



Select Committee on Communications

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

Tuesday 18 June 2019

3.35 pm

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

Evidence Session No. 16

Heard in Public

Questions 140 - 150

Witnesses

I: Lord Hall of Birkenhead CBE, Director-General, BBC; Sir David Clementi, Chairman, BBC.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Lord Hall of Birkenhead CBE and Sir David Clementi.

Q140 **The Chairman:** This is our inquiry into the future of public service broadcasting and we welcome Sir David Clementi and Tony Hall from the BBC. We look forward to hearing your evidence. I am sure you have been following our inquiry. We started off investigating the future of PSB, particularly in the context of the future of production, but naturally our focus has widened, and you have very kindly sent us some written evidence which has been very useful to us. Today's session will be transmitted online and a transcript will be taken. We may have a Division at some stage and if we do we will adjourn shortly and all get back as quickly as we can to hear your evidence. Sir David and Lord Hall, welcome. Perhaps you could start off with some brief introductory remarks and in so doing tell us what PSB really is. Is PSB that which the BBC and other institutions do, or is it a certain type of content delivered by the BBC and others? Is it institutions or is it content?

Lord Hall of Birkenhead: It is a sign of the times that everyone points to impending doom for PSB, but I would point to two facts. First, today we have announced that 426 million people per week are using the BBC globally and that compares very favourably to the numbers that are being reached through Netflix or other forms of media. That is number one. Secondly, 40 million people are using the BBC in the UK each day so, whereas we are right to be concerned about young audiences and about the change in technology, which is both a huge opportunity and a threat, putting in some context is really important.

There are three things that define PSB for me. One is around the value of creativity. Over the last 20 years we have come to understand the value of creativity and the creative economy to the whole economy. For us, that is all around IP. It is about getting IP made, generated and ensuring that it is exploited properly. The BBC, Channel Four and ITV—the PSBs—are really important as generators of IP. They are committed to generating IP, to finding new talent, to reaching out across the whole of the UK, for example in our case by setting up in Manchester Salford or by what we have been doing in Roath Lock in Cardiff, making a drama centre where 20 years there was absolutely nothing, or in Scotland at Pacific Quay. That sense that we are committed to building IP for the UK, for the broadcasting sector and right across the UK is very important. That is number one. By the way, that is why we have set up BBC Studios, and perhaps we will want to come back to that later.

The second is the social impact that these PSBs have. "Blue Planet II" was an incredible series because it changed the way we all viewed the use of plastics. Those scenes of plastics in the ocean changed so many people's minds. That programme was seen by three-quarters of a billion people globally. Whenever you make a programme that does something like that, everybody says, "Yes, but other people will do that", and of course other people do emulate that, but none the less the consistent commitment that we made to saying that we are going to tell the story

of the environment and the planet has led to those sorts of programmes being made and changing things. "The Planets", which is another wonderful series by Brian Cox, has already been seen by 70 million to 80 million people in China. The social impact is getting people to look at issues such as the environment, mental health and so on and setting off a national conversation. It is also about making distinctive programmes from the whole of the UK and allowing communities throughout the whole of the UK to talk to the UK and the UK to talk to the world. That social impact is really important.

The third thing I would say is that audiences seem to me to appreciate public service broadcasting. Some 90% of adults use the BBC each week. Some 80% of the young use the BBC each week and that is about a whole raft of things to do with programming and the way we distribute our programmes. Those basic fundamentals of public service broadcasting, reaching everybody and playing to strong values, actually having a social impact and being the generator of IP—intellectual property—are really important. I was really struck by one of the people who gave evidence here, who said the thing about public service broadcasters is they are there for the long term; they are consistent; they do not just come in and out. They are there to ensure that good ideas, wherever they come from, get to as many people as possible free to air. I think that was very well put. The professor who made that comment has not been given proper credit for the language, but I think that idea is really important.

The Chairman: Thank you. Sir David, welcome.

Sir David Clementi: The only thing I would add to what the Director-General has said is that we need to think carefully about the link between PSB and the licence fee. I know you are going to be speaking later to Channel Four and you have met with ITV, and they work on a different model, but for the BBC the licence fee is at the heart of what we do. It establishes a direct relationship between us and the public and makes absolutely clear that our job is to serve them. The manner in which we do that is laid out in the charter, but that direct link is very important to us. In the context of the over-75s, people say, "It just shows you should move to a subscription model". I think the BBC might do very well under a subscription model, but it would not be the BBC that you and I know. It would be there to serve its subscribers, and by its very nature the subscribers tend to be those who are better off. The whole point about the BBC, as Lord Hall has said, is that we are there to serve the public. We interface with over 90% of them every week, and that is at the root. We are independent of government, independent of any commercial interference and we are there to serve the public. The direct link with the licence fee is very fundamental to us at the BBC.

The Chairman: You have raised quite a lot of issues which we will now try to explore. Baroness Kidron.

Q141 **Baroness Kidron:** I would like to raise two issues on which we have had very conflicting evidence. The first is about the idea of production inflation of high-end drama and whether it is pricing the BBC out of that

market. We have even had the same programme—"Three Girls"—quoted from both sides of the argument saying, "You can still make "Three Girls", and, "You will not be able to make "Three Girls". Could you answer that and then I will move on to the other issue?

