



Select Committee on Communications

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

Tuesday 2 July 2019

3.25 pm

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Members present: Lord Gilbert of Panteg (The Chairman); Lord Bethell; Baroness Bull; Baroness Chisholm of Owlpen; Viscount Colville of Culross; Lord Dobbs; Lord Gordon of Strathblane; Baroness Grender; Baroness Kidron; Lord McInnes of Kilwinning; Baroness McIntosh of Hudnall; Lord Storey.

Evidence Session No. 20

Heard in Public

Questions 186 - 195

Witnesses

I: Anne Mensah, Vice President of Original Series, Netflix; Benjamin King, Director Public Policy UK, Netflix.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Anne Mensah and Benjamin King.

Q186 **The Chairman:** Welcome to our witnesses for our inquiry into the future of PSB broadcasting. Our witnesses, Anne Mensah and Benjamin King, are from Netflix. Anne and Benjamin, I will ask you to introduce yourselves in a moment and tell us a bit about your background. The session today will be recorded and is transmitted online. A transcript will be taken. We are not expecting Divisions, so we will have a full hour with you.

Thank you very much for coming and giving evidence to the Committee. I am sure you have been following our inquiry into the future of the PSBs, the impact of the industry's fragmentation on them, and the role of new players such as Netflix. Before I open out to questions from members of the Committee, could you each introduce yourselves? In doing so, could you give us a quick overview of how Netflix has developed and its role in the industry?

Anne Mensah: Thank you very much for having us here. I have worked in the British television industry for 21 years. I started at an ITV company called Carlton and then worked in the independent sector. In commissioning, I was head of drama for Scotland at the BBC. While there, I commissioned Kenneth Branagh's "Wallander" and "Waterloo Road"—"W" shows. Latterly, I was director of drama for Sky Studios at Sky, where I commissioned "Patrick Melrose" with Benedict Cumberbatch and, most recently, "Chernobyl", which has played on Sky Atlantic.

I have been at Netflix for only four months. I was essentially brought in to work with British talent—I believe in British talent to the bottom of my heart—and help it reach a global stage. I believe that my appointment and that of the team I am growing in London is an indication of Netflix's long-term commitment to production in the UK.

Benjamin King: I am director of public policy for Netflix in the UK. Before joining the company at the beginning of the year, I was at 21st Century Fox and News Corporation for almost a decade in a range of public policy roles in the UK and Brussels. From there, I had a lot of opportunity to observe and be involved in the evolution of the public policy landscape for this sector to the point we are at today.

To echo Anne's comments, we are very happy to be here today and are delighted to engage in this conversation with the Committee. From our perspective, the debate is very timely; this is something of an inflection point for Netflix in the UK. To give a sense of what that means more specifically, we have been here as a service for over seven years, but it is only in the last 12 months that we have begun to deepen our corporate and creative commitment to the UK. This time last year, there were maybe 15 or 20 employees in our London office; we now number around 130. As Anne said, given her deep background in the industry, her appointment is a great illustration of our commitment and approach

to content production, which is increasingly the focus for our UK footprint.

We currently have around 50 projects under way in the UK, not only in and around London but in Wales, Manchester and other areas. We are also currently filming in Norwich and have been in Bristol and Scotland recently. Our ambition is to make a meaningful and measurable contribution not only to the continuing success but to the longer-term sustainability of the creative industries here. In many senses, it is the beginning for us, and a lot of our strategy and investments are at a formative stage, but we are very excited to share what we can of them with you today.

The Chairman: Thank you. You said that you currently have 130 staff in the UK.

Benjamin King: That is correct.

The Chairman: In London?

Benjamin King: Yes.

The Chairman: Could you give us a brief breakdown of what kind of roles they have? Are they commissioners, technical staff?

Benjamin King: There is a whole mixture. We have the commissioning side, as Anne mentioned. We have a lot of people involved in the marketing and promotion of our original content and our service to UK audiences. We have people involved in business development, legal affairs, publicity and so forth.

Anne Mensah: To frame that, the UK is full of amazing creative voices. We have a long and successful track record in commissioning British shows, but they were being commissioned from LA, which makes it a little harder. It is not impossible, as you can imagine; we have had tremendous success in the UK market with things like "The Crown" and "Sex Education".

Having a full-service enterprise in the UK means that we can be there on the same time zone and with the same understanding of the UK market as the creatives we want to work with. It is all about taking amazing voices and supporting them in whatever way they want to be supported. You can do that better if you have deep roots in the industry and if you are working with people, rather than trying to get them to fit into a particular model.

The Chairman: So your expectation is that, in future, content commissioned in the UK will be commissioned from London, not the West Coast?

Anne Mensah: What I like about Netflix is that it has quite a flat structure. I would never want to get in the way of pre-existing relationships; it would be awful if British talent had to talk only to me. There are many paths to yes at Netflix, so I hope I can make it easy for British talent, but equally they could talk to our European or American

counterparts, or they might have a project that works for our Indian team.

