

Welsh Affairs Committee

Oral evidence: [S4C review](#), HC 1207

Tuesday 9 July 2019

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Members present: David T. C. Davies (Chair); Guto Bebb; Jonathan Edwards; Susan Elan Jones; Ben Lake; Jack Lopresti.

Questions 155-208

Witness

[I](#): Nick Miller, Founder and Chair, Blurrt Ltd.

Examination of witnesses

Witnesses: Nick Miller.

Q155 Chair: Before I start, may I first declare the fact that Mr Miller is a constituent? We may have an interruption for a vote at some point, so if I have half an eye on the screen behind you, that is the reason; I am not being discourteous. We probably will have a vote imminently. I will suspend the meeting for about 15 minutes and we will be back afterwards.

This session is in the light of our regular scrutiny of S4C and the investments it has made. You will be aware as well that we asked questions about OobEdoO. We understand that, sadly, the gentleman responsible for that project has passed away. Clearly, we send our condolences to his family, and that pretty well ends our questioning on that.

May I start by asking you about what you would describe as social storytelling? For the benefit of those who do not know, perhaps you could provide us with a brief overview of what Blurr does and what the connection was with S4C.

Nick Miller: Sure. I will give you a two-minute background. I was a Cardiff MBA in the mid-'90s. I did my dissertation on the economic impact of tolls on the Severn bridge, worked for Cardiff Business School for a while and then set up my own research consultancy, which I have grown over 25 years, adding value to data, mainly for the public sector in England and Wales. We are now one of the largest consultancies in Wales.

Back in 2012, we were fortunate enough to make it into the Fast Growth 50. I think we were No. 33, next to Admiral. On the back of that, everyone on the Fast Growth 50 got invited to MIT. Extraordinarily from my perspective, I was the only person who took up that opportunity. I had a visit to MIT and was exposed to a lot of very exciting tech. One of the things I came across there was a presentation on the use of social data. Anybody who is involved in research will know that the sources of data we harvest are becoming more and more difficult to secure. People like yourselves, I am sure, do not respond to telephone surveys. Every time you go on your bank account, someone throws another online survey at you. Sources of data are getting more and more difficult to secure.

It was a kind of Damascene moment for me to realise that it was possible to sustainably harvest data through social conversations from people who were talking about all sorts of topics. It is the equivalent of walking into your pub on a Saturday night, knowing that there are 20 people in there talking about Man Utd and that each one has a light on top of their head and you can harvest that data without them even knowing it. It is freely given, so there is no burnout. To me, that was a very exciting prospect.



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On the back of that, I tried a couple of experiments. I got together with a couple of developers and we formed Blurr. The idea was simply to exploit new ways of securing data and new ways of carrying out market research.

This was quite a new thing at the time, and I would argue that it is still not being fully developed. We came up with a product. We were able to harvest conversations in real time, focusing on Twitter data. We could analyse for volume of conversation and for sentiment—whether that conversation was positive or negative. We developed the product out to look at emotions. It could work out eight dimensions of emotion within a conversation. We could tell who the key influencers were and who tweeted the most. Latterly, we could work out some kind of segmentation—what were people's interests, their political interests, their leisure interests or the kinds of sports they were interested in. Clearly, it is a pretty powerful tool.

As we developed it, we recognised that there was a wide range of possible avenues for exploiting the technology. Politics was an obvious one, as was advertising. Behavioural finance was a possibility. We chose to focus on the broadcast media sector, partly because of the interest from S4C and the investment from them, but also because we just saw it as being ripe for disruption. You will be aware, for example, that the number of households that are surveyed to gain audience data is still very small in the UK. When you break it down to a Wales level, you are talking about a low number of hundreds. For someone like S4C, it was almost impossible to find out who was watching their programmes. We focused very closely on broadcast. We are able to analyse programmes in real time. We are able to aggregate the voice of the viewer and give it back to those programmes.

Q156 Chair: We know the investment from S4C was £223,000, and approximately £650,000 came from the Development Bank of Wales. There was also an investment from DECC, or at least there appeared to have been.