Lord Hall of Birkenhead: There is no doubt that there has been huge production inflation in high-end drama. We reckon the cost of ours has probably gone up by 60% over the last five years. Very top-end drama now costs around about £10 million per hour.¹ There is undoubtedly inflation there. What does that mean for us? It means that we have to look in a different way at what we do. Yes, we are doing some high-end drama, usually as a co-production, and Philip Pullman's "His Dark Materials" is one such. We felt it was right for us to make this with the right co-production partner because, first, Philip Pullman's work was done badly as a film and, secondly, it is such a British trilogy we felt we should do this. That is much more the exception and, whereas you can look at the cost per hour, for example, of some of the things Netflix funds and which are really good, we have been saying that we can produce 10, 11 or 12 series for that at a much cheaper cost per hour, and that is good too. "Three Girls" is one that falls into the latter category of being a much lower cost per hour and one which was extraordinarily good because of course it was stripped across BBC1 in the evening.

That leads you on to the question of whether there should be some way of protecting/funding drama. I think that leads you on to a discussion about intellectual property and who owns it. Basically, there are three ways of co-producing anything. The first is we make things through BBC Studios for someone else. We might get it on the return, but it has been shown somewhere else first. We are doing something for Amazon at the moment which is exactly that and we will show it later. The next is that we co-pro and we play it in this country and someone such as Netflix takes it outside globally and brands it as a Netflix exclusive. That has its place too in the increasing co-pro market. The sort of co-productions I prefer and we would like to build—and I think this is what Peter Kosminsky is getting at and I support him in that—is co-productions which are fully funded by us. Of course that is harder, but if we fully fund a production, we know that we can ensure, first, creatively it is what we want and, secondly, we can take it outside this country and sell it on to partners and whatever return we get comes back into the licence fee. That is how we have done, for example, "Blue Planet", with people who think like us. Some German and American co-pros provide up to about 80% of the funding but the programme is creatively what we want and any return from that we will share and put back into the licence fee.

Baroness Kidron: For those who say the money just does not add up, what is the barrier to you doing that last version every time?

Lord Hall of Birkenhead: The barrier is this—and forgive me this will sound like special pleading and it really is not meant to—that back in 2010 just under a quarter of the licence fee was taken away in the settlement and that has been consistent right the way through to 2022.

¹ Note by witness: The correct figure is \$10 million per hour.

That cut in the licence fee means that it is less easy for us to be able to afford the inflation which there has been in the drama market and therefore less able to fund wholly the sorts of things we would like to do. What does that do? That pushes you towards co-productions with people such as Netflix. They will continue and they are good partners, but I think from the point of view of building British IP it is better to fully fund those, so it is a financial issue.

Baroness Kidron: The other controversial matter was this idea that some people are saying those companies, having got direct relationships with the principal creators, no longer want to co-produce, and they have all the money in the world. It is the point that you raised about claiming the cultural value of what you do. Could you unpick that a little and explain to us why that is a problem?

Lord Hall of Birkenhead: My take on this is what you have seen over the last five years is the SVOD companies producing things that people want. They are excellent. Let us get that straight. I do not want to sound as if I am trying to get rid of spinning jennies. They used to build their profile by buying catalogue from people such as ourselves and saying, "We are the best place to go to see "Only Fools and Horses", or whatever it happens to be; all sorts of back catalogues from the BBC, although I do not think they have that. Increasingly, they are saying, rightly, "The way that we will make our membership happy and get new members is by doing originals, and we will commit to originals".

Because this country has extraordinary creative talent and talent behind the camera in drama, natural history et cetera, they have been doing co-productions with people like us. By the way, those work for us financially and they are good co-production partners. The big question is whether, over the next three or four years, they will continue to do that or whether they will have so much muscle that they will think, "Do you know what, we don't need the BBC, ITV, Channel Four"—or whatever it happens to be—"as we can fund these things ourselves". A bit of me thinks that is likely. Others you have heard from in the industry such as Peter Kosminsky think that is likely as well, which is why I go back to this extraordinary ecology which is really good in this country of a publicly funded BBC—and there is a question mark over how should that be funded—Channel Four in good health and ITV in good health. That ecology really matters.

Baroness Kidron: Let me finish with this: if there was one thing the Committee could recommend to keep that ecology and those co-productions happening in the way you would like to see them, what would it be?

Lord Hall of Birkenhead: Bluntly, it is money. It makes the world go round. I would hope and I have said this in the context of the over-75s that I would like us to have a proper debate about the quantum of the licence fee and the funding of the rest of the PSB ecology in this country. What I would hope is that we do not have another settlement of the licence fee being done behind closed doors over a matter of days but we have a proper debate about what the right quantum is for the sake of the

creative industries. We know these are really valuable and important to us going forward. What I hope the BBC and now Channel Four will be doing is investing not just in London and the south-east but right across the UK. That is really important. Whatever the Netflixes and Amazons say about bringing in investment, we will be a small part of what they are offering globally, and what you want from the PSBs is consistent investment, finding new talent and giving a voice to people who have not been heard so far and helping them building their careers.

Lord Allen of Kensington: We have heard people talk about the challenges of working with SVODs, and you have given us some insight into the financial challenges. One of the other things we have been hearing about is exclusive deals with talent that preclude them from doing other things. Is that a big issue or not?

Lord Hall of Birkenhead: It is an issue going forward. In my old world of opera and ballet, doing co-productions was creatively always difficult. You need to work with the right partners. My own guess, Lord Allen, is that in the future we will do much less with the Netflixes and the Amazons because, if I were them, I would be developing my own base, as they have said they are going to, to do all the things I want to do myself. That is therefore a challenge we have.