That is the joy of what we are trying to set up. It is all about trying to support talent to do the work that they want to do effectively wherever they want to do it.

The Chairman: We will come back to many of those issues. Lord Bethell has a question.

Q187 **Lord Bethell:** Thank you very much indeed. One of the things that we are grappling with is younger audiences. Could you tell us a little about why Netflix is so profoundly popular among younger audiences? What kinds of content do you find work well with younger audiences? In particular, how do you see it playing out? Do you see younger audiences churning out of Netflix when they get older, or do you think they will be committed through the lifetime of their viewership?

Anne Mensah: To reframe that slightly, I think the PSBs and terrestrial television do really well for young people. It is really easy to look at Netflix as the new home for young people, but that undermines the work the BBC has done with BBC Three, or what Channel 4 does with E4.

My understanding is that Ofcom's recent report said that around 71% of viewing is still to linear broadcasting. It is not that we do not have great young audiences—we do—but I want to make sure that we look at the PSBs too. I think young audiences like "EastEnders" as much as "Love Island", and we should not forget that.

Netflix has a particular role to service all our audiences with television however and whenever they want. Young people are often early adopters of new technology. At Netflix, we do not necessarily get bogged down in how old you are, what gender you are, or what race you are, but we work hard to make sure that we understand what you like.

That is a very interesting way of making sure that you understand audiences. A younger demographic may like a show like "After Life", which Ricky Gervais just made, because it is about grief; just because you are young, it does not mean that you do not understand grief. Or they might love "Sex Education", because it speaks to people who are coming of age and some of the things they worry about in their daily lives.

I like to think that we do not pigeonhole young people and that we give them the content they want in the way they want it, but I really shout out to the PSBs—I think they do it well too.

Benjamin King: I would like to build on Anne's reference to the Ofcom data, because it provides some useful context when talking more generally about the consumption of video content. At the moment, of the five hours people spend watching video across all devices every day, only 18 minutes is spent watching subscription video on demand. That provides some helpful perspective on the otherwise much more pessimistic narrative we have heard about more of a paradigm shift in people's viewing habits, which we do not think is justified.

Anne Mensah: For me, with all the audiences we serve, but particularly with young audiences, this is about collaboration, not competition. I do not think it is a case of young audiences going here or there; it is about providing choice so that people can find whatever show they want wherever they want it.

Lord Bethell: That is terrific, but our statistics suggest that half your audience is aged 18 to 34, so you skew young. I wondered why you think that might be. Is it simply that young people are early adopters and they have passed across the new technology by happenchance? Or are there different types of content that you find work particularly well with young people? Do you think your numbers will even up over time, or will you continue to skew towards that young audience as you do currently?

Anne Mensah: I cannot really speak to the figures about where we might go, because in original programming we are new. In Netflix terms, I am even newer, so I am bound to say something incorrect. We meet our audiences where they are, and that has obviously been working. We are open to fresh voices. "Sex Education" was written by a first-time female writer, so she has a voice that speaks directly to a younger audience in her DNA.

We just had a show called "When They See Us" from Ava DuVernay. That also had something to say to younger audiences, but it would not necessarily be pigeonholed into a young category. I hope that is not the way we think. We do not think about how we can get a certain audience; we think about what talent we can bring and what they want to say. Audiences respond to that.

Baroness Bull: I have a couple of questions. What do you think is the role of the user interface in connecting with younger audiences? Could other providers learn from Netflix's success?

My other question links to the demographic of the commissioners. Do you think that having diversity—age diversity, in this case—in the commissioning body is important for attracting younger viewers?

Anne Mensah: I will leave the data point to Benjamin, but on the diversity of commissioners, Netflix is one of the most diverse places I have ever worked in. That is across the board. Again, I do not want to pigeonhole young audiences. Diversity is about class, race, gender and sexuality.

I like to think that we embody all those factors and that we have a very diverse workforce. I do not know whether you can say, "and thus we see", but I hope that makes us a welcoming home for diverse talent that speaks to different audiences. That is the way I approach everything we have ever done. Diversity brings people in, but I do not want to pigeonhole that to being just about young people, because I think older audiences have the same kinds of wants and needs. It is easy to forget about them, but we must not.

Benjamin King: There is nothing about the user interface specifically that intrinsically appeals to young people. Netflix is readily available

across a variety of devices and platforms, which helps with being able to find and consume its content, but that is broadly the case for the majority of the major VOD services out there. Indeed, it was the BBC that blazed the original trail with iPlayer, and we all learned a lot from when that first launched.

Q188 Baroness Chisholm of Owlpen: I wanted to ask a little about UK content for UK programmes. It has been suggested to us that the SVODs are interested in using British talent to make American programmes and that they can take creative risks because their success depends on subscriptions rather than viewer numbers. Do you feel that that is true? Are the SVODs, particularly Netflix, interested in making programmes that reflect British culture, or not?