Nick Miller: DECC? No, I don't think so.

Q157 Chair: There was a charge on the accounts. though. That is shown in one of the documents I have, or at least I thought it was. Let me find it and come back to you. I don't want to go on about anything that was not there.

Nick Miller: I am not aware of where that came from. As far as I am aware, our sources of finance came from S4C Digital Media, the Development Bank of Wales and Seedrs, because we crowdfunded for a round. Then we had a very small grant through the digital development fund in the early stages, as well as there being the core shareholders, of course.

Q158 Chair: There was a charge document I saw—it was filed in Companies House—between Blurr and Finance Wales Investments on 27 July 2017. It referred to money received by Blurr from the Department of Energy and Climate Change. I could not quite understand that, either, and you



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are not aware of what that is.

Nick Miller: I've no idea, but I'm not sure what difference it would make.

Q159 **Chair:** That's fine. Can I move on? When S4C came in, they told us essentially that the whole investment has been written off. You probably saw the transcript of the conversation we had. Effectively, they said that their investment was now worthless, and the implication of the article that appeared in the *Western Mail* prior to that—it related to the Development Bank of Wales investment, where you had said that you were closing down your Welsh office—gave the impression that the investment by DBW was effectively written off. With the greatest of respect, that is quite a lot of money that seems to have gone.

Nick Miller: Let me deal with that. First, I am not sure what the source was for the *Western Mail* article. It said that we had closed our Welsh office. In fact, we had relocated our Welsh office from Tramshed Tech in Cardiff to our offices in Abergavenny in your constituency, where they remain now. In terms of the implication, one could infer that from that information. I was slightly surprised that S4C had written off its investment as such, but that is up to them. That is their accounting practice.

Q160 **Chair:** What about DBW? Do you feel there is a possibility that that investment might be—

Nick Miller: It has not been written off. We are still in close touch with the Development Bank on that. In terms of some of the issues around the investment from S4C, what is really important to realise is that it gained value from that, not just as an IT or tech investment, but in terms of the product. Blurr! was and remains to this day the only analytics platform that is capable of analysing anything in the Welsh language. We developed that specifically for S4C. On the back of that, they were able to run social TV ratings through the medium of Welsh. In fact, we are just talking about reopening that contract with them. There was extended value that S4C derived from our investment anyway. I would suggest that for the £230,000-odd that they invested—little more than the cost of the signs on the Severn bridge—they got quite good value.

I was quite disturbed by the line of questioning by the Committee on 18 December, in the sense that it was seen as if this was a highly risky investment that had been undertaken as a one-off. Of course, it was one of a portfolio of investments. One would expect to have a mix of high and lower-risk businesses within that.

Q161 **Chair:** So you're saying that it wasn't a high-risk investment.

Nick Miller: No, I'm saying it was a reasonably high-risk investment with the potential for high returns.

Q162 **Chair:** Did you make that clear to S4C when they invested?

Nick Miller: I believe so, yes.

Q163 **Chair:** You did?

Nick Miller: I think it would be clear to anybody investing in a tech business in a new field that it would be high risk. If you look at the stats, you'll see that something like 54% of tech businesses survive the first three years, and of those, 2% survive to have £1 million turnover within five years. Anybody who invests in a tech business with an expectation of getting a return on every business they invest in would be ill-advised.

Q164 **Chair:** I will go to my colleague in a minute, but I just want to make the point that when we put in a freedom of information request for the presentations that had been made by Blurrt and OobEdoO, OobEdoO agreed to release that presentation and I believe Blurrt didn't.

Nick Miller: Again, I've got no record of that because nobody approached me with a freedom of information request.

Q165 **Chair:** S4C didn't approach you and ask you?

Nick Miller: They asked me about a business plan, and I said that I was so disturbed by the failure to read our accounts properly in the last Committee meeting that I wasn't prepared to release those figures. The reason I am here today is that there was a clear statement—an implication—that the directors of Blurrt had effectively trousered £180,000 of public money in expenses. That was exactly the opposite of the truth. The directors had put in £180,000 to safeguard the investments of S4C and the Development Bank.