Lord Allen of Kensington: The second point is back to the financial aspect. Some people have been saying to us that you do not want to play in the sandpit with them and you have also articulated today that you might not want to play with them. What is the right balance in terms of the ecology, as you rightly call it, in how that co-production model works?

Lord Hall of Birkenhead: The balance is this: we want to work with them, but we are working with them with our eyes open. We have had an injection of money into the broadcast system here from the SVODs which has enabled us to do some extraordinary things, and that is good for the ecology of production businesses in this country, but we are going to have to get used to the fact of us having to come off that and that it will be much less in the future. To build a future on co-productions would be foolish, but we are not averse to them. In fact, we are doing a lot of co-productions and it would be wrong to suggest that we are not. For the future we probably have to think beyond that and/or find the right people to do co-pros with who are part of a free-to-air community.

Q142 **Viscount Colville of Culross:** I declare an interest as a series producer at Raw TV making content for CNN. Lord Hall, you talked about generating IP for British broadcasting. However, secondary control of IP is obviously crucial. Does the increase in independent production for the BBC mean that BBC Worldwide and the BBC licence payer is losing money on secondary IP with BBC control of it?

Lord Hall of Birkenhead: No. We are investing just under £1.5 billion a year in the UK on a few tens of thousands of hours of output. The reform I brought about three years ago, which was to set up BBC Studios as a commercial subsidiary of the BBC, working to BBC values but taking them and giving them a market beyond the BBC, is because I wanted to

grow IP for the BBC and to return the value on that IP to the licence fee payer so we get into a virtuous circle. We are delighted to invest in independents and we have some working for us. We are thrilled when we have genuine independents doing really well in the marketplace and doing programmes with us. That is where we should be looking very hard. We are delighted when independents which have been taken over by larger companies work for us, too. I believe that the BBC needed to build up its IP for the future, and that is what we are doing by doing programmes now for other broadcasters. It has freed the creative talent in in-house programme-making in the BBC to think, "If I have an idea and I cannot sell it to BBC1 or BBC2, I can go somewhere else". Believe me, that is working: there are some brilliant things going on.

Viscount Colville of Culross: I know BBC Studios has merged with BBC Worldwide. Is it possible to give us a profit for what BBC Studios made in the last financial year?

Lord Hall of Birkenhead: We will be doing that when the report and accounts come out in a few weeks' time. Remember there is a top-end profit from BBC Studios and that will be made absolutely clear. It has not gone through the board yet. This is why I am being a bit coy about last year's results, but they will be out there in the public domain. There are two things BBC Studios is doing. The first is producing a high-end return for the mother ship, as it were, and the second is investing in product for the BBC. That is more difficult to see, but it is there.

Viscount Colville of Culross: Are you concerned about the future of BBC Studios, particularly in non-fiction? People are worried that they have not managed to get returning series, which are after all its bread and butter. There is even talk that some departments have the entire staff on downtime at the moment because they do not have enough commissions.

Lord Hall of Birkenhead: I have just come from a meeting this morning of the board that looks after BBC Studios, chaired by an excellent non-exec, and I have to say the ideas that were coming there from the team were absolutely terrific. We have brought in people from outside, as you may know, who are coming in with ideas and are pitching an awful lot. You are right to say it is the ideas that have to win through, but I am very confident in what I have seen and hear, and I take a lot of interest in what Studios is doing, that we have some very exciting ideas in scripted and in other areas. You can see some of those ideas coming through now. If you look at "The Planets" by Brian Cox—an extraordinary series—that is building on our reputation from science. Now we have committed to a natural history big mainstream production each year. We have never done that before with that ambition, and that is all coming from BBC Studios.

Q143 **Baroness Bonham-Carter of Yarnbury:** I am moving into a slightly different area. Sir David, you spoke very eloquently about the connection between the BBC and the licence fee payer, which is very different from the subscription model. One of the things that has come up a bit in our inquiry is the degree to which the BBC is representing the diverse

background of our nation. I think we have seen over the past few years greater diversity on screen, but I do not know whether this is happening—and I look around this room and have to say we are equally guilty—off screen and behind the camera, as it were. We all know that decisions are made by the people who are in power, and in that sense could and should there not be greater diversity behind the scenes? I am talking to you, Sir David, but it is a question to both of you.

Sir David Clementi: Thank you for the question, and I will turn it shortly to Lord Hall. You are right that this is a board matter and the board looks at it regularly. In the annual accounts, you will see a whole raft of data about diversity, disownment and various other minority issues that we need to take very seriously. On BAME, you will see that we are ahead of our quota. On camera, the plans that Lord Hall has put in place to ensure we get close to 50/50 are starting to bear real fruit. In terms of our recruitment and appointments once you are inside, we are working incredibly hard to ensure recruitment panels are properly balanced in terms of the people on them. Right across the board, Lord Hall has introduced a range of programmes which I think are making a difference and our record will stand very well against practically any other broadcaster.

Lord Hall of Birkenhead: I think I can say from our annual report and accounts that 20% of our on-air presentation—that is radio and television—will come from a BAME background in this year.² This is the result of a huge amount of work. You can see it in news and right across the piece, with Anita Rani and Hugh Fearnley-Whittingstall doing plastics.

Baroness Bonham-Carter of Yarnbury: Anita Rani has not been very nice about you today.

