

Digital, Culture, Media and Sport Committee

Oral evidence: The work of the Department for Digital, Culture, Media and Sport, HC 71

Wednesday 16 October 2019

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Members present: Damian Collins (Chair); Philip Davies; Clive Efford; Julie Elliott; Paul Farrelly; Julian Knight; Brendan O'Hara; Jo Stevens.

Questions 477 - 655

Witness

I: Rt Hon Nicky Morgan MP, Secretary of State for Digital, Culture, Media and Sport.

Examination of witnesses

Rt Hon Nicky Morgan MP, Secretary of State for Digital, Culture, Media and Sport.

Q477 **Chair:** Good afternoon. I welcome everyone to this meeting of the Digital, Culture, Media and Sport Select Committee. My apologies that we are starting at a slightly later time to accommodate a Cabinet meeting, the time of which changed. We are grateful to the Secretary of State for still making the commitment and getting here so promptly from Cabinet.

I state for the record that the Committee has received correspondence from DCMS relating to the Hacker House investigation. That has been published on the Committee's website and is available now.

Secretary of State, I will start us off. As you know, the whole area of online harms has been a major part of the Committee's work over the last couple of years and has featured in the legislative plan set out in the Queen's Speech. There is some detail in the Queen's Speech, but could you give us an idea of what you think the timetable is for the Government at the moment? There are plans for a greater response to the White Paper and prelegislative scrutiny and a Bill at some point in the future. Could you give us an idea of the timetable for that?



Nicky Morgan: Thank you very much indeed and thank you to the Committee for the invitation to be here. It is a new experience once again to be on this side of the table rather than on your side of your table.

Online harms is a huge part of the work of the Department. I want to put on the record that I am delighted to be doing this job, and also delighted with the passion and commitment I have found from civil servants in the Department across all the different briefs, some of which I am sure we will explore this afternoon. What we are trying to do in digital regulation, the regulation of online harms, is exciting, world-leading and ground-breaking, but we need to get it right and so we need to take time. We published the consultation earlier on this year. It closed in July, just before I took over the role. We have had 2,300 responses. That is a lot for Department officials to work their way through, which they are doing.

We made a commitment in the White Paper to publish codes of practice, particularly a Home Office lead on child sexual exploitation and on terrorism. We expect those to happen at some point relatively soon. I have made a commitment, and I have said to the Department, that I want to publish a response before the end of the year, depending on how we get through the 2,300 responses. In the pack supporting the Queen's Speech there was a commitment to prelegislative scrutiny and that is a commitment that we want to do in this session of Parliament. You will appreciate that the current political situation is unpredictable, so exactly when Bills will be tabled or ready for prelegislative scrutiny is quite difficult, but I want to get on with this.

It has struck me is that there are an awful lot of issues, which we will probably touch on this afternoon. We heard about another one today, and I draw your attention, Mr Chairman, to the WMS on the AV issue for example. But there are other things as well where if we get the principles and the regulated approach of the White Paper right we will be set up as world-leading in this area.

Q478 **Chair:** Thank you. You are right to say that these are not normal political times. We do not know how long this session of Parliament will be, but if we work on the premise that the session would run a normal course of a 12-month cycle and you hope to produce the response to the White Paper before the end of the year, do you think that prelegislative scrutiny would be within the next 12 months?

Nicky Morgan: Yes. It is difficult because the drafting will be difficult. We could have gone straight to having a Bill and having it scrutinised in Parliament in the usual way, but I think that prelegislative scrutiny is needed in this instance. What we are trying to do is new and different and we welcome having as many different reactions and inputs as we can.

Q479 **Chair:** The section in the document supporting the Queen's Speech on online harms gives a bit more detail about the principles that it appears the Department wants to follow. In particular I note that it says, "We are



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seeking to do this by ensuring companies have the right processes and systems in place to fulfil their obligations, rather than penalising them for individual instances of unacceptable content". But presumably companies would be penalised if they were found to be in breach of whatever duty of care code is envisaged.