Anne Mensah: Absolutely. We are interested in making shows that reflect British culture, because that does not speak just to a UK audience but to a global one. The UK has a long-standing tradition of taking UK shows globally. Specificity makes for a great show. Ricky Gervais's "After Life", which I mentioned earlier, is so specific. I would argue that that type of humour is specific to Britain. He is one of our greatest stars, and he is working in the UK with wholly UK talent, but the show still travels.

On taking creative risks, being entrepreneurial is in Netflix's nature and DNA. What I find really refreshing about working there is that there are not a lot of barriers to why you would do something. We are always looking to connect with our audiences and provide them with something to engage with that gives them joy and that they really care about. Our belief is that if you care about our shows you will talk about them, and if you talk about them you will bring your friends. That works for everyone, which is why risk is not risk. You can make a boring show that fails, and that is quite risky as well.

Benjamin King: Indeed. There are a couple of other examples of the fundamentally British programming that we are making that I would like to bring to the Committee's attention. One is "The English Game" which is currently in production. It is a brilliant story about the origins of football, scripted by Julian Fellowes, who wrote "Downton Abbey". That is being filmed in and around Manchester. We will also shortly be launching a series called "Top Boy", which has mostly been made around London. It is about gang culture on east London housing estates.

There is no question that those stories are windows into a very British view of society, each in their own way. Obviously Anne has been in post for only a matter of months and her slate is still in development, but that is exactly the sort of content that we are going to be making a lot more of in future.

Anne Mensah: I hope our unique strength will be the fact that we are making British programmes and that this fits beautifully into the bigger Netflix portfolio.

Baroness Chisholm of Owlpen: Are those new programmes co-productions?

Anne Mensah: We are making a number of co-productions. We are in co-production with the BBC on "Dracula", the new Steven Moffat drama, and "Giri/Haji", the new Joe Barton drama. "The End of the F***ing World" is coming back, which is a co-production with Channel 4. Co-productions remain the lifeblood of what we do. Again, it is about us being able to commit to talent and work with them wherever that works best.

Benjamin King: We have announced four co-productions so far this year, and I am sure they will not be the only ones. The fact is that it works extremely well for us as a model and it seems to work extremely well for the rest of the industry as well. If you look at the BFI data on this, the indications are that the volume of co-commissions up to this point in 2019 is already the same as it was for the entirety of 2018. Netflix is a major partner in that story, as is the BBC by and large. Co-commissioning as a model seems to be alive and well.

The Chairman: Let us move on to your wider role in the UK broadcast sector. A number of Committee members want to raise issues on this. We will start with Lord Colville.

Q189 **Viscount Colville of Culross:** I declare an interest as a series producer at Raw TV making content for CNN.

You talked about co-productions and the co-production work that you are doing. However, we have heard from independent producers that they do not feel that the move is towards co-production or giving them the secondary rights that they require to build their business. We heard from Jane Turton of all3media that SVOD companies, "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". We heard from Alastair Fothergill that, "The SVODs want all rights".

Look at the BBC and "Bodyguard", for instance. That was a co-production with you, but all the IP, the secondary rights, was taken by Netflix for worldwide global exploitation. The BBC was not able to use that IP to build revenue for BBC Studios. Is it not a problem that if independent production companies do not have that control over their secondary IP, they will not have the revenue to build those companies?

Anne Mensah: I cannot talk about any individual deal, but we have a number of different models, all the way from licensed, through co-production, to wholly owned. We are trying to work with production companies and producers to find the best route to the screen for both of us. A show like "Sex Education" was developed elsewhere and then passed on. Netflix stepping in at that point is hopefully a good news story.

Sometimes we take the up-front risk when we pay a premium, which allows us to lean into shows that might not be global hits. At the same time, the British television industry is so strong at the moment that I hope there are lots of different homes that a person can take their project to. We do not need to be the only place to come to. If a project is

better suited to the BBC, that should be its home. If it feels like the producers would like to work with us, I hope we will work with them to create a deal that works for them. We do our jobs well when the people we work with feel supported. You only feel supported in the round because it is a business.

Viscount Colville of Culross: By “supported”, do you mean that you recognise the need for them to be able to have the secondary rights?

Anne Mensah: We need to be fair. We need to work with them. If we would like something to be a wholly-owned project, they need to be fairly compensated for that.

Viscount Colville of Culross: Going forward, do you see an increasing number of co-productions with British independent companies?

Anne Mensah: I would like to keep the mixed model, with us having lots of different ways of working.

Benjamin King: On the point Anne was making, the strength of the UK’s production ecology really resides in the fact that there is a plurality of different models and a whole variety of routes to market as a producer. People value things differently at different moments in time. The brilliance of the UK is that you can come to Netflix or the BBC, or go elsewhere, depending on what you value and what is important to you. That is what will keep the content coming out of the UK and the companies producing it as vibrant and plural as they are today.

Viscount Colville of Culross: Moving on, the BBC wants to keep the rights so that it can keep programmes on iPlayer for up to 12 months. We have been warned—by John McVay from PACT, for instance—that if that happens it will be a disincentive for Netflix investing in programmes. Is that your view of it?

