred around the BBC but with all the independents as well, we have a strong strategy of doing it ourselves. For instance, at my little company, we always have a bursary camera man or woman. They are very young, and we train them up in wildlife photography. We throw them on to all sorts of shoots around the world. The person whom we have just trained is now working for the BBC.

The University of the West of England has a very good course in wildlife film-making that we all support. So it is home-grown; we have to do it ourselves. As a small company with 85 people, there is only so much that we can do, but, together in Bristol, we combine. I think that it is a pretty impressive effort. Diversity is an important part of our thoughts.

Baroness Benjamin: What about hiring production crews? Has the price of getting skilled talent been detrimental to you getting new people in and training them up? How do you manage there? One of the concerns is that, especially when you are filming, the space that you need for production is pre-booked so you do not have time to get new people coming in all the time. Especially for you with your dramas, is that something that you find is costing you and that means you cannot get new talent in?

Jane Turton: No, I do not think it is about cost. I think it is about facilitating the programmes to ensure that we can bring people on through careers. It is much easier if you are at the BBC, and you have someone on a contract or on a full-time employment agreement, to bring them in and help them progress through a career. In a predominantly freelance market, with people moving from job to job, it is much less easy to do so. The challenge for us, as Alastair said, is to combine together, using the RTS, BAFTA and similar organisations to help, which is what we are now starting to do much more. We also do bursaries through the RTS and BAFTA to try to get people out of school and university into production and then grow them through a career in television.

Baroness Benjamin: How do you get someone from a BAME background? We see a lot of the production team photographs, and it is very rare that you see someone from a BAME or disabled background. How do you encourage people from those backgrounds to come forward for training and take them under your wing?

Jane Turton: We encourage people to apply. That is the first thing.

Baroness Benjamin: How do you do that?

Jane Turton: Currently we are working with the RTS on bursaries. It has staff who are out in the universities, and indeed are recruiting kids to go to university from multiple different backgrounds—as I said, based on demographic, race, sex and disability. We are working with it to make sure that we have a representative group of people going through from the beginning.

Baroness Benjamin: Do you ask for those particular people? Do you say, “I want X, Y and Z”?

Jane Turton: We are absolutely actively going out to try to find those people and working hard to make that happen. It is challenging.

Baroness Benjamin: Have you been successful?

Jane Turton: Reasonably successful. We are trying at all3media as well, and being reasonably successful.

The Lord Bishop of Chelmsford: What would you say success means?

Jane Turton: Keeping people and watching them progress. We have found that keeping people, when we have brought them in from different backgrounds, is not always easy.

Baroness Benjamin: Why is it not easy to keep them?

Jane Turton: Because they do not always want to stay in television. However, we have had some success.

Baroness Kidron: Is it partly because of the freelance, unsettled nature of the work?

Jane Turton: It is a huge amount to do with that. If you have the choice of being in a job where you know that you will be there indefinitely under an employment contract, unless it does not work out, that is very different from going from one production to the next and the next and probably having gaps in between. If you have a mortgage to pay and a family to support, that is quite difficult.

Baroness Kidron: Forgive me for not knowing this but when you make PSB content, do you have a requirement to prove that you do some of the training that traditionally used to be done in-house?

Jane Turton: Yes.

Baroness Kidron: Has that been a driver for these schemes?

Jane Turton: Possibly, but I think we are genuinely slightly more altruistic than that. We are perfectly cognisant of the fact that a healthy

skill base is ultimately for the good of the sector. Realistically, though, I am sure that it is a combination of both.

Baroness Benjamin: Do you find in the natural history world that you are part of coming forward to learn these skills? A lot of them are specialised skills, so what kind of training do people have to have in order to be able to join your company?

Alastair Fothergill: There are two routes. They either go the camera-operator way or they go into production. I get thousands of letters from people who want to be David Attenborough. We get an enormous number of applicants and we do what we can, within the smallness of our company, to give them opportunities. Typically, our wildlife camera men and women are the very best, but you can always have someone else in the hide bringing them food, helping them out and being a spotter. So we tend to send them out and, as I said, we have a specific bursary for two years, which is a really good learning curve.

Baroness Benjamin: When people come to you, do they understand what skills will be needed? Do you think schools need to do more to train up people so that if they apply to you they know what they are getting into?

Alastair Fothergill: Our area is so specialised that I think it would be hard for schools to help with that.

Q64 **The Lord Bishop of Chelmsford:** I wanted to ask about co-productions between PSBs and streaming services. In a way, you have already covered this a bit in some of your previous answers, so please do not feel the need to repeat what you have said. Alastair, I noticed you said earlier that there had been a change in the percentage spend from PSBs in co-productions. Are these co-productions in decline? You might say they are not, but what is the decline? I am also looking at what the benefits and risks are of these co-productions from the perspective of the PSBs.