Nicky Morgan: Yes. As I say, we are working our way through it all, but the idea is to have principles and a duty of care owned by the platforms. I would expect that individual circumstances—and it may be multiple examples of a particular harm that has been happening—will contribute to the evidence and the regulator will take action on the fact that the duty of care has been breached. One of the criticisms might be that this is important and we need to get on with it, which I agree with, but we need to get it right. There are lots of platforms who could be doing more and knowing this is coming could be thinking very hard about how they take action on unacceptable or harmful content already. Many will say they already do that but I think we all know that there is more that can be done.

Q480 **Chair:** From what you are saying, you do not see this as a self-regulatory system. There will be an external body.

Nicky Morgan: Yes, there will be an external body and the question will be who that is. A lot of fingers have been pointed towards Ofcom, for example, but we need to think about that. I am interested in what the House of Lords Committee was saying; it suggested a digital authority. I am not overly keen about inventing new regulators. It takes time, thinking about the powers, expertise and everything else. But if we are going to get this right and be truly world-leading in it, we will need to make sure we have the right authority to oversee it.

Q481 **Chair:** Putting to one side which regulatory body it is, is it your view that the principle that would be followed is some sort of code that will be established by Parliament and enforced by a regulator, which has some sort of statutory powers?

Nicky Morgan: That is what we are working through at the moment. The whole point of having legislation is that there has to be a statute behind it. There is a reason we are taking this step, and that is because the system of self-policing or waiting for action to be taken, or of action being taken only when something tips over into actual criminal behaviour, is not sufficient. There has to be a statute behind it. Technology is developing apace, as is content and everything else. I don't want me or my successors to be sitting here in front of this Committee every few months, or for the Committee to identify a new harm and say, "This has to be added, that has to be added". That is why I think that the principles that we come up with are very important.

We have seen this week the issue of racism in football, and there has been lots of talk online on social media platforms about unacceptable racism towards footballers and others. It is not a question of writing that



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a particular thing is unacceptable; it is about the principles so that people know it is unacceptable.

Q482 **Chair:** Indeed, but I think as long as you have a robust regulator you can do that, just as Ofcom does on taste and decency balance. It is not written out in law what those things are; it is interpreted by the regulator who can take enforcement.

Nicky Morgan: I think that there can be some guidance and other things that go towards how the duty of care would be met. There are examples and guidance in other sectors that apply a duty of care, but there is also a general standard of behaviour. The other thing that we talked about in the White Paper—I am interested in this from my financial services background—is whether you have some sort of senior managers regime so that you have an individual who has to accept responsibility as well. I think that can concentrate minds.

Q483 **Chair:** Although there are issues to be resolved, as far as you are concerned the duty of care effectively would become a legal obligation, and there will be a regulator with statutory powers that would oversee that.

Nicky Morgan: That is one of the suggestions—a leading suggestion—but I am not going to sit here and say exactly. It has to be something that has real teeth with statute behind it.

Q484 **Chair:** Indeed, because there are not many regulators without statutory powers that have real teeth. I think that would be the concern.

Nicky Morgan: We want this to have teeth, we want to do it properly and it has to concentrate minds. People are overseeing these companies and people are responsible for content.

Q485 **Chair:** On the sorts of content, your predecessor spoke—I think rightly—about the fact that there is illegal content, which should not be there anyway, and there is other content that could be harmful but is not necessarily illegal. In the document supporting the Queen’s Speech there is not very much talk about content that is harmful but not illegal. It mainly focuses on child abuse and images related to terrorism. There is not very much talk about other things that are covered in the White Paper like disinformation and cyberbullying. Where do you see those things sitting within this process at the moment?

Nicky Morgan: I am very clear that those sorts of things would be included. A lot of what is out there is indicative, and that is why I go back to the point about this being principles-based. I am very keen that we do not just come up with a list of things. If we come up with a list of things that are harmful but legal in 2020—or even things that are illegal that hopefully will stay illegal—it will be out of date within a matter of months and we know that people will constantly push on. We are seeing platforms used in a way that we might not have envisaged five or 10 years ago. There can be examples. I asked a question as a Back Bencher



in July to the then Prime Minister about content relating to someone's ability to find out about suicide, which was being sold through a particular platform. We know there are these issues that need to be addressed.