Lord Hall of Birkenhead: I know and that is why I am mentioning her. She can say what she wants. She is a fantastic presenter and doing a lot for us on “Countryfile” and elsewhere. She is really good. She is free to say what she wants. If you look at Nadiya doing her extraordinary series on our mental health week, again, we have made a difference and we are trying to make a difference. Are we satisfied? No, of course not. We want to do much more. Some of the steps we have been taking are beginning to show real work. From our assistant commissioner development scheme for people from BAME backgrounds we have seven alumni working with us and four have gone to work elsewhere.

Baroness Bonham-Carter of Yarnbury: This is behind the scenes.

Lord Hall of Birkenhead: Yes. I think getting people behind the scenes to work in the heart of commissioning is really important. Last year as part of the big programme of changing the culture of the BBC—which I really want to do and we are shifting it—I asked one of the key execs to look at this area and talk to a whole lot of people, and we have three commitments. The first is that we will have an exec committee with two BAME people on it by the end of next year. Secondly, every appointments board for senior appointments now has to have somebody

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Note by witness: This figure relates to presenters earning more than £150,000.

from a BAME background on it. Thirdly, we hope to get to 15% of our leadership training for people from a BAME background. Getting the leadership right is so important. We are absolutely committed to that and, as Sir David mentioned just now, we are above our target of 15% for the workforce, but of course we have to ensure that every part of the BBC is getting to that target.

There is one other thing. We have had two reviews on transparency, one done by Will Hutton. What we have been publishing and will continue to do so is data in our annual report. This was not really noticed last year, but I hope people will look at it to see where we are achieving our targets of 15% BAME and where we are not, and be very clear about the social background of people we are employing. I hope this degree of transparency will help the organisation to focus in this area.

Baroness Bonham-Carter of Yarnbury: I have to say one other thing because Baroness McIntosh, Lord Gordon and I were talking to some young people earlier this week and they all said that they felt, as we are talking about PSBs, that Netflix and Channel Four represented a more diverse world than the BBC. I just say that to you. This is what they were saying. They were 16 to 18 year-olds.

Lord Hall of Birkenhead: There are a number of points there. That is why getting representation on air is really important and, to help that, getting the right commissioners in place is really important. That is why I have attached huge importance to apprenticeships. When I came, we had very few and now 2.3% of our workforce is apprentices. Those are apprentices right across the piece, from digital apprentices to local radio, because that helps people getting their first steps into our business. It also helps with social inclusion, which I think is really important. I hope that, when you meet a group of people in a couple of years' time, they will take a different view of the BBC because I want that change.

Q144 **Baroness Quinn:** I wanted to raise diversity from the aspect of regional diversity. Both of you have stressed the importance of the BBC serving the whole of the UK and investing in the whole of the UK. Do you deliberately try to identify regional gaps, and by that I mean not just in terms of commissioning programmes, although that is important, but in terms of recruitment, training schemes and apprenticeships which you mentioned? What approach do you take to this? If there are constraints on what you would like to do in the regions, does that come from funding constraints, or is it more that it is difficult often to get people to move outside London?

Lord Hall of Birkenhead: That is a really interesting question. Can I answer it in this way? We have put more resources—money—into programming for Wales, Northern Ireland and Scotland. We have set up a new channel in Scotland, which we might want to come on to, because we believe that the BBC should be investing more in the nations, and not only in the nations themselves but the nations back to the whole of the UK. We also set quotas for what we expect Wales, Scotland and Northern Ireland to supply to television and we hold ourselves accountable to those quotas. They are also set by Ofcom, but it has taken over our

quotas because we think it is really important as a national broadcaster to ensure that we are broadcasting from the nations and not just from London and the south-east. Number one is more money into the nations, and that is new.

The second thing is we are looking right now at local radio and how we can reshape it. I have visited nearly every single local radio station. I think I have three more to do. What strikes me about local radio is that it has been left as being for older people and on the margins of what we do. I think quite the reverse is true. In England local radio is really important, as long as we change and match our audiences and the demands of those audiences. The fact that, for perfectly good reasons, Global has pulled out of being hyper-local in the sense we would say makes perfect sense. That puts the pressure on us to ensure that we are doing our service in local radio as effectively as we can. I hope to say some more about that later in the year.

We are also looking at whether we can move more of the BBC out of London. Just over half of our staff and half the money we spend is outside London. The main centres are Manchester Salford, Bristol, Cardiff and of course Glasgow. I would like to build even more on that. Why? If you look at it from a design and engineering point of view and from the point of view of getting software people to come to work for us, it is easier to employ people in Manchester—although it is getting quite hot there now—or in Glasgow than it is in London. Thus there are economic reasons for it, even if there were not proper cultural reasons for moving out as well.

What are the constraints on that? I think it is working through quite carefully, as Channel Four has been doing, what it makes sense to move out and when to move it out whereby you become part of something bigger so people feel they can make their careers there. In a perfect world, I would love to invest more in Salford because I would like Salford to be a place where people feel, "I can make my career in Manchester and I never need to go south; I can just stay there". I think it is getting that way—it really is—and that is what I would like to add to in so far as we can going forward.

Baroness Quin: Are there gaps or areas where you feel you are not doing as much as you would like?