Alastair Fothergill: In the natural history world, the main commissioner of natural history in the UK is the BBC. Channel 5 does a bit, but it is almost entirely the BBC. When you have a commission from the BBC, almost immediately BBC Worldwide, as was—the commercial arm of the BBC, now all part of BBC Studios—comes in. We tend to be very happy to co-produce with it because it is one of the best distributors of natural history in the world, largely because it has such good content. So at the top end it is quite healthy. The only issue is that, as I said, the percentage of the public service side of the deal is getting smaller all the time. We are now working on a series for Netflix that I do not think the BBC and BBC Worldwide would have been able to afford, but that is a bit of a one-off. On the whole the situation is quite healthy.

The Lord Bishop of Chelmsford: But is there a risk, do you think—if, say, you were wrong and that were to repeat itself?

Alastair Fothergill: No, I think that at the moment natural history is genuinely one of the jewels in the BBC's crown. "Blue Planet II" had the

highest audience of any show the year before last, and it is determined to continue investing in it because it is one of those things that people say they pay their licence fee for. In our specific world, I think the BBC is in a strong position.

The Lord Bishop of Chelmsford: What about in your part of the sector, Jane?

Jane Turton: In factual entertainment, in entertainment and in most factual, it is not something that one tends to see. Those shows tend to be fully funded, and remember that they are the bulk of the hours of programming on the PSB channel. Turn on the television and look at the daytime schedule; none of that will be co-produced. You only really think about it in the context of high-end drama and, as we said, if the average is £2 million an hour and the maximum licence fee from a PSB gives £850,000 an hour, there is a gap. You either go to your distribution partner—for example, what used to be BBC Worldwide, as Alastair said—and ask them to fill it, and all they are doing is going on risk pre-selling it, or else you go to a co-production partner and say, “Come in earlier, please; co-produce it with us and de-risk it”. However, you then obviously have another editorial voice at the table.

As I said, there are models in all this. There is not an entirely hard and fast answer. However, that relationship really matters and those PSB commissions are still the priceless thing that one celebrates when one gets them. Look what happened with “Line of Duty” over the weekend and with “Bodyguard”. The numbers for those hits when they hit are phenomenal. Those are the things that producers really celebrate: big audiences, talked-about television and the profile and kudos that that brings, as much as the financial return.

Change is always risky. There is a role for funded and part-funded high-end drama but the model is quite complex. The good news is that the producer tends to be in the driving seat. They can choose to say no or yes, and that is quite empowering. We do not whorishly chase down top dollar, as I said before; we go for the best partner. We want long-term returning series. That is what makes your business strong.

Q65 **Baroness Kidron:** If we had all been sitting here three years ago we would not necessarily have seen a world coming where 30% of your output was going to the SVODs, or that there would be this one-off in natural history that had not happened at the BBC. If we fast-forward three or five years, do you think we will be looking at a world where those numbers are really different? I completely understand and accept everything you have said about now, but do you think there is a direction of travel? That is what we are looking at here.

Alastair Fothergill: The biggest threat to the BBC is its ever-declining budget. Clearly, supporting the licence fee for the over-75s is massive. It is talking about it costing between £700 million and £800 million, which is a very large chunk of a £5.2 billion budget. On top of that, I believe that last year 880,000 people cancelled their licence fee; that was almost certainly young people coming to Netflix. The average age of the BBC

audience, as I am sure you know, is 60; the average age of the Netflix audience is under 30. It is one of the reasons we went with Netflix for the big project I have just done with it: these are the people who care a lot about the environment.

The key thing we need to think about is the iPlayer if we are ever to get young people back to watching BBC content in four or five years' time. This is an audience who do not even think about broadcast TV. They very rarely come to it on broadcast. It is all online for them. At the moment the most attractive online services are the SVODs. Yet the iPlayer could be just as competitive. As I am sure you know, at the moment a programme has only 30 days before it has to come off. The BBC is now talking to Ofcom about being able to make the iPlayer more competitive. If the BBC is to be as strong as it is now in five years' time it has to maintain its budget, but most importantly it has to get the young audience back. Part of that would be making programmes that are attractive to young people, but a lot of it is how it is presented to them: whether it is attractive in the world they live in. At the moment the iPlayer is not as attractive as Netflix.

Jane Turton: If you look at drama, you will see that for BBC1 and ITV1 about a third of viewers are watching on catch-up. It gets to about 50% when you factor in BBC2 and Channel 4. They are younger. It skews younger in terms of age. Alastair is absolutely spot on. We can play our part in that as producers. We can help with the terms of trade and the rights required to get those programmes up there for longer, but I also think there possibly is an intervention to be made about the prominence of those players on smart TVs that government could play a role in. When you get your Samsung smart TV and turn on it on, your EPG had channels 1 to 5—your equivalent could be that iPlayer, the Channel 4 player, the Channel 5 player and the ITV player are up there prominently as your first screen.