Anne Mensah: Without knowing the shows, it feels a little hypothetical. At the end of the day, we are looking for great shows for our service, wherever they come from. I hope we would always be an open door, regardless of the way the show walks in. I hope that the people who have worked with us always find us open-minded about ways of working.

Benjamin King: Anne and her colleagues would make those sorts of decisions on a case-by-case basis, looking at the merits of the production in question. It is difficult for us to say with categorical force that this model would make it impossible for us to partner with the BBC in the future. There could well be challenges, but they might be mitigated by other opportunities. Those are the sorts of things we would balance in making our assessment.

Viscount Colville of Culross: But this is not hypothetical. It is the BBC’s request that it should be allowed to extend the iPlayer rights for up to 12 months. What is your view of that? Do you think it should be allowed to do that?

Anne Mensah: Of course. If the BBC wants to extend the rights on its service, that is its prerogative. They are its shows and the iPlayer is a brilliant service, so surely that is only a good thing.

Benjamin King: It is a matter for the BBC and the producers it wants to work with. As you noted, this Committee heard evidence from John McVay of PACT. I do not think it is really a matter on which we should have a specific opinion, except to say that we hope the BBC is successful in identifying new ways to continue being a sustainable public sector broadcaster. In that spirit, we want to see the BBC succeed.

Q190 **Viscount Colville of Culross:** Moving on to data, your CCO, Ted Sarandos, said that he did not think it was very useful to be able to publicly disclose viewing figures for Netflix, because you have a specific business model: you are trying to get subscribers to stay subscribed. However, surely in the end it is all about the battle for eyeballs, or viewers.

Are you coming under increasing pressure from your independent suppliers to provide them with data on how their content is being consumed? Surely that is helpful for them in generating new ideas and ways of serving audiences.

Benjamin King: We are certainly looking at sharing more data with creatives and the public in general as the business continues to grow. As you may be aware, we now regularly publish a top-10 list of shows in the UK. It is the first time we have done that anywhere, and it is interesting to see what the impact of sharing that data has been.

Anne Mensah: We share information with our producers and creatives as and when they want it. Not everybody wants to know everything about their show. I do not entirely agree with your point that it is a battle for eyeballs. I think it is a battle for hearts and minds. It is about Netflix connecting with people and with our customers. You might watch lots of shows, but you will not truly love every one of them. We want to make shows that people in the UK truly love, so I think that is a slightly different conversation.

Viscount Colville of Culross: That is interesting. I have talked to a number of independent producers who say that you have categorically refused to give them any data and that they are thinking of inserting a request to have access to that data into future contracts. Is that not right?

Anne Mensah: I have not been there for the whole time, but I know we have discussed data with a number of producers recently. So that is not my experience, but I could not speak for the totality of people's experience at Netflix.

Benjamin King: On that point, we recognise that our business model puts us in something of a privileged position, because we are not bound by ratings in the way linear broadcasters are. Being freed from the constraints of having to get the largest possible audience for a specific timeslot in a programme schedule means that we can cater for a much more diverse audience.

Fundamentally, what matters is that something on our service has a fan base, a loyal viewership and people who keep returning, and that it

makes people want to carry on being members of our service. It does not matter how big that audience is per se; it just matters that they love the content as much as they do.

The Chairman: We may come back to you in writing on this data issue and ask for a bit more clarity on your policy and practice.

Baroness Grender has a question.

Baroness Grender: I want to get my head around the “truly love” criteria and how you measure or judge that. You say that you want to know that people have truly loved the programme. That is great, but without data how do you know they have truly loved it? How do you measure that?

Anne Mensah: I do not know if you can ever truly know. You can look at how many complete or get to the end of a show, or how many people talk about it.

Baroness Grender: So that is data?

Anne Mensah: It is about how people engage with a show, or whether they talk about it with their friends.

The Chairman: But if you go through a process of talking to people about how they feel about you, you must have some numbers at the end of that.

Anne Mensah: We look at social media and the press. We look at a number of things.

Baroness Grender: But those are measurements. If you had 100,000 hits on Instagram, that is still a measurement. So how do you measure it?

Anne Mensah: In a multiplicity of ways. It is not just about eyeballs. It is about conversation, and whether people come back, episode on episode. There are lots of ways to frame people’s engagement with a show. It is not dissimilar to the way we worked when I was at Sky. To be honest, it is not entirely dissimilar to the way the BBC works. There is no special formula to it; it is just about engagement.

The Chairman: Opacity of data is an issue that has been raised, so what we might do, so that we can move on, is write to you and ask you to be clearer about some of these issues, if you can.

Q191 **Baroness McIntosh of Hudnall:** I want to explore the things you said about your commitment to the UK. On the one hand, it is clear that you have ramped up the UK operation quite quickly and extensively in terms of the number of people in your London office. As I understand it, those people are engaging very actively with the content creators out there. A lot of people have gone through your door. That is all good; there is nothing wrong with that. But could you talk a bit more about your horizon?

