



Select Committee on Communications

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

Tuesday 9 July 2019

4.35 pm

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Members present: Lord Gilbert of Panteg (The Chairman); Lord Bethell; Baroness Bonham-Carter; Baroness Bull; Baroness Chisholm of Owlpen; Viscount Colville of Culross; Lord Gordon of Strathblane; Baroness Greender; Lord McInnes of Kilwinning; Baroness McIntosh of Hudnall; Baroness Quin; Lord Storey; The Lord Bishop of Chelmsford.

Evidence Session No. 23

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Questions 213 - 220

Witness

I: Margot James MP, Minister for Digital and the Creative Industries, Department for Digital, Culture, Media and Sport.

USE OF THE TRANSCRIPT

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

Examination of witness

Margot James MP.

Q213 The Chairman: We are ready for our second evidence session today in our inquiry into the future of public service broadcasting. Our witness is Margot James, the Minister with responsibility for digital and the creative industries.

Thank you very much, Minister, for coming along, for the written evidence you have sent us and for the help your officials have given to the inquiry. I am sure you have been following the inquiry. We are looking into the future of PSB and the inquiry has expanded into a number of important areas, which the Committee wishes to discuss with you.

Please give us a brief introduction to your role in this area, the Government's view of public service broadcasting and how you see the role of public service broadcasting in the changing TV sector. We will then open it up to members of the Committee.

Margot James MP: Thank you very much, Lord Chairman, and all members of the Committee, for the very important work you are doing, which we are indeed following with interest in my department. As Minister, I report to the Secretary of State. We have responsibility for public service broadcasting and the wider television and film environment. We regard public service broadcasting as fundamentally important to the whole media landscape in the UK. Indeed, we feel very fortunate as a country to have the BBC and the other public service broadcasters. We are fully committed to supporting PSBs to ensure that they continue to meet the needs of a wide range of different audiences, both now and in the future, and maintain their position at the heart of a fast-changing global industry.

The rapid technological advance presents many challenges, which I know you have deliberated on. I am sure that those deliberations will inform the way we work with both the broadcasters and Ofcom to ensure that our PSBs maintain their leadership role in very difficult circumstances.

Thank you for considering our written evidence.

Q214 Baroness McIntosh of Hudnall: Minister, I want to ask you about the impact as you have assessed it of the interventions there have been over time by government to try to support the television and film industries through the tax system. Latterly, the high-end drama tax relief has been widely welcomed, and is still welcomed, by the producers and broadcasters, but as we understand from our evidence, it has probably contributed to some extent to the cost per production going up. That is at least debatable. First, how do you assess the impact? Secondly, do you think it has inflated the production costs? If it has, do you think that a revision of it is necessary? Finally, is the cultural test that is applied in order for productions to be eligible for tax relief sufficiently robust? Does it make sure that we will be able to retain the distinctive character of UK-

generated content?

Margot James MP: Thank you very much for your questions. I will answer them in turn. We evaluate the outcomes of those tax reliefs through independent means in terms of their financial return for the industry. We look closely at the cultural test and have assessed the situation of rising costs. I do not think there is a clear answer to the latter question; there is more clarity in the answers I can give you on the other questions.

Overall, spending by the PSBs has gone down over the past 10 years, and that is not necessarily a bad thing. You could argue that they are getting the quality and outputs for less money by making better use of technology and so forth; just because spending is going down does not necessarily mean it is a negative.

In 2018 the BFI produced its *Screen Business* report, which no doubt you have seen. It shows that for every £1 that the Treasury releases in tax relief, more than £6 pound is returned in GVA. That report was done independently. There is no doubt that the growth in the industry is in no small part owed to these tax reliefs. We are confident that it is working.

On the cultural test, companies that are not British based and want to take advantage of these tax reliefs are making programmes using British talent and in British locations to pass the cultural test. We see that we have the balance about right. We do not want to make the conditions so stringent that they cease to have any effect, but we do need to have conditions to make sure that the films and programmes that are made using these tax reliefs reflect British culture in its diversity and variety.

Baroness McIntosh of Hudnall: May I take you back to the question of the tax relief itself? It might be argued that the barrier—the amount that has to be spent in order to qualify for the tax relief—is a bit high. Have you considered that it might be beneficial, particularly to public service broadcasters, if the entry point were lower? You have just said that the spend has gone down, which is true in some respects, but there is also a very high dependency on co-production that goes with that. That has many benefits, but it also has dangers. Would you agree?