Between us there is something we can do to help. Alastair is absolutely right: with the way people watch television, particularly young people, we will have to be more active in chasing down some of those more elusive younger viewers. By the way, some of it will come to content strategy. The BBC, ITV and so on have to commission content that young people want to watch. We will make it, but they have to commission it.

Q66 The Chairman: Could we talk briefly about content? A number of people have told us that what is distinctive and the most important thing about PSB is the production of British content for British audiences. Can you build on that and tell us what you think PSB producers could do to make content that is clearly distinctively PSB?

Jane Turton: The talent tends to be British. The writing is British—typically, but not exclusively—so the stories tend to be British. There is no shortage of British storytelling or British talent. It is then a matter of the BBC, ITV, Channel 4 and Channel 5 commissioning that content from us. We are selling and they are buying. Clearly we cannot force them to

buy stuff. We will always present them with what we think to be the best British content.

We have focused very much on drama. Remember that an awful lot of what people consume is non-scripted content, which we probably have not talked about enough. A lot of that, such as the access documentaries and reality television, whether people like or approve of it or not, tends to be British. It is a British cast. Incidentally, the British formats then travel the world in foreign-language and overseas versions. It is a matter of content strategy from the buy side, then the producer will respond, as we already do, by supplying ideas that are very commissionable.

- Q67 **The Chairman:** We have not talked much about comedy in previous sessions. It is traditionally an important part of the schedule. Comedy tends to be quite distinctive and to have a British characteristic. What is your thoughts on the future of PSB production of comedy?

Jane Turton: The thesis was always that comedy is very parochial and does not travel. I think that is not entirely true and we seem to have learned from some of the successes. For example, "Fleabag" is one of ours on Amazon. It has travelled extremely well internationally. It is about as British as you can get. It is very singular in the way it works.

We would love more money in Britain to be spent on comedy. There is no doubt that there is a shortage of funding in comedy. We sometimes struggle to get to the threshold for the tax break, as you can imagine. Although it is expensive, it does not tend to get to £1 million an hour. Often it is half-hours and they do not cost £500,000. The death of the DVD did considerable damage to the comedy business model. All of that combined means that if there are areas to look at with a narrow genre focus, comedy is one; children's is another. The BFI fund is an extremely good idea. That type of thing done elsewhere could be really interesting. All help in those areas where the market is tough is good for both the production and the PSB sector. I do not think you will get them to spend much more naturally. One will have to force some sort of change with maybe some intervention to improve the chances for comedy producers. We make some; we make five or six series a year. We would love to make more. We mostly make them for Channel 4.

- Q68 **Lord Bethell:** Could I return to the question of younger audiences, which you already identified as an area of key concern? You have touched on the iPlayer, but I wondered whether there are any other ways PSBs can use content to try to turn around the loss of younger audiences, either through shorter formats or other means. I also want to ask about the cultural benefits of the PSB phenomenon, particularly with young people. I suspect that a lot of the programming answers to get young people on board throw out of the window some of the cultural benefits of having a PSB in the first place. I wondered whether there is a tension there and how we somehow resolve it. Do you have a creative insight about how we resolve that tension?

Jane Turton: That is a huge question. Alastair, why don't you answer?

Alastair Fothergill: Generally, the BBC and other public service broadcasters would say that they are trying really hard to get those audiences back. Many of them have not grown up with the BBC. Those of us who grew up watching BBC children's programmes were with the BBC for a very long time. It is not what it was in their minds. They live in an online world. They are used to clicking from one thing to another. Apart from sport, really gripping dramas and the big natural history series, you never get them to come together.

I do not know the solution creatively, because we are trying everything we can. Certainly a good thing about natural history is it appeals to every age group. You do not particularly need to package it for them; they love it in the same way their parents or grandparents do. We have to be aware of the practical way they access the content: however good it is, they have to be able to find it easily and quickly. I made a series for BBC1 called "The Hunt". It did extremely well on the BBC. Within 30 days it had disappeared. Nobody buys DVDs any more. The only place you could watch it was on Netflix. As far as many of the audience was concerned, that series was made for Netflix. It was not; it was made for the BBC. As I said earlier, we have to crack the iPlayer.