Lord Hall of Birkenhead: I would love us to do more in the north-east of England. I would love us to do more in the regions and localities of England. That is why I have asked the person who is running England to look very hard at this and see what more we can do. One thing we have been doing which I think is very important and successful is taking programmes and moving them around the country, and we can do more of that. Obviously, "Question Time" moves and so do "Springwatch" and "BBC Sports Personality of the Year". The more we can get some of our programming to base itself out of London and become an event when they appear somewhere, that is another part of the service, and I would like to see more of that too.

The Chairman: May I ask briefly about the conflict between moving

production out of London and meeting your BAME quotas? Presumably it is more difficult to meet BAME quotas for production skills outside London.

Lord Hall of Birkenhead: That is one of the reasons why looking at our BAME stats not just from the point of view of the uber statistic for the whole of the BBC but by division and location is really important, because in some areas it is harder, yes.

- Q145 **Baroness Benjamin:** The BBC is highly respected and celebrated for its children's programmes, and I declare an interest as a contributor to "CBeebies's Bedtime Stories", but what Members of this Committee have found, after they spoke to some year 12 students about their viewing habits, is that they normally only watch public service programming for events television such as sports and live entertainment. They felt that there should be more sports events available free to air and they do not get that enough. They also said their first port of call is usually video-on-demand services such as Netflix and Amazon. We have found that Ofcom's research has backed up this point of view. It found that 16 to 24 year-olds consumed half as much content as older viewers. First, why do you think that is? If the BBC wants to capture that age group, how can you ensure that this group gets value for money with the licence fee? You have talked about the licence fee. Many young people you talk to say, "Why should I pay my licence fee? There is nothing there for me". How are you going to get them to switch over to the BBC and be attracted to you for the kinds of programming that you provide?

Lord Hall of Birkenhead: That is a huge question. The question I have set for the corporation is: how do we reinvent ourselves for the next generation—PS without losing the current generation and making them feel that we do not do much for them? Young adults use us for more than eight hours each week. What is interesting when you poll young adults about what they think about public service broadcasting is that they buy in to the values. That bit of it is good. We have to do a number of things. First, it is about the programmes. By what you just said, you know exactly the sorts of programmes that appeal to younger audiences and bring them together. There are things which bring the whole nation together, and sport is part of that. I hope that what we are doing with the ECB next year with a certain sector of the community will begin to pull people into what we are doing. That is number one.

The second thing is doing programmes which appeal to them and get talked about. Again, it is back to the content. The statistic I rather like is when we did "Blue Planet II", which is one of my favourite programmes as you have probably heard, a million more watched the first episode of that than watched "The X Factor" on the same night, which says that if you can get the right programme with the right content—and it is what we are all trying to do all the time—that is a big part of what you have to do. Number one is the right content. "Fleabag" and "Killing Eve" are things that get talked about and punch through with that generation, as well as the things we are doing creatively with BBC Three.

Secondly, it is about distribution. That is why iPlayer and BBC Sounds matter so much. iPlayer having the ability to match what Netflix and others can do with the content being there for more than a month is absolutely key. I am delighted at the fact that, after some time, Ofcom has given us the preliminary go-ahead to allow the iPlayer to have content up to a year and some content beyond that as well, and children's content up to five years, because getting ourselves into the position where others are in putting forward content is absolutely key. BBC Sounds for radio is equally important. That is the second thing.

The third thing I would pick out is investment in children's. CBBC and CBeebies matter. We have put an extra £34 million into that. We are redeveloping Bitesize. It is used by roughly three-quarters of all school-age exam-ridden pupils. Building out what we know we are good at is really important, and we are investing more in children's TV than anybody else.

The next point is whether we can get to children very early. We are developing an app—Own It, which I hope will come out shortly—to help protect kids from some of the worst excesses of social media. We are doing a joined-up programme to see how we can be important in children's lives and teenagers' lives when it comes to exams and be there in the way they want for a year on iPlayer, on Sounds and doing the sorts of things they want. It is joined up, it is hard but we are determined to make a difference.

Baroness Benjamin: As I said, they like watching more sports programmes. Are you saying that you are going to invest in getting more live sports events? Younger people seem to want to pay money for that, but they do not feel that the BBC is offering them enough to be paying the licence fee, even though it is a small amount. How are you going to persuade them that the licence fee is worth being paid for and taken out of their precious spending money?

Lord Hall of Birkenhead: There are two points. I think free-to-air sport is making a comeback in a small way. Free to air really matters. It is very interesting that the ECB came to us and said, "How can we build a very different younger audience, a BAME audience, for cricket? We look to you, the BBC, to help us do that". That is why we are doing that whole new tournament next year, which I think is great.

The other really interesting thing is we have roughly 2% to 3% of the hours of broadcast sport, but we have just under 40% of the audience. That says it is something about our app and it is a service which says, "You may not watch the whole match, but in the way people now consume we have the key bits of action for you and you can get them free to air". I think that is really important.

The Chairman: Could you give those figures again?

Lord Hall of Birkenhead: It is 3% of the broadcast hours and just under 40% of the viewership, which says to me there is still a power there for free to air. It is why we have been investing in things such as the FA, this cricket idea and ensuring that Wimbledon and the Olympics

are there on the BBC and on iPlayer, along with less glamorous sports. We have been building up women's football, and it is fantastic to see that really punching through. That is one thing.

The second aspect—and this is where I was really interested in what you were saying—came from an audience session we had. We all go to them because the chairman has rolled them out. We have discovered that we need to be much more powerful in saying to people who do not consume what the BBC produces, "This is what you can get from the BBC". We need to be telling people who are not watching BBC1, for whatever reason, these things are part of the offer.