Margot James MP: Yes. The benefits of co-productions in general outweigh the disadvantages, but it is finely balanced. The cultural relevance is closely related to where the films and programmes are made, and the international productions have to adapt. Companies such as Netflix have made series of programmes with huge British cultural relevance, so I do not think that we are setting the bar too high. We cannot set a bar for PSBs that is different from that for other companies.

Baroness McIntosh of Hudnall: I am really going back to the inflationary effect of having a cost per hour that has very markedly increased over the past few years. There is therefore potentially a correlation, if not a causal connection, between that fact and the introduction of the high-end tax relief, and the arrival in the UK of extremely large amounts of investment from companies such as Netflix and Amazon, particularly Netflix initially. The combination of all those

things means that the public service broadcasters are having to bid in to an inflating market.

Margot James MP: You have to balance the risks of the cause and effect that you have outlined, which I do not deny could be an issue, with the need for us to have an environment where viewers have the sort of excellent choice they could have anywhere else. You have to see the tax reliefs as part of the wider environment.

We are doing a lot of other things to support PSBs and they take advantage of the things we do to support them. The richness of talent that is being stretched by having a diverse array of different producers—some from abroad, some PSBs—is contributing to making this country a very attractive place for creative people to sell their wares, make a fantastic living and contribute to brilliant viewing opportunities. There are almost too many for the time available to view them. I think we have the balance about right, because we are supporting the PSBs in many other ways.

Baroness McIntosh of Hudnall: I will comment briefly and then it will be other people's turn. Several witnesses have raised with us the potential for the inflationary money that came in in the recent past to be withdrawn as quickly as it was put in. We talked about the possibility of the tide going out as fast as it came in and the potential grounding thereafter, to extend the metaphor, of PSBs in particular, which might become dependent on that money being there, then find that it is not. It is not just the PSBs, but the people creating the work. Are the Government concerned about this issue?

Margot James MP: Yes. We are far from complacent. We know that the conditions for attracting investment into the UK, which we want to do, are a combination of factors. The tax reliefs are very important, but so are the talent, the skills—not just on-screen but off-screen—and, of course, the incredible studio environment in this country. It is an ecosystem. All of it has to be right; you cannot let a bit of it go. It would be very damaging to compromise the tax reliefs because they are important, but they are not of great value if you do not have the talent, skills and studio availability, which we are working on because clearly we need more of it. You need to have all those pieces right and anticipate change. Then you have optimum conditions and we should not see the sort of withdrawal that you mentioned, which could be a risk if we got any of those things out of kilter.

The Chairman: That brings us on to our next question.

Q215 **Baroness Bull:** Thank you, Minister. You will be aware of the questions around the apprenticeship levy and how it is working for the creative industries—a sector comprising small businesses that are not really able to take advantage of the schemes. You will know about the estimates of the money going out of the sector. Apparently £75 million is being paid in levies, but as much as £55 million will not come back. What are you doing to make the apprenticeship levy work better for the creative industries? I think we are all aware of the pilot scheme that has been

launched, but it is relatively small-scale. I wondered whether you could comment on that.

Margot James MP: I will come back to the pilot. It is small-scale at the moment, but it is a pilot. Our intention is to prove that the concept works and delivers value. We hope not only that it will prove all that but that it will act as an example that will bring forth a great deal more such apprenticeship activity in the broadcast sector, and indeed in other parts of the creative industries. Film and television are not the only project-based industries in the creative field. I guess you know all about the pilot already. It is with ScreenSkills.

There have been issues with the apprenticeship levy overall, never mind just in this industry, with the difficulties of spending the levy money. We are probably all aware of some of the reasons for that. As of April this year, across the economy, including film and television, we are now able to transfer at least 25% of levy money, not just the 10% of before, to other companies that are not levy payers. That will help our sector, just as it will help the rest of industry. It might have been too long coming, but it has come now and our industry can benefit from it.

We have also invested in the Creative Careers programme, which is part of the industrial strategy's creative industries sector deal, which is one of the most exciting parts of the industrial strategy. The skills part has involved my department investing £2 million alongside industry, which I think is investing about £10 million to bring the whole fund up to £12 million. One of the outputs we will see from the Creative Careers programme is a fast track apprenticeship standards development scheme, covering 16 different types of apprenticeship in this field. The more we get the apprenticeship standards approved, the more we get the Treasury to relax about the fact that project-based businesses should be able to use the apprenticeship levy and we have the standards there to use them against, I think we will see a greater influx of apprentices at work in our sector, which will be a very good thing for the skills agenda, obviously.