The one thing you have not really mentioned is that Netflix is not a UK company but a global one with its roots in America, and its business

model, which you have touched on, derives from there. I do not blame you for this, but I will just say that nor have you mentioned that you are actually looking for people to part with their money—to subscribe. That is your primary measure, is it not?

When you think about the UK as a market, but also as a source of talent, you talk about a long-term commitment, but what feels long term to you? I ask particularly for this reason: we can all agree that the UK has a lot of content creation talent at the moment, and it might be argued that it is a little distracted by the sudden advent of a whole new source of money. If that money went away for any reason, it could have quite a big impact on the ecology. Does that bother you?

Anne Mensah: I truly believe that Netflix's commitment to the UK is for the long term. My vision is about creating creative opportunity so that a diverse range of people can speak with their authentic voice. It is also about economic opportunity. Lots of people talk about diversity, but I am personally marginally obsessed with talking about diversity in crews, as well as retention and progression in crews, and crews that cross the whole of the UK. I believe that if we have an amazing crew base here, which we do, we need to invest in that for the long term.

It is not just about investing in programmes but investing in people right across the country. By creating great shows with great people, which we are already doing, it will be self-fulfilling. Great shows will come out that will work for our audiences and all the other broadcasters. I sit on the boards of the RTS and ScreenSkills and am absolutely invested in making sure that we feel like a complementary player in the UK for the long term.

Baroness McIntosh of Hudnall: I do not question your bona fides for a moment, particularly given where you have come from. Many of your colleagues in the other SVODs have similar histories; it is markedly noticeable at the moment that the talent is coming from people who have grown up in public service broadcasting.

But can I press you on this? I hate calling it talent, because talent is everywhere, but what we loosely call the talent—the writers, directors and actors—is always in short supply. There are lots of people who can do the thing, but there is only ever a small number who can do it really well, and there is an increasing amount of competition for those services. How do you see that playing out? In that area, you are in direct competition with other content creators, including the public service broadcasters.

Anne Mensah: Yes, but my commissioning strategy is all about being complementary. If we lean in to true diversity, to voices from around the country and to class, and if we ensure that we have a balanced slate for men and women, I believe that we can increase the pool. We need to put in the right training schemes and support new people coming through, but I also believe that there is a diverse marketplace out there that we have possibly not always talked to. One of the last shows I did at Sky was called "Save Me", written by Lennie James. He had won an RTS award, but had not written for a really long time.

This is about leaning in to all the voices, not just some of them. I passionately believe that that increases the number of people you can play with, alongside training and ensuring that we have long-term plans to help people not just with their first job but with their second and third ones, to keep them in the business. That way, we build a bigger place to play for everyone. I do not think it is a zero-sum game.

Laurie Nunn wrote "Sex Education" as her first show. She will go on to write something amazing for the BBC, or HBO. That should be brilliant, because then someone else will come up because they worked in her writers' room. I get excited about that. I get excited by the potential of what we can do, because we are building it from the ground up. We are building something amazing from the ground up and can be mindful of the way the industry works because we come from within it.

Benjamin King: We are at a very interesting moment in history when, perhaps for the first time in a very long time, the balance of power has shifted back to the creatives in this space. They suddenly have so much choice. There is so much competition for what they do that they can start to make their own, conscious choices about where they want to take their work, rather than having to go to whoever will have them.

Anne Mensah: In all honesty, for younger audiences, the competition is sometimes not even us but YouTube or gaming.

There is a multiplicity of things you can do. All we can do is do it to the best of our ability and to the highest quality. I believe that is how you get people to love your shows.

The Chairman: Lord Storey has a question, and then we will move on.

Lord Storey: This is a moment in history, with other players coming on board: BritBox, Apple, Disney. If people want all those services, it costs a huge amount of money to pay for them. Presumably some will be successful and others will fall by the wayside.

My point therefore follows on from the point made by Baroness McIntosh: that if your subscriber numbers start to fall because of other competition, the lofty ambitions that you mentioned will not be met. This is nothing to do with a particular question, but I would also point out that if you are living on a council estate in Liverpool in severe deprivation, you could not afford to buy all these subscriptions.

Benjamin King: It is certainly true that it is an incredibly competitive environment and it will become only more so. At Netflix, we are excited about that. We think the consumer stands to benefit hugely from having so much choice. Fundamentally, all these offerings are distinct and can be complementary in their own way. The consumer appetite for really great film and TV has not yet been fully tested in any way.

Equally, on Lord Storey's point, those who are less advantaged still have the opportunity to watch fantastic programming on the public service broadcasters and on free online video on demand services.

Q192 **Lord Gordon of Strathblane:** Chairman, I think co-production has been

fully and exhaustively travelled, so with your permission I will move on to how we do something about a production base to make all these programmes.

While it is great news that you have invested in the UK, and that Apple, Hulu and Amazon are piling more money in, we have a severe skills shortage, as you will know from your work with ScreenSkills. What are we going to do about that? The recipients of the high-end tax relief have voluntarily contributed a sum or levy to do some training. Are you party to that?