Baroness Benjamin: Are you saying you need more PR?

Lord Hall of Birkenhead: We need to get a bit more noise to those people who are not understanding the breadth. We need to get out there and sell better. I also think personalisation—we now ask people to log in and 42 million people are signed into the BBC. We need to get even better at telling them about other things they can come and see or listen to on the BBC. That needs to be a big part of what we do.

Q146 **Baroness McIntosh of Hudnall:** Lord Hall, I wanted to ask you to think about the issue of young people's consumption of public service broadcasting in a slightly different way. There were a couple of things I certainly heard from the group we saw last week. The first was they do an enormous amount of peer-to-peer communication about what to watch, where to find it and how to think about it, bluntly, which brings one straight to the question of social media. You have mentioned it as something you want to protect them from, but younger audiences, and to a greater extent older audiences, are using social media as a very much more fluid way of communicating, not necessarily just to access but to shape their own opinions and their own views. How do you as a public service broadcaster think about that kind of communication?

The second issue is the licence fee. What I heard from the young people who we talked to last week is they do not pay the licence fee or the VOD subscriptions either because they get them via their families. These are young people who are not yet out of the family environment. They have a particular way of accessing the content they want to find, and they go first to the SVODs in some cases, but they still understand the value of public service broadcasting as somewhere they can trust the content when they want it to be trustworthy. That would be around factual stuff, and "Blue Planet" would fall into that category and so would the news. Could you talk a little more about how you communicate with that audience and encourage those behaviours which are going to allow them to discriminate between one kind of content and another? I know you have thought about this a great deal.

Lord Hall of Birkenhead: When I was talking about the downside of social media, I was talking about young kids and the app we are producing. That is about care and protection and is a very different environment. We have to use and indeed do use social media. Radio 1 is the biggest pop radio station on YouTube. We use Facebook to get a very

large audience for our news programmes globally. It brings us back to how we can get data back from wherever in social media we have our output: from Facebook, Google, Sky or from whomsoever.

Baroness McIntosh of Hudnall: May I interrupt you for one minute? What we are hearing over and over from all sorts of younger sources is they are not interested in Facebook.

Lord Hall of Birkenhead: No, it has moved on.

Baroness McIntosh of Hudnall: They have gone from Facebook. In a way that makes my point: where are you looking when you want to find them?

Lord Hall of Birkenhead: My point is, wherever we think they are, we need to have some part of our output there with the data to bring them back into the main ship of what the BBC is doing. Therein lies a problem with many social media companies, because they are not willing to share that data so we can drag somebody from Instagram, or wherever they happen to be, back into the main body of the BBC. That is especially so with news, because one of the areas where we have a lot to say to the 426 million people is on fake news and trusted news and misinformation.

Baroness Bonham-Carter of Yarnbury: I am sorry to interrupt, but would you say they watch the BBC for news?

Baroness McIntosh of Hudnall: They know where to look for trustworthy content.

Lord Hall of Birkenhead: That is really important and, indeed, our stats bear that out.

The second thing, as we are doing with the over-75s, is we have to look at very easy ways of communicating. It goes back to your licence fee point and the next generation. I hope sign-in will be a way of communicating directly to our audiences whatever age they may be. We want to gather more about who they are, what they think and what they like and so on, because getting the kind of connection that you get, for example, when you go to Netflix and it asks, "Who are you?", and you click on it and your choices come up, is really important. That is what I want to get to with iPlayer and BBC Sounds and with the data we get back from that we can use a public service algorithm as opposed to, "You like that, here is more of what you want".

Baroness McIntosh of Hudnall: Are you worried about the echo chamber effect? That is a big question.

Lord Hall of Birkenhead: What do you mean by echo chamber effect?

Baroness McIntosh of Hudnall: The circularity of giving people only what they have said they want.

Lord Hall of Birkenhead: This is why I keep saying to the teams that we need a public service algorithm, to prevent the circularity which you are rightly pointing towards: "Here is more of what we have determined you like based on past performance", as it were. I think there is some evidence that consumers are seeing this too. We want to say, "Here are

things we think you should see". In old-fashioned TV terms, it is hammocking and giving people access to things they might like to see because we think it is quite good for them. In music and some other places there are signs coming through that that sense of curation is welcomed by audiences and there may be a feeling of almost too much stuff that does not quite match.

The Chairman: We may want to come back to you or to your team in writing and explore a little more about future audiences as the inquiry progresses. You have offered to give us more evidence as we proceed. Lord Colville.

Q147 **Viscount Colville of Culross:** Lord Hall, you said just now that there is a need for viewers to be able to see content wherever they wish. However, in your submission you said it is vital for the BBC to operate its own VOD services rather than distributing to third-party platforms. Why would it not be possible to deliver your public service remit by distributing BBC content on third-party platforms?

Lord Hall of Birkenhead: I think it is. I hope I am answering the point. I was surprised by the sense that the BBC fusses too much about this and whoever it is will ensure we can easily access all its content. The majority way people are going to consume our content in the future—and I cannot say whether it will be in two years or three years' time—will be through iPlayer, or similar for ITV and Channel Four. That is why I think the prominence of iPlayer is really important. It is important that you can go into a BBC world and explore it in a way that you can do at the moment on an EPG. That is why I wish that there was a bit more determination behind prominence in the non-EPG sense, by which I mean two things. The first is, at the moment, on a smart TV you can find iPlayer, Channel Four's player or ITV's player. It is across the bottom on an LG or on boxes on a Sony. Those will shortly be paid for and, unless we take action, we will be edged down somewhere offscreen where you will have to swipe along to find us. You will not find the BBC iPlayer and that should concern us.