Baroness Bull: You led on to my second question about the skills shortage in the sector. The Creative Careers programme is great, but given the focus on the need to provide skills for this industry, do you not think it odd that careers education guidance makes no reference at all to creative careers? In fact, it is rather specifically excludes them in the Gatsby benchmarks, which urge prioritisation of STEM careers. I think the word "creative" does not feature at all in the guidance.

Margot James MP: I regret that. Clearly there has been a huge issue in the last 20 years about a decline in STEM subjects. British industry has suffered from that. There has been a big effort, which has borne fruit, in getting young people to study STEM subjects more. We have put that right, but we are at risk of downplaying the benefits of arts and creative subjects on the assumption that young people will not need to be encouraged to go into those sectors because they are so naturally attractive. I do not think that is good enough; it is not my view as the Minister responsible. There is a plethora of creative careers that so many

young people aged 14 to 18 and even older are simply unaware exist. They look at film and television and at the people on the screen and think that is it. We all know it is not—far from it.

My officials work closely with DfE officials to try to restore this balance. I know that it is bearing fruit. Certainly in the music sector, the Department for Education has recently invested some £80 million into music hubs. The message has got through, but you are right to raise the concern that you do.

Baroness Bull: Is there potential through the 25% that can be transferred from one business to another to introduce levers that might, for instance, increase diversity based on where that money is transferred to? Are there conditions, or could there be?

Margot James MP: There could be. Diversity is very important. We in the department are very concerned that progress has not been swift enough in television, and the situation is even worse for radio. Diversity is very important.

However, I would be cautious about using the apprenticeship levy freedoms too overtly, because one might get unwanted consequences. The important thing is to get more young people into apprenticeships in this area first. We have had a problem there, and that needs to be resolved before we can start thinking about using the levy money too precisely. That is not to say that I do not think there is a huge job of work to be done using other levers to make sure that a far more diverse intake is the priority in this sector.

The Chairman: Going back a bit, when you have come before us previously you have been very passionate, as you have today, about the range of careers in the creative industries available to young people. You have identified some of the barriers, and as a Committee we have shown a lot of interest in that in our various inquiries. We have seen the careers and we know that, in too many areas, they appear to be open exclusively to middle-class recruits. Diversity in its broadest sense is an issue. We have found consistently real problems with the careers service in schools. It is schools that are not showing young people from disadvantaged backgrounds the pathway into these roles in this industry. It is not getting better, is it?

Margot James MP: No. I take your point. We need to redouble our efforts with schools to make sure that they join us in our efforts to get this message out. Part of the Creative Careers programme is geared towards this end, and that is where we are looking to improve diversity in all its forms. Of particular importance are those from the social economic background that you mentioned. That is vital. As you probably know, the Creative Careers programme encourages and facilitates, in an organised manner, industry leaders to have meaningful encounters with students in secondary schools. We are targeting areas that will boost diversity for the next generation.

The Chairman: Do you need to vote, Minister?

Margot James MP: Fortunately I do not, because I am paired.

The Chairman: That is good news indeed.

Margot James MP: We are in the clear. Thank you for your courtesy, though.

Q216 **Baroness Chisholm of Owlpen:** My question leads on from what you have said. To encourage more diversity—particularly among the LGBT community, which seems to have unbelievably uneven representation on television, as far as I can see—does Ofcom need more powers to make sure that this happens?

Margot James MP: It does have some powers, which it is now using, to monitor diversity and encourage greater diversity. We are looking at legislation, if that does not work.

Baroness Chisholm of Owlpen: I was going to ask whether you think that secondary legislation might be useful to give Ofcom more powers to collect data.

Margot James MP: It has the power to collect data now, but it is a question of what you do with the data once you have got it. It needs to lead to actions. We are looking closely at bringing in legislation to support Ofcom's current powers, so that they go further and would allow Ofcom to oblige data to be collected at film and individual series level. It has to go down to that micro-level of granularity in order to be really effective.

It is not about shaming but about a benchmarking effect once the data is out there and made public. If you are a producer with very poor diversity statistics compared to some of your peers, that will act as a natural motivator. Most people in the industry do want to do better here. However, the short-term need is for programmes to be made, and sometimes it is too easy for diversity to be an add-on, an afterthought or something that is nice to have, rather than a fundamental requirement of your role. Benchmarking and making public data available will make people more accountable.