Benjamin King: We are, yes. We contribute to the ScreenSkills levy. We also contribute to the apprenticeship levy. As this Committee has heard, and as government has heard from many sources, there are some challenges with the deployment of the apprenticeship levy in our sector. It would benefit from some reform to allow us to unlock in a figurative and material sense the opportunity it could create. That is something that we have talked to government about in the past.

Anne Mensah: Alongside that, we are investing in training where we see need. It is early days for us, but I spoke about retention and progression for crews, and over time we are looking to ensure that we invest. We talked about "Top Boy" earlier. We had a young directors programme on that. We also put a lot of effort and money into training on "Sex Education", and the young people who trained on the first series came back for the second.

Partly because I have worked in a lot of different places, and partly because of the ethos of Netflix, I hope that we can partner with a number of the other broadcasters through ScreenSkills to ensure that we maximise training across the country. It is in all our interests to make sure that we have a wealth of talent that not only comes in at a junior level but progresses to the highest levels.

Lord Gordon of Strathblane: As you very diplomatically said, there are challenges with the apprenticeship levy. That is putting it mildly. Most people who have given evidence say that they give the Government full marks for having a levy, but that it is far too much of a straitjacket to do anything sensible in the creative sector. Have you come up with ideas that you could put to the Government about a better way to spend the money they are currently collecting as an apprenticeship levy?

Benjamin King: On our specific proposals to government, in the short term, as Anne said, we have focused mostly on how we can make an impact ourselves through the production work that we are doing. I am sure we will have those policy discussions with government in time as well.

Lord Gordon of Strathblane: Essentially, there is quite a groundswell. In this inquiry or the one into the theatre, absolutely no one has said that the apprenticeship levy works in the creative sector. There is a huge mass of evidence. The thing that is required to tip it and get the Government to do something is a somebody coming up with a concrete proposal. Will ScreenSkills come up with something?

Anne Mensah: I am sure that ScreenSkills is talking and has proposals, but I will leave it to Seetha to talk about those. I believe she has already given evidence.

Lord Gordon of Strathblane: The more we hear about it, the better. More importantly, the more the Minister hears about it, the better. Somebody, I think it was Peter Kosminsky, suggested a levy that would go to a contestable fund. What is your view on that?

Benjamin King: I am not convinced that a compelling case for the introduction of a levy has been made. When we talk about public policy interventions in this space or any other, we have to be very clear about what problem they are intended to solve. It seems to me that the concept of an SVOD levy is a solution in search of a problem, because the reality is that funding for UK content is at an all-time high.

Looking at our own intentions in this space, our motivations and incentives to invest in UK content are driven time and again by what our members want to watch. I am not sure that a levy, or a contestable fund as you called it, would necessarily either stimulate investment in a different kind of content or lead to better outcomes for audiences.

Viscount Colville of Culross: Does France have a levy? There is certainly talk about some of the other EU countries having levies. What effect has that had on Netflix investment?

The Chairman: And Germany.

Viscount Colville of Culross: Yes, and Germany.

Benjamin King: I cannot speak to those countries specifically. Where levies have been introduced and are applied fairly and proportionately across the sector, we are very happy to abide by those rules, but we do not think they necessarily incentivise the sort of content production that drives the commissioning decisions we are making.

Viscount Colville of Culross: But do they disincentivise them?

Benjamin King: Not for Netflix, but potentially for other players, yes. I believe you have heard evidence to that effect.

Lord Gordon of Strathblane: Yes, we have.

The Chairman: Okay. We go back to diversity. You talked about diversity in its widest sense, but Baroness Bull has a question.

Q193 **Baroness Bull:** Thank you. I should have declared my interest earlier as sole director of No Bull Productions Limited.

You talked about diversity with what I would call a public service passion. Of course, there is no statutory obligation on Netflix to address questions of universality in the way that it seems you want to, so I have two questions. First, can you say a little more about specific initiatives, or steps that you are taking, to support diversity both on and off screen? Secondly, linked to that, given that there is no statutory obligation to do this, can you say why you are doing it?

Anne Mensah: The whole of Netflix believes in diversity, and it is at the core of our business. You can see it in the programmes we transmit and the way diverse audiences engage with them. While I hope that my track record in television leans in to the fact that I have always believed in diversity, this is a company that was there way ahead of me.

In terms of what we are doing, having come from Sky and having quite a good track record there I want to craft something that works across all the protected characteristics, and class. We are in the process of making sure that we formulate something that works for the creative organisations we work with. We would never impose anything.

I get nervous about schemes, in all honesty, just because I believe that diversity should be at the heart of both editorial and financial decision-making. I would rather lean in to working with diverse creatives—when I say diverse, I mean right across the spectrum—than having entry-level schemes. You want a diverse creative voice and diverse people hiring. That is how you change the industry.

We are still working on our exact proposals, and we intend to work alongside the BFI and the other broadcasters to make sure that what we are trying to do is complementary and not onerous on the people we work with.