Secondly, if you turn it around, in a world where you will be searching for content by voice—because the idea of doing this with a handset will feel very old-fashioned—it also needs to be looked at from the point of view of prominence. At the moment, if you ask Alexa for the news you get BBC news, which is great and something we have negotiated with Amazon. Again, you can see a world of the future where someone says they will pay for prominence and the BBC could be somewhere else. If we think that the PSBs—BBC, Channel Four, ITV—are really important, we need to look at what prominence means in this world of smart TVs and Alexa and Alexa look-alikes. That is really key.

Viscount Colville of Culross: We have also heard from various platforms about how people are looking at disaggregated programmes in which the individual programmes come up and the complication that involves with trying to get prominence. Surely increasingly that is going to be an offer viewers will like. How is it possible to maintain a PSB prominence regime in this world?

Lord Hall of Birkenhead: That is a really good question and a really important issue. If you take an EPG—and I will not name any particular one, but take Sky Q as an example—you would say, “If you wish to have equality of access to that, you need to ensure the BBC, Channel Four and ITV have enough prominence if you disaggregate on their choices and recommendations”, as Sky programmes do. That is a kind of duty, is it not, on someone who has disaggregated content. That is why I say that you need to have the ability to go hard-wired into what the BBC, ITV or Channel Four are doing and enter their world, where you can see not just what an algorithm is telling you you might want to watch but see the choices from Channel Four or ITV. I think that is so important.

The other issue with disaggregation is we know from our research that people do not always know where the programmes come from, and that is a real issue, even if you put BBC all over it. I do not know what people are thinking about, but I suppose it is a bit like the credits before a film where they zoom through and when you watch the film you cannot quite remember what was there. If you are in our shoes and saying, “We want to be able to prove to everybody, young and old, that £154.50 a year is good value”, if you disaggregate you want to make it absolutely clear that is paid for by the licence fee, they have paid for that, and find ways of defining that and being clear. Perhaps, Lord Colville, because this is such a difficult issue people have backed away from it, but it is a crucial issue for PSB in this country.

Q148 **Lord Gordon of Strathblane:** I want to take you up on a point you made at the start of your answer where you said the viewing of the future would be via the iPlayer.

Lord Hall of Birkenhead: Of the BBC.

Lord Gordon of Strathblane: Does that imply a withdrawal from live broadcasting on to archive?

Lord Hall of Birkenhead: Absolutely not. Why we have been arguing—sorry, putting forward our case—to Ofcom about the iPlayer being a destination and not a catch-up service is because one of the brilliant things about the Netflix world is it is a world. I want the iPlayer to be the BBC world, with kids’ programmes and programmes for every age on there, where it knows who you are when you come into it. Live there, Lord Gordon, is really important. One thing we have that SVODs do not have is that sense of liveness—live sport, live news, live channels, whatever.

Lord Gordon of Strathblane: You are laying as much importance on the live channels on the iPlayer as you are on the historic archive stuff.

Lord Hall of Birkenhead: Yes, because it is that sense of what is live and what we can share. Radio is in such rude health because we want to be part of a conversation which others are sharing and then talk about it. I want our iPlayer team to really develop that with iPlayer.

Lord Gordon of Strathblane: It is the television equivalent of the transistor radio in some ways in terms of its portability.

Lord Hall of Birkenhead: It should be portable. The BBC iPlayer should be your companion, "We happen to know that you like X or Y and here they are and, by the way, here are things we suggest you might want to watch as well".

Q149 **Lord Gordon of Strathblane:** Could I move on to BritBox and turn first to Sir David? I understand your sensitivity about moving away from the licence fee and I understand that builds a special relationship with the average viewer, but might there not be a case for subscription for BritBox?

Sir David Clementi: It will be a subscription service, but it is being run solely on our commercial operation.

Lord Gordon of Strathblane: In which case why would you allow things to remain on iPlayer for over a year rather than transfer them to BritBox after a year and make some money out of it?

Lord Hall of Birkenhead: We have not announced the terms of what we have agreed yet, and we hope we will be doing that very shortly, but the theory is you would have on iPlayer content for up to a year, so there will be none of that disappearing after a month where you say, "I want to watch the 'Thatcher' series but I can't get hold of it". Some other content would carry on for another year, but the majority of the content would go to BritBox as a co-venture with ITV, and that would be for subscription. We are doing this outside the UK in the US at the moment. We have 600,000 people and we would like to take it elsewhere around the world. If others join us, I think this is a great way in a secondary market. In a way, BritBox is what the DVD was before, and we paid for DVDs and now is a chance to pay in a secondary market and give value back to people in that way.

The Chairman: We have two further question areas and one of them was going to be about your relationship with Ofcom, which Tony Hall referred to. As we are running out of time, I will write to you about some issues relating to Ofcom and perhaps you could provide us with some additional written evidence.

Sir David Clementi: We would like to tell you what we think, so we will write to you.

The Chairman: We would welcome your views, but given you have been very generous with your time and we are running out of time, I will send you a note during this week. We have one final question from Lord Allen.