Baroness Chisholm of Owlpen: There is also a problem, is there not, with the fact that for a lot of these programmes people are employed on short-term contracts? That can make it more difficult for people from a background where money is not available to go into the profession, because they are not sure whether they will have work six months down the line. Is anything being done about that?

Margot James MP: There are a lot of opportunities for full-time employment. To a certain extent, it depends on what niche you are in. Ideally, if a young person can get something permanent to start with and build a reputation, that is the way into a successful freelance career. To start out freelancing is difficult, and obviously it is more difficult if you cannot afford to live through the dry spells.

Baroness Quin: I want to follow up on that and ask about the measures that might be being considered to support the development of regional production across the UK. In the course of the inquiry, a number of suggestions have been made. One is that it should be easier for local

authorities to use capital investment funds to support the creative industries. A couple of minutes ago, you referred to the apprenticeship levy. Despite your reservations about attaching conditions, it could possibly be linked to regionality in some way. What is your take on the need to support the development of regional production and how best to go about it?

Margot James MP: Some of the things we are doing include encouraging the development of studio space outside London and the south-east. That is a big opportunity and ties into your suggestion about local authorities and their flexibility over capital allowances. The mayor of the West Midlands, in trying to support the need for greater studio space, is looking at the potential of a piece of land. We want the tax incentives to be right and to attract that sort of investment outside London and the south-east. I thoroughly agree with that.

We are pleased so far with Channel 4's decision to relocate out of London and the south-east to three areas of the country that are a long way from London and the south-east. Those were good decisions. More needs to be done to encourage real re-location; in other words, using local skills and talent rather than continuing to contract too much talent that is based down in London and the south-east, even if you are producing the programme in Cardiff.

More pressure needs to be applied to broadcasters to do that. I sympathise to a certain extent with the difficulties of retaining locally grown talent, because our capital city still has a great pull. If you have grown up in Salford and love life up there, and you get a great job with the BBC or ITV, sometimes midway through your career it could be quite attractive to come to London. That can be an issue, but we need to support more and more local employment and skills development. You have made a good suggestion about local authorities, which we should look at, so that they can invest more in their areas to support the screen industries.

Baroness Quin: To follow up with a slightly wider question, some of the issues we are talking about do not fall neatly into one department. Are there good mechanisms in place for co-ordination with other departments on these issues? I am thinking, for instance, of issues such as careers guidance and so forth. Are there mechanisms for co-ordination across the relevant departments that are working?

Margot James MP: Yes, I think there are, certainly with the Department for Education. In my time in the department I have observed better and more regular working relationships between DCMS and DfE. There is now joint team working in some of these areas, and that is leading to results—I mentioned earlier the music hubs. The machinery is in quite good shape.

When the Treasury is overlaid on that, as per the apprenticeship levy, it becomes three departments, and it has been very difficult; the Department for Education has had great difficulty getting the freedoms to make the apprenticeship levy more flexible because of the concerns about fraud and public money. That is at the root of it.

It was very disturbing to hear mention of £75 million being raised in levy in this industry, £55 million of which might not be spent. That is quite appalling. We will take that back and see what more we can do about it.

The Chairman: If you have any further comment on that, you may write to us, having discussed it further within the department.

Just before your evidence session, we heard from the group director for content and media policy at Ofcom, Kevin Bakhurst. He said that Ofcom feels that it lacks powers to require PSBs to provide information about diversity and representation, on and off screen. He says that he has written to the Government asking for further powers to require PSBs to provide information other than on protected characteristics. Have you received that letter, and are you considering extending Ofcom's powers?

Margot James MP: Yes, we are; definitely.

The Chairman: Thank you. Lord McInnes has a question.

Q217 **Lord McInnes of Kilwinning:** Thank you, Minister. I want to move on to commercial public service broadcasters and the implications of the flight of advertising from broadcast to online over the past decade. Do you feel it is now appropriate for there to be different regulations for broadcast and online advertising? Does that present, in this day and age, a level playing field?

Margot James MP: There are real issues for public service broadcasters on the commercial side. They face greater regulation in many areas. On the advertising side, they feel that they are not on a level playing field. We are in the process of establishing a review of how online advertising works and are focused on the issue you have raised, because we do not think it is a level playing field at the moment. We want to support our commercial PSBs, and making the playing field more level is a good way of doing that.