Q486 Chair: This raises the question of freedom of expression—that often gets raised, particularly by the tech companies. Where do you see the limits of freedom of expression on the internet?

Nicky Morgan: My predecessor wrote very clearly to the editors and the press that what is proposed in the Online Harms White Paper is not intended to limit freedom of expression or freedom of the press, and I support him and subscribe to that. It is difficult. The platforms will say there is an issue with user-generated content and making decisions and everything else, but that is why we have to get this right and have that prelegislative scrutiny. I am not sure, Mr Chairman, if I can sit here today and say, "This is the limit of freedom of expression", because I don't think it is necessary. I don't think it is for the Culture Secretary to set that out, but we are very conscious that we must preserve and protect freedom of expression, freedom of the press, and freedom of speech in the course of introducing this legislation.

Q487 Chair: There is freedom of the press and organisations when you know where they are and you can complain to them. One of the problems with freedom of expression on the internet is when it is abusive and done by people you can't trace. You can't take them to court and there is nowhere you can go. But from what you are saying it sounds like you don't necessarily have the view that some American lawyers would have, which is that freedom of expression is an absolute right and you can't moderate or regulate what people say online.

Nicky Morgan: No, I don't have that view, partly because I have been subject to attacks, as I am sure members of the Committee have been, and we know that fellow Members of Parliament and others have been. It will be a difficult line to draw, but certain things are so harmful and provoke other reactions that it is needed. That is when the duty of care may be called in.

Q488 Chair: Would you agree that there is a principle underlying all of this, which is that the big platforms that are curating the content and serving it to their customers would have some legal liability under the new regime to act against the content, and it would not just be the responsibility of the people who posted it?

Nicky Morgan: That is where one of the difficult debates will come. I think that absolutely there are responsibilities. It is not enough just to say, "I am a platform, I am not a publisher". Those days have passed and the platforms are being used in different ways now. You mentioned disinformation, for example. I am very conscious that in publishing the response, and also publishing legislation for prelegislative scrutiny, we will have a pretty vigorous debate on all of that in this country. That is a good thing in a way—I think it is right. We have seen that a lot of this



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technology has developed and impacted on public life, politics and many other areas, and it has happened without people asking the questions. This Committee has, and I think Government need to ask those questions. That is why so many of our international allies are watching very closely to see how this process develops in the UK.

Q489 Paul Farrelly: I want to touch on some of the issues that came out of our fake news and disinformation report that are not really covered in the online harms report. You might call them online harms to democracy, and the Government have just issued a holding response so far. In the report we were concerned with transparency in political advertising, so that you know who is behind what is being published, and responsible behaviour on Facebook in particular, given the stuff that we explored. The Government said in their response that they had started a review into the online advertising industry in the UK in February. Do you know what has happened?

Nicky Morgan: The review is ongoing. The Competition and Markets Authority has also been looking at social media and some elements of advertising, but our review is broader. It is ongoing and it is another area where we will be publishing in due course.

Q490 Paul Farrelly: Could you write to us afterwards and give us some timetable?

Nicky Morgan: Yes, if there is more detail to share at this point, I certainly will if I am able to.

Q491 Paul Farrelly: In response to some of the concerns that we had over digital advertising and its provenance and accounting, we recommended certain changes to electoral law. The Government's response said that they were working with the Electoral Commission on a statutory code of practice for elections in 2021 and 2022, and that a proposal for the regime for that would be due later this year. Could you tell us when that is due to be published?

Nicky Morgan: I have a feeling that that has just closed, it might have been earlier on this month. I can't give you a specific date. I will write to you with more details if I can. It will depend very much on the comments we have received on that.

Q492 Paul Farrelly: If you could, because we will be very lucky to last out for an election in 2021-22, so it is quite pressing.

Nicky Morgan: For timing, yes, absolutely.

Q493 Paul Farrelly: One of the difficulties in this area is that because politicians have decided to exempt political adverts, they are not covered by the regime with the ASA that covers commercial advertising. But there is concern still about the content of ads, in particular those that reverberate, and dark ads that are around on the likes of Facebook, which not everybody will see, but that amplify or distort messages that



you might see on poster sites, for instance. I have no quibble with “Labour Isn’t Working” by the Saatchis but I do have problems with the banner adverts that changed the discourse before the referendum, such as “Turkey (population 76 million) is joining the EU. Vote Leave”. It was just a lie, basically.