Baroness Bull: Is there a timescale for those collaborative approaches?

Anne Mensah: I think we are writing it right now. The timescale runs alongside my developing shows and getting them on air. However, I feel confident in saying that all the shows that have grown up with my team will work to a diversity criterion that we hope to talk about and put in place.

Baroness Bull: I was really glad to hear you mention class, because there is a lot of evidence emerging of the lack of socioeconomic diversity in the sector on and off screen. Do you measure the socioeconomic diversity of your workforce? Do you track that?

Anne Mensah: I would have to come back to you on that. I do not know, but I am sure that we could—

Benjamin King: We can write to the Committee on that point.

Baroness Bull: That would be great. Thank you.

On the question of regional diversity, you talked about 130 staff in London and productions in places around the country, which is great. I was drawn to a comment by Caroline Cooper Charles of Screen Yorkshire, who noted that two-thirds of programmes made outside London are made by production companies based in London. We know that there is a need to reach a critical mass of skills in any particular region if we are really going to develop a talent base. Do you have views as to what public policy adjustments might be made to support greater regional diversity in the production sector?

Anne Mensah: It is difficult to speak to what government may or may not do, because this is about following creative voices and supporting

them where they come from. Having been head of drama at BBC Scotland, I quickly learned that doing that job well was about having Scottish writers and producers. I am not even sure that I always did it well, but I learned a lot through that experience.

I hope that we can work with writers in that regard. We are already talking to writers right across the country. I would never make anybody make something somewhere just because I felt that they should. However, if a writer wants to set something in Scotland or Liverpool and I can support that with the resources we have, that is what we should do.

Baroness Bull: Regarding off-screen talent and the hiring of local crews, for productions in Norwich and Wales are you able to guide production companies to hire local talent?

Anne Mensah: Hence the "Sex Education" example of trying not only to hire locally to the best of our ability but to train locally so that you retain people in that environment. Again, however, it cannot just be about training schemes. That is why I say that it is about not only retention but progression. There are too many schemes that pick people up and then forget about them. This is about making sure that we support people not only from their first jobs but from their second, third, fourth and fifth job.

Baroness Chisholm of Owlpen: I want to come in on retention. I am glad to hear that you want to train people, to keep them, et cetera, but one of the difficult things about your industry is that people are used for certain productions and then perhaps not used for a while, and people from different socioeconomic backgrounds are not always able to stay in the industry if they are not employed full time. Have you thought about that when taking on and training people from different backgrounds?

Anne Mensah: Yes. I refer to the trainees in particular. Having a lot of production means that you have some flexibility in being able to move people from one show to another. Also, we are booming at the moment. I come from a drama background, so I am speaking mostly to the drama point, but I hope that there is enough production in the UK that more of the roles are full time. We must keep an eye on that.

Q194 **Baroness McIntosh of Hudnall:** I want to ask you about regulation, but before I do I wonder whether you are in a position to give us a slightly better picture of the underlying business model on which your business is built. I am no expert, but looking at the quantum of investment that you are making, which I assume is reflected elsewhere in the world, although I know that is not your area, and the fact that subscription is a slow build despite your many subscribers, I think we are looking at a deficit funding model at the moment.

Could you revisit for a second, or perhaps write to us about, how long you think sustained investment at this level in the UK can be kept going on a deficit funding model? When does it start to become unsustainable? At which point does it tip over into being sustainable? I realise that that is a big question for you to answer. If you could say anything in response

now, that would be great. If not, could you write to us or have somebody write to us on the subject?

Benjamin King: We are certainly happy to follow that up with the Committee, but we are confident that there is substantial scope for us to increase our investment in the UK. The UK is a major locus for us in production terms. Globally, it is probably the third most important after the US and Canada. Therefore, as our membership continues to grow globally, that will generate further subscription revenue, some of which will be spent on production in the UK. That is one of the advantages that we are able to enjoy as a global service.

Baroness McIntosh of Hudnall: Basically, if I have understood you, you are saying that the worldwide subscription base will fund very significant investment in certain markets, of which the UK is one, in which you would expect to generate the most marketable content. Is that right?

Benjamin King: That is correct. We do not spend our UK revenue only on our UK productions.

Baroness McIntosh of Hudnall: I understand. None the less, am I right that at the moment this model is deficit-funded?

Benjamin King: We are making major investments in content at the moment, yes.

The Chairman: We might write to you and rephrase the question in a few ways. You may wish to comment not on behalf of your business but as industry leaders. With a number of players operating on deficit funding models, do you foresee consolidation in the industry at some stage?

Benjamin King: That is an impossible question on which to speculate.

The Chairman: Right.

Baroness McIntosh of Hudnall: Shall we return to regulation, just to round this off?

There is the ongoing issue of whether there is a reasonable level of comparability between the way SVODs and broadcasters are regulated. Do you feel that there is a level playing field at the moment? No doubt you will not be looking for ways to be regulated further, but can you foresee, in thinking about the future, how regulation might play a greater part in the way you do business here? Specifically, can you say a bit about the AVMS directive and how that might affect your commissioning policy?