Lord McInnes of Kilwinning: One example of that lack of a level playing field is the proposal to bring in advertising regulations for high fat, salt and sugar. As I understand it, they will not apply, for example, to YouTube because of the proportion of those under the age of 16 who view adverts on YouTube. Does the department have a view on that? Has it fed into the consultation on the changes in regulation around high fat, sugar and salt?

Margot James MP: We have. We have been quite focused on the review of high fat, sugar and salt. My predecessor as Secretary of State and I take the position that we want this review to be evidence led. We have not yet seen the evidence for a direct link between advertising and obesity levels. If evidence is provided, we would act equally in the online and offline environments.

We accept the difficulties—you cannot apply a watershed online. However, there may be other things you could do to make sure that you were not creating yet another unlevel playing field. We in my department feel very strongly about that.

Q218 Viscount Colville of Culross: Minister, we have just heard from Kevin Bakhurst of Ofcom about the work it has been doing on the prominence regime in the digital world. Your Secretary of State has said that he wants regulatory prominence to be adapted in line with market and audience expectations. Ofcom has come forward with new suggestions for PSB prominence in a digital world. These focus initially on smart TVs and making sure that PSB channels can be spotted on the homepage. It has also made suggestions about mandated prominence for individual PSB programmes on TV platforms. Are you thinking of bringing forward legislation to make sure that the prominence of PSBs is more flexible and changes in line with the new environment we are seeing?

Margot James MP: It is our aim to thoroughly support the prominence regime in the not-so-new digital environment. That is why we asked and urged Ofcom to review prominence. It is only very recently that we received the recommendations, so it is a bit too soon to say what we are going to do as a result of them. However, I would be very surprised if the result did not include legislation to bring the prominence regime up to date so that it applies equally, whatever device you are watching programmes on. There are some practical considerations—and significant practical hurdles to overcome—but it is fully our intention to make sure that prominence is maintained across all platforms and devices.

Viscount Colville of Culross: What about making sure that the content of individual PSB programmes has some sort of prominence on platforms?

Margot James MP: We will consider that in the round with all the other recommendations that Ofcom has made to us.

Viscount Colville of Culross: When can we expect legislation? When will a White Paper or Green Paper come forward?

Margot James MP: As I say, it is only recently that we have received the recommendations. We are in the process now of absorbing them. We will consult on them and report back in due course. I do not want to make it sound as though we are just chugging along. I understand that it is a pressing issue, and I assure you that we will give it the attention it deserves in a timely fashion.

Viscount Colville of Culross: Great. I want to move on to another area of privilege for PSBs: sporting events. We have heard from young viewers that they would like to watch more sporting events but cannot afford the subscription. Some of our witnesses have suggested that perhaps we could extend sporting events to include the Champions League final and the Golf Open, for example. Would you be open to extending the list of sporting events for PSBs?

Margot James MP: We definitely want to maximise the number of free-to-air sporting events. If there is a means of enabling there to be more free-to-air sporting events, we would look very favourably at that.

Viscount Colville of Culross: Are the means not for you to decide what the events should be?

Margot James MP: It is not always easy to make these decisions. Some sporting events do not want to be free to air; that is what you are up against. It is not necessarily affordable for those sports not to take the sponsorship and price for commercial viewing rights that they know they are worth. I would not be optimistic that we could dramatically increase the number of free-to-air sporting events, but we certainly want to hang on to those that we have and build on them where we can.

The Chairman: Just to be clear, the sporting events list is ultimately just a flick of the Secretary of State's pen. Is that all that is required?

Margot James MP: I did not think so, no.

The Chairman: Does it require secondary legislation, or is at the total discretion of the Secretary of State?

Margot James MP: I shall write to you about that, if you do not mind, because I am not quite sure that it is as easy as that, but if I am wrong, that will be good news and I will let you know.

Lord Gordon of Strathblane: I chaired the committee in 1998—a long while ago now—which introduced the A and B lists. The trouble with the Open is that it is on the list but the BBC just decided to stop covering it.

Margot James MP: The golf Open? I really will write to you about that. That is terrible, I agree. BBC Sport's coverage of golf is by far the best, for sure.

Viscount Colville of Culross: I want to ask you about one final area. The commercial PSBs are guaranteed access to spectrum capacity for Freeview only up until 2022. ITV has asked that there be some certainty going forward. What are your plans for spectrum for commercial PSBs in the coming years?