I know this is a difficult area, but what is your opinion of bringing political advertising within the remit of a self-regulatory regime so that media owners can exercise more responsibility, and before running advertisements encourage political parties to exercise more responsibility with regard to the truthfulness of what they say or fair comment?

Nicky Morgan: You raise a very important point overall about the influences that people see and the advertising of most mainstream political parties—inevitably, as you say, there will be a balance between fair comment and pointing things out and political advertising. Already there are laws about having to state who has printed and published advertising and on behalf of whom. Of course, there will always be people who decide not to follow those rules. There are rules already that could lead to further action being taken or even prosecutions. This is another fairly fast-moving area because every time we have what we might call a democratic event, more people are online looking at more of these messages. We might come on to talk about data gathering. More data is being gathered, there is more microtargeting, for example. People are not necessarily understanding why certain things are coming up on their feeds and not on other people’s. This is an area that we have to keep under some review.

Q494 **Paul Farrelly:** One of the differences is that when looking at posters or newspapers you can decide to disregard easily what you are reading but because of the algorithms and the psychological profiling, digital ads follow people around and can come at different angles with the same message to appeal to people’s psychological profile preferences.

Nicky Morgan: Yes, absolutely. I think there is also a need for more data or digital literacy among people generally. As a Member of Parliament, I am contacted by people who have been subject to an advert or seen something that clearly cannot be correct. You would hope that most people would query or not believe it, but if somebody has chosen to either believe it or to raise it with us, we have to find out what the true details are. There is a wider piece of work to do—the Government and Cabinet Office in particular have led some of this work—in getting people to question more about the information they see.

Q495 **Paul Farrelly:** One of the small steps that was encouraging—and it is all too limited—was that in response to Cambridge Analytica and reports by this Committee, Facebook finally introduced a labelling scheme whereby at least the name of someone appears behind an ad, whether it is the front person or not, and who paid for it. There is an interesting spat going on in the States at the moment over Facebook accepting an attack campaign by Donald Trump against Joe Biden. Allegedly, Facebook had a



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stated policy of not running deceptive ads but changed its internal rules before the Trump ad ran, but only for politicians' messages, which seems retrograde. Do you think that such attack ads—you will probably say you have not seen them—that are downright deceptive and full of lies and smears would be acceptable during any election in the UK?

Nicky Morgan: I would hope not. I have not seen that particular ad, but I think this goes to a wider issue, whether it is to do with the last three and a half years or more broadly. I don't think any of us would say that our politics or Parliament are covering themselves in much glory at the moment. All of us involved in elected public life have a lot of work to do to restore trust with our electorates. My view on this has always been that people want to hear from their politicians what they want to do positively for people not what is wrong with the opponents.

Q496 **Paul Farrelly:** Would you say to the likes of Facebook, "Go forwards not backwards"?

Nicky Morgan: That is very good advice. I wouldn't say it just to them. I would say it to all people thinking of running such adverts.

Chair: I hope you can bear with me because a number of people want to come in and the change of schedule for the meeting today has affected some people's diaries. I might take the question of the BBC next and then we will come to Hacker House--I know we want to spend a bit of time on that.

Nicky Morgan: Of course.

Q497 **Julian Knight:** Thank you, Secretary of State. I am afraid I am one of the people whose diaries were affected.

Nicky Morgan: I am so sorry that—

Julian Knight: No, the Chair is very kind to get me in. In retrospect, do you think that the last charter in your negotiation was well handled from the Government's perspective?

Nicky Morgan: Well, I think that might be—

Q498 **Julian Knight:** Is that a no?

Nicky Morgan: I think that is what is regarded as a leading question, because I am thinking about the report that this Committee published last week on the over-75s licence. The Committee expressed a pretty clear view that it did not think much of that process, and pretty well all parties involved were criticised. I suppose I have a get-out, which is that I was not doing this job at the time. We will study the report and respond in due course fully as a Government, but I hope the lessons that the Committee has outlined will be remembered, retained and used for the next licence negotiations.