Jane Turton: There may be other online platforms. We have, for example, a really unusual and interesting documentary channel on YouTube called "Real Stories", which we run as a totally online experience. They are documentaries which were produced for television by fabulously talented directors—often authored pieces that went out once on BBC2 and have never seen the light of day again. We put them up and young people watch them—only young people. I can guarantee you it is not old people. Many of them are not in Britain, which is quite interesting. There is a global appetite for the right content presented on the right platform. We just have to get smarter in how we distribute and aggregate the content. That is not a linear experience at all, but it is a channel. These are slightly strange concepts: you present a channel in a non-linear way to a global audience on an online platform. That is a million miles away from the schedule you read about in the *Radio Times* or on EPG number one.

It is about distribution and the way it is marketed. There is a content strategy piece in there writ large. If you look at the success of some of those ITV2 reality shows, which, as you say, may be a little at odds with some of the principles or the ethos of PSB, but which are none the less popular among young audiences and bring people to television, that is quite interesting. It is a whole combination of different things. By the way, it makes sense commercially. You would have thought ITV and Channel 4 would get it. E4 still skews quite young. We make "Hollyoaks", which is very young-skewing. The soaps skew young.

Baroness Benjamin: As you were speaking, I was thinking about young audiences. Do you think that if you had pay-as-you-go for PSB content, rather than paying a one-off licence fee, that you would get your young audience back?

Jane Turton: I do not think the licence fee puts them off. That is probably a ridiculous statement, given that I am sure you have empirical evidence to show whether or not people think it is value for money, but my experience of talking to younger audiences in focus groups is not that they are saying, "We do not want to watch the BBC on a linear service because we pay £154 or £155 a year".

Baroness Benjamin: That is interesting.

Baroness Chisholm of Owlpen: What we probably need is Floella Benjamin back on the television.

Q69 **Lord Gordon of Strathblane:** Looking at high-end drama first of all—to some extent this has been answered in response to an earlier question from Baroness Kidron—it would seem to me that if you have a huge increase in very wealthy commissioners of programmes without a commensurate increase in the amount of talented people able to make the programmes, you will have inflation. That inflation is surely compounded if you throw in tax relief at the high end. Do you think the high-end tax relief in television is past its sell-by date? Should we transfer the subsidy either lower down the market or to a specific genre—you mentioned things such as comedy, et cetera.

Jane Turton: I would retain the high-end tax relief but reduce the threshold to something like the £750,000 mark. I think you are right that it has been inflationary, but doing away with it would be unfortunate. We will all chase down the best tax relief in the market—it tends currently to net out at roughly 20%. We are well matched with most of the European jurisdictions. Remember, the spend is so substantial in those shows that even two or three percentage points of differential mean that one might force people back out of the UK, which is counterproductive. I would keep it but reduce the threshold. I would not get rid of the threshold, by the way, because we all lived through Section 481—literally everything went through that, and it was clearly an abuse of the system. We need to retain something that makes it around £750,000-plus.

Alastair Fothergill: Because you get it only in pounds that you spend in the UK, it has had an enormous benefit for the post-production houses and all the facilities we use.

Lord Gordon of Strathblane: The Government probably get it back.

Alastair Fothergill: Certainly. Soho is buzzing because of it.

Q70 **Lord Gordon of Strathblane:** Let us look at the proposal for a levy on video-on-demand services. We were told last week by Peter Kosminsky that Reed Hastings of Netflix would be amenable to such a 2% tax, provided that it also applied to Sky. What is your view on that? Do you think that a levy on SVODs is feasible and desirable?

Jane Turton: If it is money coming back into the system it will always be welcomed by any producer, because that sounds like more dollars spent on commissioning content. However, as producers we tend to be entrepreneurs and relatively free-market in the way that we respond. I

find that difficult to answer, to be honest. Money back in the system is always good. I would like it to be spent by the BBC, ITV and Channel 4 first to commission more programmes. If it worked its way back to that somehow then it has to be a good thing, but I am not sure that I am qualified to answer your levy point.

Alastair Fothergill: I do not think I can add anything to what Jane has said.

Lord Gordon of Strathblane: As a further point, if a levy was achieved and a pot of money was created, what is the best way to spend it? Arguably, all this inflation is caused by a skills shortage in this country. If we did something more on the training budget, might that not be a better way to spend it than continuing the inflation by subsidising it?

Jane Turton: Programme commissioning, training, anything that acts as a stimulus; better qualified people is always good, and more programmes commissioned is absolutely always good. That is basically what is oiling the system.

Alastair Fothergill: Training would be a good use of it. There could be an argument that the BBC in the past has trained an awful lot of people and the SVODs are coming in and benefiting from that. If that levy came back directly into training, I think that would be worth while.

The Chairman: Jane Turton, Alastair Fothergill, thank you very much for your evidence today. It has been a very interesting session, and we will take note of everything you said in preparing our recommendations. We may be in touch with you at a later stage for some clarifications. In the meantime, thank you.