Q166 **Chair:** The question was asked by me, and S4C weren't able to answer it. It is something you might want to take up with them, since they have clearly invested the money, and I think they perhaps should have known what that was. I am absolutely clear that I was happy to publish your statement, and I did so immediately. Let there be no issue about that. If you want to put on the record that neither you nor any company you are connected to, nor any connected parties, have ever had any payment from Blurrt, I am happy for you to put that on the record.

Nick Miller: I should welcome that.

Q167 **Chair:** Do you want to put that on the record?

Nick Miller: I would very much welcome that. Yes, if you wouldn't mind.

Q168 **Chair:** So you are making the clear statement that neither you nor any connected party to you, nor any company connected to you, has ever had any payment from Blurrt.

Nick Miller: Absolutely.

Q169 **Chair:** What was the payment to Miller Research for linguistic services in 2013?

Nick Miller: That was an employee of Miller Research. Initially, Blurrt had no substance, so an employee was taken on by Miller Research. It was paid through Miller Research. That was the only reason for that.

Q170 **Chair:** That, with respect, was a payment to a company with which you—



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Nick Miller: With respect, we are splitting hairs.

Chair: I'm not trying to catch you out.

Nick Miller: What I am saying is that in the last Committee meeting, you said that the most recent accounts show what appears to be a directors' loan account of £179,000 paid to the directors. That was absolutely not the case. I would be very happy if you would put that on the record.

Q171 **Chair:** I'm very happy to. In fact, I have published your letter.

Nick Miller: That's excellent. The issue for me is that, once that kind of statement has been made, the genie is out of the bottle. A company that has clearly been through a hard time and is going out to try to rebuild its structure, reputation and place in the market is not helped by such statements, because they reflect very badly not just on our company, but on the tech sector as a whole. For me, that leads to considerable concerns about wider issues about our attitudes towards the tech sector in Wales.

Chair: I might come back to that in a minute.

Q172 **Guto Bebb:** Can I jump in with a follow-on? My concern about the issue comes primarily as someone who argued very strongly to allow S4C the freedom to use the £30 million fund for commercial investments. It was concerning when we had the hearing that highlighted how much of that investment, not just in Blurrt, but in other companies, had not been successful. I am interested in your comment that you were surprised at their decision to write off the investment in Blurrt. Was there investment in the form of having a shareholding?

Nick Miller: Yes, and that shareholding remains. I guess it is up to them in terms of their accounting processes—

Q173 **Guto Bebb:** I absolutely accept that. You highlighted in your answer to the Chair that, obviously, it has not been helpful to Blurrt in terms of reputation or business development opportunities that the issue has been highlighted. In terms of the valuation of the company at this point, would you argue that there is a residual value to the S4C shareholding? From my point of view, as somebody who argued strongly to allow them to invest in order to reinvest in Welsh television, that would be positive news if it were the case.

Nick Miller: That is a difficult question.

Guto Bebb: I appreciate that.

Nick Miller: I will expand. At the time we went through the second tranche of funding, I think in 2017, the valuation of Blurrt was about £3.5 million—that was passed through due diligence, so it was a reasonable valuation—because of the IP contained within the product. The IP is still there, and I would argue that the market has not, surprisingly, moved on that much in that time, so I would argue that there is some residual value. However, if I wanted to sell that on the open market today, clearly I could

not do that, because if I could, I would. Then it becomes an accounting issue, really, about how you treat that residual value.

Q174 **Guto Bebb:** So the accounting issue would be S4C taking a conservative view as to the value.

Nick Miller: Absolutely, which may be prudent.

Q175 **Chair:** Would you say that Blurrt is a growing concern?

Nick Miller: Yes, if you take a short-term view. It is certainly not at the scale it was. We had 16 employees. We ran it for five years. We had an office presence in London and New York. We had a number of major clients. We are not in that position now. To give you some history, as I say, we pursued the broadcast media market, particularly in sport. We ran programmes for most of the major broadcasters, including a year's contract with Premier League TV, where we analysed every player and every premier league team for the whole season and provided three-dimensional interactive content for a fan programme on Sunday mornings.