Margot James MP: I am trying to remember what they are. I am sorry; I will have to write to you about that, too. I had a meeting on spectrum only this morning, but it was in another context. Rather than mislead you or waffle, I had better write to you.

The Chairman: We move on to licensing.

Q219 **Lord Gordon of Strathblane:** You mentioned, Minister, that you were trying to be as supportive as possible to PSBs. It will not surprise you to know that the BBC does not think that the Government have been as supportive as they might be in criticising the BBC for limiting the hit on its programme budget to £250 million rather than the full £750 million it would have been had it offered free television licences to all over-75s. Which side is the DCMS on?

Margot James MP: You will probably have heard the DCMS position. Certainly, my Secretary of State was questioned extensively about it last week in Parliament. The Government's position is well known.

Lord Gordon of Strathblane: Yes, but can the Government really say that the BBC could take a £750 million hit a year on its programme budget and maintain the quality of its programmes?

Margot James MP: When the licence fee was negotiated, back in 2016 or whenever it was, the competitive environment was rather different. Four years has been a long time in broadcasting. At the time, I think that the BBC was satisfied with the outcome of the licence fee negotiations. For the first time, it had a guaranteed increase over the next N years. At that time, it accepted responsibility for free television licences for over-75s. In that package, it was content. The Government gave it the decision and the responsibility. That was the package at the time, and all parties were content.

We started our session with Baroness McIntosh talking about concerns about inflation in production. Competitors are far better established in the UK market in 2019 than at the beginning of the licence fee negotiations. The BBC is in a tough place, along with all other public service broadcasters, as we have discussed. It would have been extremely challenging for the BBC to have taken a £750 million or £800 million reduction, which is why it has not abandoned its responsibility to provide free licences to those over 75 but restricted them to those entitled to pension credit. That is probably the best way to make sure that the free licence carries on for the people aged over 75 who need it most.

Lord Gordon of Strathblane: If I were the BBC, I would feel marginally encouraged by your remarks and think that your door might be ever so slightly open to talk about this.

Margot James MP: I said at the beginning of this session that the Government's position is clear. It is that the BBC should continue to fund the over-75s' free licence in full.

You asked a slightly different question about how the BBC could cope and whether £700 million or £800 million would be such a hit. I gave quite a long answer, but the short answer is that I believe it would be.

Lord Gordon of Strathblane: Most people feel that the Government should not have required the BBC to do this in the first place and that the BBC should never have agreed to it. Would you agree this much: that it would be better if we had a different system for fixing the licence fee, in that the department would fix the objectives for the BBC over the next licence fee period and an independent body would then ascertain how much budget was required to deliver on the expectations of the department?

Margot James MP: I do not feel there is an appetite for changing the way the licence fee is arrived at. To take one instance of controversy as a basis for changing the whole way the licence fee is negotiated would probably be a mistake. According to the last BBC charter consultation, 60% of the public do not want a change to the licence fee model. Those of us who are defending, protecting and appreciating the role of public service broadcasting should be pleased about that, get on with it and not try to change the whole basis on which the licence fee is arrived at.

Lord Gordon of Strathblane: But I think that most people are quite critical of the way in which the last two licence fee settlements have

been reached and of the somewhat overplayed role of the Treasury as distinct from the department.

Margot James MP: We are talking about public money, and the Treasury is the custodian and guardian of public money. I do not think that there will ever be a system that is at arm's length from the Treasury.

Baroness Grender: Minister, I am not sure that the suggestion that the BBC was satisfied with the way it was done is entirely accurate. Sir David Clementi, the current chairman, stated in evidence to us that the manner in which the negotiations were done was "poor", being "behind closed doors with very little input from the BBC". He spoke about the need for much greater transparency next time. Likewise, Baroness Fairhead, who was chair of the BBC Trust at the time, described the process as "terrible" and "unacceptable". She said that in future there should be "some degree of public scrutiny and some degree of parliamentary oversight". In the light of those comments, do you believe that there is a place for greater transparency?