Q150 **Lord Allen of Kensington:** I declare an interest as chairman of Global, Media & Entertainment Group and chairman of Moelis & Co, which is an investment bank, and I have a declarable shareholding in ITV. I would like to go back to the licence fee and the phrase you used earlier, Tony, "agreed behind closed doors", which I think causes frustration every time we get to that. You came out of that negotiation and said—and I believe I am quoting correctly—that this was "a strong deal for the BBC", yet you appeared to be potentially taking on £0.75 billion in terms of over-75 licences or £0.25 billion if you reduce it to those on pension credit. I

am trying to understand what the good deal was and what the other elements were that were positive. I then have two specific questions. Should we be changing the way this is done, and should there be an independent body that can advise? Secondly, how worried are you about losing the licence fee payments—the churn I am talking about there?

Lord Hall of Birkenhead: Every time that “strong” quote is used, they miss the other bit, which was “for the time”. Remember the context of this: it was 2015, at the height of austerity, with an incoming Conservative Government—within a matter of the weeks—and I remember the conversation with the then Secretary of State very clearly that this was going to happen come what may. Some things that we won back were a licence fee going up in line with inflation for the first time. We got rid of the broadband levy that was going to BT to roll out rural broadband. We modernised the collection of the licence fee to include the use of iPads and online, so that became part of what was collected. Slightly later, we won an 11-year charter, where everyone was saying the charter would go for four to five years, with a licence fee at its heart. We took on this policy, and it was made quite clear at the time that the policy would come to us and we would have to consult on it, and that is exactly what we have done and this is the position we find ourselves in now. My point has been throughout this that since 2010, if you look at where inflation is now, the BBC’s budget is a quarter lower than if the licence had gone up with inflation. That was done in exactly the same way as 2015. We have to find a way of doing this in public, laying papers or whatever, to ensure that, the next time we have a discussion about the licence fee in 2021-22, it is done with proper scrutiny from yourselves, Parliament more broadly and the public.

Sir David Clementi: To add to that, I am glad you have raised this because this is a matter that your predecessor Committee looked at very carefully and which nearly made the statute books in 2017. As Lord Hall was saying, we think the manner in which the 2010 and 2015 negotiations were done was poor. It was done behind closed doors with very little input from the BBC and none at all from the public, notwithstanding the fact the BBC is there to serve the public. For a Government which believes in transparency, it is a pretty odd way to go about business. We think in future it must be evidence based with proper consultation. We would like to spend a bit of time looking again at the proposals you worked up in 2017. Recently the Voice of the Listener & Viewer has proposed something quite similar, and we would like to take this forward over the next six to nine months and have a debate about it. It needs to be a public debate about how it is set. The manner in which it has been done historically is, frankly, extremely poor.

The Chairman: Sir David, I said I would write to you about Ofcom, but one thing we might touch on because we have a few moments is the decision-making process that is under way in respect of iPlayer, which you are discussing with Ofcom. How is that going?

Sir David Clementi: You have to go back about a year when we put up our proposals. You will know that the arrangements are that the first call is with the board of the BBC. We must determine whether what we

propose is material or not. If it is material, Ofcom has six weeks to make up its mind—although why it should need six weeks is not clear to me as I would have thought it could be agreed quite quickly—and six months to determine whether the public interest test is met. If we judge it is not material, it has an indeterminate amount of time to decide whether they think we are right. In the case of the iPlayer proposals we put forward a year or so ago, they took five months to come back to say they did not agree with us and that they were material. We have been through a long process with them and last week they gave a preliminary conclusion. We hope to have a final conclusion by July.

Our line has been the changes we proposed, which were essentially extending the 30 days to a year, more box sets, all the things that our audiences were telling us they wanted, and where the board was saying to the executive, "We want to move quicker on this because of the competition from Netflix, whose market share in this is going up substantially while ours is reducing. We need to move quickly and the regulator is slowing us down". We think we need to look carefully with the DCMS Ministers, and indeed with Parliament, to determine whether there are better ways to do this and, at a minimum in the digital age, we need to find a quicker way to reach regulatory decisions on these important matters.

The Chairman: You see a wider issue of a lack of pace of regulation by Ofcom?

Sir David Clementi: Lack of pace is one aspect of it. It also takes a very narrow view of what the market is. It tends to benchmark us against Channel Four or ITV or Sky, which are good competitors, but seems to ignore all the other major competitors that we have out there. Those competitors have increased their market share over the last four years in the VOD market to 55%. Ours has shrunk by 40% to 18%. You would think that the regulator would observe this, but it has concentrated on how we are doing against the other PSBs.

Moving more quickly is part of it, but there is something more fundamental. The regulatory regime is based on the BBC proposing something ex ante so that there is a hypothetical discussion and analysis of where we might get to. Of course, the market is moving much further than that. We think the right way to do it will be to use step-in rights. The regulator must keep step-in rights, but the regulator would have to use them when it can see clear evidence of harm, rather than holding up all the changes we would like to make. Netflix changes its functionality about 50 times a year. We are competing with two hands behind our back.

The Chairman: That is very interesting. We are seeing Ofcom later in this inquiry, and we would like to keep in touch with you on these issues before we see them so we can explore the concerns that you have raised. Tony Hall, Sir David Clementi, thank you very much indeed for an interesting session. Thank you for the written evidence that you have given us. We will be in touch with you to discuss one or two of the issues that have arisen further, but we have appreciated your time today.