Q176 **Chair:** Were you paid for those?

Nick Miller: Yes, we were. We worked for BT Sport. We worked for a number of insurance companies. We worked for the royal household at the time of the Queen's birthday when she had her birthday party; the big emoji screens on the Mall were run by Blurrt. We analysed all the social media for the World Economic Forum at Davos last year.

Q177 **Chair:** And you were paid for the Davos work?

Nick Miller: Yes, we were paid for that. We analysed the March Madness basketball tournament for Turner Sports Media in the States last year. We were focusing on high-profile clients in the broadcast media sector. We could not make it stick because we were not able to secure scale-up finance of the size that we needed to keep the thing going. We reached a point where we had to say, "Enough is enough." We basically encouraged the skilled team to find new jobs, and all of them were able to find them very quickly because they were highly skilled people. Blurrt now has one part-time developer and any staff that I can lend it from my main business. My intention is to try to build it out again organically. I have managed to reduce its burn rate from something like £80,000 a month to about £800 a month, and the technology is still in place, so there is no reason why we should not start to build it out again.

Q178 **Chair:** What is the nature of your office in New York?

Nick Miller: As I said, we had an office presence in New York. We had a representative who acted as an agent for us.

Q179 **Chair:** With respect, the address that you were showing for that office did not seem to quite match up. You were showing it on your website as Spark Labs Bryant Park.

Nick Miller: There is a reason for that. I don't know if you read the tech cluster report that came out last week. It makes a point that investors,



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even if they are regional investors, prefer to invest in companies that are based in capital cities. I think it was an investor from the north-east cluster that said, "We have lots of angels in our territories, but they prefer to invest in London companies." So yes, we take accommodation addresses in capital cities.

Q180 **Chair:** But that states that your virtual address—

Nick Miller: One of the big disadvantages that Blurr had was its loyalty to Wales. Had we relocated it to London, our chances of survival would definitely have been enhanced, but we were committed to working from where we were based.

Q181 **Chair:** Spark Labs Bryant Park moved some time ago. They are no longer based at that address. The company that runs that shared workspace is called Rent24.

Nick Miller: I have no idea.

Q182 **Chair:** But is this your office?

Nick Miller: It is no longer our office. If it is still on the website, that is because I don't have the capability to take it off the website. Again, I am not quite sure what the line of questioning is.

Q183 **Chair:** The line of questioning is that you were showing yourself as having a New York office—

Nick Miller: Which we did.

Q184 **Chair:** It was a shared workspace.

Nick Miller: Our Cardiff office was Tramshed Tech, which is a shared workspace. That is how the world works these days.

Q185 **Chair:** Were you actually renting an office, or a shared desk space?

Nick Miller: We had both, actually.

Q186 **Chair:** So you had an office in New York.

Nick Miller: No, in Tramshed Tech, we had. No, we didn't rent an office in New York. Why would we?

Q187 **Chair:** Because you say you have got a New York office on your website.

Nick Miller: I'm sorry; I don't understand your questioning at all.

Q188 **Chair:** Here's your website. It says "New York Office".

Nick Miller: We have an address in New York. It is not uncommon to have an accommodation address.

Q189 **Chair:** So you don't have an office in New York.

Nick Miller: We had a representative in New York. I think I said that at the start.

Q190 **Chair:** If you were intending to do business as Blurr in New York, you



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would have had to have registered with the New York State authorities.

Nick Miller: I don't think that is the case.

Q191 **Chair:** Here is the relevant paperwork; I did look it up. It says very clearly that if you want to open up premises in New York—even if you come from out of state, let alone if you come from another country—you first of all have to register and then you have to apply for an employer identification number.

Nick Miller: Isn't that an absolute argument for having a representative rather than opening an office?

Q192 **Chair:** So was your representative employed by Blurr?

Nick Miller: No, it was a representative. He was an agent.

Chair: Right.

Nick Miller: So he had all those relative permissions in place. I am sorry; I really don't understand your line of questioning.