Margot James MP: I am sorry, Baroness Grender, I think I may have created the wrong impression when answering Lord Gordon's question. I answered it in the context just of the decision to hand responsibility for the free licences for the over-75s to the BBC. When I said that the BBC and the Government were satisfied with the outcome I meant in relation to that particular aspect of the negotiations. I apologise, because I am aware of the criticism about the lack of transparency and I would be quite happy to concur with you that people were not happy about that. I was actually answering the question just on the free licence issue, not the wider way the licence fee is negotiated. Yes, there is clearly a case for greater transparency and the BBC should of course be a fundamental partner in the process.

Baroness Grender: Do you ever feel that the BBC is sometimes hindered by the level of scrutiny that it receives?

Margot James MP: I am sure that it probably feels it is. All public bodies these days have to accept quite a considerable degree of scrutiny. Whether you are talking about the National Health Service or Parliament, all public bodies are scrutinised. I do not really feel the BBC is hard done by in that regard and I am a great proponent of it.

Baroness Grender: Do you think it could have avoided making cuts if it had to spend 20% of its budget on the over-75s' licence fee?

Margot James MP: I answered Lord Gordon's question about the Government's position, which I have given. I have also said that I feel that a reduction of the size in the current environment, which is different from the one when the licence fee was last negotiated, would cause considerable difficulties.

The Chairman: Can I pick up on your first response to Baroness Grender? Is it fair for us to characterise your response as next time the licence fee renewal process should be open and more transparent than it has been previously?

Margot James MP: Yes, that is fair to say.

The Chairman: And that it should be some sort of different processes?

Margot James MP: We talked a minute ago about scrutiny. Baroness Greender asked whether I thought the BBC was unfairly scrutinised. I feel that all public bodies have to accept considerable scrutiny. Therefore, transparency is usually, almost always, a good thing. To a certain extent any negotiation has to have certain private elements to be effective, but I do not think there should be a cloak of secrecy surrounding the licence fee negotiations and they should not be opaque.

The Lord Bishop of Chelmsford: Should it be taken away from government altogether?

Margot James MP: No, I do not think so.

The Lord Bishop of Chelmsford: But it could be.

Margot James MP: I suppose to a certain extent other public services are independent, but I certainly do not see that as a likely outcome.

The Lord Bishop of Chelmsford: I did not say that I thought it was likely.

Margot James MP: Anything is possible, but it does not necessarily make it desirable.

The Lord Bishop of Chelmsford: I just wondered.

The Chairman: As a form of transparency, you could ask a Committee of Parliament to have an open process.

Margot James MP: Indeed.

The Chairman: So you are open to a different process next time?

Margot James MP: We are certainly open to greater transparency.

Q220 **Lord Bethell:** Minister, can I end by asking you about Europe and the AVMS directive? I have two questions for you. First, I wanted to get some feedback on what your assessment of the directive was and whether you felt it went far enough. My thoughts are mainly about video streaming services such as YouTube, whether it captures them sufficiently and whether the regulation is tight enough. Secondly and very importantly on Brexit planning—an awkward subject I know—what is the Government's position on the implementation of the AVMS directive should there be a no-deal exit? Do you have a commitment to implement it? If not, what is your thinking on how that process might be managed? When I say implementation, I mean introducing some form of British statutory alternative.

Margot James MP: On the first part of your question, the AVMSD enables us to apply the protection of children that we currently have in the linear world to the on-demand platforms. Some on-demand platforms are already voluntarily submitting their content to age classification; certainly Netflix has done that with all its content. I think they are getting ready for the AVMSD to be implemented. We obviously

have to implement it by September next year; I will come back to your Brexit question in a minute. It is a welcome step forward and we should as a country apply it to its maximum for the protection of children across all on-demand platforms, just as they are protected in the linear world. I commend Netflix on the voluntary action it has taken very early in the proceedings and I hope more companies will join it before it is made mandatory, which we fully expect it to be, whether we are out of Europe with or without a deal.

On your second question, as well as the AVMSD we are party to the convention on transfrontier television. That will protect the European work quotas, which we want to see continue. That has been a good thing and a good force. We have that whether we bring in AVMSD or if we do not leave the deal—sorry about all these ifs, buts and maybes, but it is an uncertain time. We will continue our commitment to the 30% European content origin requirement through our membership of the convention on transfrontier television, which is independent of our membership of the European Union but carries the same requirement on content quotas.

The Chairman: Minister, thank you very much indeed for your time. You have offered to follow up in writing on one or two issues. We will be in touch with you to make sure that happens.

Margot James MP: Thank you very much indeed for all your questions, for giving me the opportunity, and for your excellent work, which we look forward to seeing the fruits of.