Benjamin King: Yes, of course. It is a question that we have given a lot of thought to over the past few months. Obviously regulation is ultimately a matter for the Government.

When it comes to talking about whether there is a level playing field, it is important to be clear in our minds, if indeed we are making a like-for-like comparison when we measure commercial broadcasters alongside video on demand services like Netflix.

I suggest that in many ways what we do is materially different. We do not think of ourselves as a media company but as an entertainment company. That manifests itself in the fact that we do not carry advertising, we do not show news, we have no live content on our service. Indeed, we are not a linear broadcaster in any sense, and we do not offer scheduled programming.

When you strip away the regulatory obligations that pertain to those elements specifically, you are left with a great deal more parity than some people might otherwise assume. Obviously, at a high-level, the regulation of our services is set by the audiovisual media services directive. That directive has recently been revised and will introduce new obligations on video on demand services, which we can touch on in a minute.

It is also very important to recognise that we have every incentive to hold ourselves to the highest levels of content standard, audience protection and so forth, because it is existentially important to our brand that our members have every confidence when they use our service that we are a safe space for them and their families. We give them the tools and the information they need to be able to make informed choices about what to watch.

It was in this spirit that we entered into a partnership with the British Board of Film Classification earlier this year. We were, I believe, the first video on demand service to do so in the UK. The UK is only the second place in the world where we have entered into such a partnership, and we are now working with the BBFC to apply its classification guidelines to our whole UK catalogue, which is audited by the BBFC, with the intention of giving all our members the information they need to make informed choices about what to watch.

Coming back to the audiovisual media services directive and its effect on our commissioning strategy, obviously the revised directive will introduce a 30% quota for European content. We do not know yet how that will be calculated, because the specific guidelines have not been confirmed yet. We have every confidence that we will be able to meet that quota, because fundamentally what motivates and incentivises our commissioning strategy is what we know our members want to watch, and the European content for our European service, and indeed the UK content on the UK catalogue, performs extremely strongly. So all the evidence suggests that we should invest in that anyway to give our members more of what they want.

Baroness McIntosh of Hudnall: Anne Mensah, do you want to add anything to that from your point of view as a commissioner?

Anne Mensah: No. I think Ben covered it.

Baroness McIntosh of Hudnall: Okay. Can I be clear? I am hearing that you reckon that your wish and your corporate policy will drive you towards strong self-regulation. Is that sufficient?

Benjamin King: I would not say for a moment that self-regulation is sufficient. There is a regulatory framework set out in European law,

which we abide by. It has recently gone through very detailed scrutiny by policymakers and legislators and has been revised in the light of that.

All I am suggesting is that, in addition to that, it is in our own interests, above and beyond the de minimis standards set out in the law, to hold ourselves to the highest level, because that is fundamental to our brand and what we think our audiences expect from Netflix.

Q195 Viscount Colville of Culross: We have heard all about the universality, the local content, the extraordinary measures that you are taking to make sure that you cover the entire audience, which has also been the remit of the public service broadcasters.

In a world in which we are seeing the SVODs motoring forward with acquiring audiences and the public service broadcasters suffering, particularly at the younger end, do you pose an existential threat to the licence fee? Should the licence fee still exist in an area in which the SVODs are providing so much of what used to be provided by the public service broadcasters?

Anne Mensah: I do not think that we do provide what the public service broadcasters provide, because I think that the BBC does what it does brilliantly. Again, there is the competition versus collaboration point; I would not want us to try to compete with what the BBC can so well.

We are doing something different, and I would always fight for the right for the BBC to be the BBC, because you need all the different broadcasters. The BBC, ITV, Channel 4 all offer our audiences something different, and something rather brilliant. I would celebrate all those different broadcasters. I just think that we have the opportunity to add to that, and my hope is that that benefits both creatives and audiences.

Benjamin King: There was a wonderful line in the BBC's own submission to this Committee describing Netflix as complementary to, and not a replacement for, public service broadcasting. We wholeheartedly agree with that characterisation.

The Chairman: Briefly on content, you have described your plans for commissioning in the UK, most of which is drama. You have said that you have no plans to go into news and sport. Are you planning to go into continuing drama? Are there any other genres, any other areas, that you will develop in future?

Anne Mensah: You are hearing a lot about drama just because I do not talk about anything else—sorry—but we also have in our office a factual commissioner, an entertainment commissioner, children's commissioners, and we do animation. There are lots of opportunities across the board in both fiction and non-fiction. It is an exciting time right across the board. You just have to put up with me talking about scripted. Sorry.

The Chairman: Thank you very much. Thank you to our witnesses. We have had an hour of your time and we are most grateful to you for giving us evidence. We will write to you to follow up on a few issues, including on data and the data that you make available to partners and the public.

Thank you very much for giving us evidence today.

Benjamin King: Thank you.

Anne Mensah: Thank you.