Q193 **Chair:** My line of questioning is that if you show on a website that you have an office in New York—it does say "New York Office"—many people might assume that there is a physical office in New York somewhere with a Blurr noticeboard on it and a registration for a company called Blurr in New York.

Nick Miller: I'm afraid that would be an assumption.

Q194 **Chair:** Obviously an incorrect one in my case, then.

Could you tell us if any other public sector organisations have invested in Blurr, apart from the Development Bank of Wales and S4C?

Nick Miller: Not that I am aware of.

Q195 **Chair:** You would be aware, wouldn't you, if they had?

Nick Miller: I ought to be.

Q196 **Chair:** I am still mystified as to the DECC charge. On 27 July 2017, an MR01 particulars of a charge document was listed in Companies House by Finance Wales Investment, signed between Blurr and Finance Wales Investment. Paragraph 1.1.3 refers to money received by Blurr from the Department of Energy and Climate Change. I am not suggesting that you had that money, because you would definitely know if DECC had given it to you, but it is a bit odd, isn't it?

Nick Miller: I am afraid I don't have the paperwork that you have access to, so I am not really able to comment.

Q197 **Chair:** Well, I'll forward it on to you if you like. It is on a Companies House chart.

Nick Miller: Thank you.

Q198 **Chair:** Does anyone have any further questions on any of this? Ultimately



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it is up to S4C to decide who they invest with. I suppose if I could give you a chance, and perhaps lower the frisson that I think there is here, do you think that S4C did enough to support Blurr after they invested in you?

Nick Miller: Yes, absolutely. They put a director on our board who was very helpful and very supportive. They used the product and promoted the product, and they maintained an interest. We are still in reasonably close contact. They still maintain an interest, and I know that they would like to see Blurr succeed.

Q199 **Chair:** I think we all would. It would be good for S4C.

Nick Miller: Yes, it would be great for S4C. From my perspective, investors in tech businesses are few and far between, and any negative press of the kind that this has generated tends to make them more risk averse. That is a bad thing, in my view, in the sense that innovation is always going to be risky. Unless Wales takes some risks, we are never going to close the economic gap with the rest of the UK. I would salute S4C for what they did in investing in Blurr, and I am deeply sorry that we have not yet been able to repay that.

Q200 **Guto Bebb:** On that point, I think we would all share the view that investing in tech companies is high risk, and that those who are willing to make such investments should be applauded. The concern that the Committee expressed at the time was that the track record of investments from S4C was particularly poor. The Committee has heard your comments about the number of businesses that move on to have a £1 million turnover being 2% within five years. I suspect that that is a fact that most people would recognise. I think the concern that we expressed as an organisation was at a time of severe challenges to the S4C budget. The track record of investments, which had seen a third of the value of their fund being lost over a short period, was a concern.

Nick Miller: I can appreciate that, but I also understand—again, this is purely my understanding; it is not informed—that they made some of that £33 million from one of the companies that they invested in.

Q201 **Guto Bebb:** The £33 million was quite specific. That was the fund that they wanted to be freed in order to make similar investments in the future. You are absolutely right that a single investment resulted in a significant surplus for S4C, and they wanted the freedom to use that money to invest, but since that freedom was granted the track record has not been great. I think it is entirely right that parliamentarians from Wales take an interest in the investments made by an organisation that is primarily funded by the licence fee-payer and the taxpayer.

That is the context. While I accept that we do not want to be critical of investment in tech, it is important also to recognise that there is a difference between an ordinary investor investing in tech and somebody using the licence fee and funding from the taxpayer over the years, which accumulated a fund, which was then affected by decisions. That is the context.



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Nick Miller: Totally. Clearly it is very difficult for an investor to understand what the level of risk is, partly because the due diligence that is involved is very difficult to carry out. You are dealing with a product that is completely new in its marketplace. In fact, one of our problems was that we did not have the marketplace; we had to develop the marketplace to sell the product, and that was why it was so expensive. It is very difficult to do that due diligence.

Q202 **Guto Bebb:** In terms of the S4C involvement, they placed somebody on the board of Blurrt. What sort of time commitment did that individual have?

Nick Miller: Monthly board meetings, and communications outside of that. The director that they put on had some financial expertise and was very helpful as a critical friend.

Q203 **Chair:** We searched in vain for the mention of DECC but it is there, and I have a photocopy of it.

Nick Miller: Good luck with that one.

Q204 **Chair:** It does not mean anything. There is nothing particularly about that that should not be. It is just curious that it is there and you would clearly know if DECC had invested in your company. In fairness, why don't I give you 90 seconds to sum up why Blurrt is a good growing concern? Hopefully, S4C will get their money and we can have lots of Welsh language TV programmes.

Nick Miller: As I said at the start, my firm belief is that social data still has a massive role to play in a number of areas. One of the areas that we also tried to look at was advertising. It still beggars belief to me that advertising agencies are allowed to tell their clients how well adverts are performing. It is quite easy to gather data and demonstrate how people feel about the response to any media put out towards them.

I am now hoping that we can actually start using Blurrt for a more social purpose. I have meetings set up with two Russell Group universities to look at how we can use social data in academic research and possibly in the health context, because we have learnt from some of the political issues over the past few years that social data can be very powerful in passing messages to people who do not normally engage. We are very keen on looking at that aspect of things.

Chair: I have now found the offending document.

Q205 **Jack Lopresti:** Before that, Chair, I have a generic question. I am interested and understand your views on risk and reward, and on the particular challenges of your sector. That is all very well with private individuals and institutions. Do you think that the mindset that you have as an entrepreneur—most of this is destined to fail, and a small proportion will actually turn around and produce some profitable growth—is a healthy attitude when you are dealing with public money?

Nick Miller: I challenge the mindset.



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Jack Lopresti: That's why I am asking the question.

Nick Miller: Clearly, from my perspective, Blurr was going to succeed, because I committed a significant amount of my own funds—I could have had a couple of Ferraris on the back of what I put into Blurr.

One of the issues is scale. You have an idea and think, "I'll create a start-up", and you have no sense of how long that period will be. After three years, you can be at the equivalent of being at a poker table with your life savings in front of you. It is very difficult to say suddenly, "Okay, we're going to bail out" at that point—cut your losses and go. It is very difficult to know the right time to do that.

I guess that is how risk relates to the entrepreneur—at what stage do you say that? Some people would do that after a week, and some would do that after three years. Some people would perhaps hang on ill-advisedly for five years, in the same way that I have. It is a mindset that is not necessarily there at the outset, but which develops as you are involved in that process. It can become a real millstone for people—it is not an easy path for any investor.

Q206 **Jack Lopresti:** I understand that from a private point of view, but we are talking about other people's money, and they do not necessarily have any say on how it is invested.

Nick Miller: I think we also have to recognise that S4C's digital media fund is there as an investment fund. It was not like it was someone's savings.

Q207 **Jack Lopresti:** Looking at the industry in Wales, are there specific challenges to growing a digital business in Wales that are different from the rest of the country?

Nick Miller: Yes, there are. It has improved a lot. It is really good to see venues such as Tramshed Tech coming of age and becoming recognised. Again, Blurr was an anchor tenant in Tramshed—we helped that to start. Skills is a huge issue. The investment in HE in Wales has been fantastic and we are starting to see better digital skills coming through, which is really good.

Dylan Jones-Evans wrote an article last week, I think, about the real need to support scale-ups, which is an issue in Wales. It is relatively straightforward to get seed capital and get your business going. You can grow it to a certain level, but it is very difficult to secure large-scale finance in Wales. Sadly, if you are based in Wales, it makes it much more difficult to scale up than in London, as we have found to our cost. Otherwise, there is a lot going for Wales, and it could have a great future.

Q208 **Chair:** We did find the document, and I will chat to you afterwards.

Nick Miller: Send it on to me.

Chair: There seemed to be a charge from DECC on there. Thank you very much.



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Nick Miller: Thank you for your time. I appreciate it.