Q499 **Julian Knight:** What lessons do you draw from it personally?



Nicky Morgan: It was about greater transparency. It was about more involvement of Parliament, but more transparency on what was happening in the negotiations. It is always going to be difficult because the negotiations can be very fast moving, will involve lots of different things and will not be of interest to everyone, but I think there is a general acceptance that more transparency is coming down the tracks for the next negotiation.

Q500 **Julian Knight:** Your mentor was the then Chancellor of the Exchequer—

Nicky Morgan: My mentor? I am not sure I would go quite that far but, yes, I did work for George Osborne at one point.

Julian Knight: Would you say that he mishandled in effectively pushing the over-75s and the BBC and effectively got a free pass?

Nicky Morgan: At the end of the day, a negotiation is a negotiation. The BBC is a big enough, old enough and experienced enough organisation to handle itself in these negotiations. There was an agreement struck that related to the over-75s licence but also to the iPlayer loophole and the licence fee increase. I can point to various quotes, whether by the director general or others, saying that this is a good deal that was struck. It is easy with the benefit of hindsight for various people to look back and say, "I would have done this differently or that differently", but the agreement is the agreement and that is—

Q501 **Julian Knight:** Has the BBC gone back on its deal?

Nicky Morgan: The responsibility was handed over to the BBC. I have not probed the details of it but the BBC has issued a consultation, and they have taken a decision in relation to the eligibility of over-75s free TV licences.

Q502 **Julian Knight:** There is a perspective among many people that a rushed deal was put through by the management of the BBC, probably not thinking about the long-term finances of the deal that they were agreeing to, and then down the line when they found that it is much more difficult to maintain this deal, they have gone to the court of public opinion to try to influence, and to see whether they can get a rewriting of that deal. As Secretary of State, can you imagine trusting the BBC in future negotiations if you know that a few years down the line it will turn round and do this sort of thing?

Nicky Morgan: Yes, and I think we all learn from our experiences. I do not know what the thorny issues will be at the next licence fee or charter negotiations. There will undoubtedly be some, including—inevitably and with the benefit of hindsight—where we look back and think, "I had not appreciated the ramifications of what was going to happen later on with this issue". Having come into the job, the point is that decisions have been taken. The BBC has had its consultation. It is disappointing that there will be people who thought they would get free TV licences who are not going to. I have met the director general and the chairman



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of the board. The important thing now is to make sure that those who are eligible do get that support, and we must consider whether other support can be put in place by the BBC.

Q503 Julian Knight: What do you think about the PR campaign that has been launched by the BBC about the over-75 free licence fee? Do you think that is money well spent?

Nicky Morgan: I have not seen the campaign, so you will have to forgive me, but we have discussed with it—

Q504 Julian Knight: It has used BBC personnel to go out and talk to the media. We, as politicians, have received quite nasty e-mails as a result. Do you think that is a good use of licence fee-payers' money?

Nicky Morgan: It is difficult to second guess and it is not just the BBC. Major charities have been involved in the campaign and petitions and all sorts of things. I think the better thing to do—it is probably going to cost the Government money but we accept that—is to ensure that more people claim pension credit and see whether they are eligible for TV licences. Frankly, if people are eligible for pension credit they should be getting it. I think that is one of the things that the BBC should be doing to make sure that those who are eligible do get it, and we can help with that.

Q505 Julian Knight: The BBC moving to a subscription service is being floated as a potential policy for the next Conservative manifesto. What is your view? Will you man the barricades to retain the licence fee at the next charter review?

Nicky Morgan: I think we need to take time. Mr Farrelly suggested earlier on that we might have an election sooner rather than later, so I am not going to write our manifesto here. I would expect that colleagues—

Q506 Julian Knight: Do you have a view, Secretary of State, on whether or not you support a subscription service long term?

Nicky Morgan: No, I don't. The point that you just made, which is about understanding the long-term financial ramifications of a decision in the middle of a negotiation, is a good one. What I have not seen is any evidence either way that says what a subscription-based system would do for the revenue. The licence fee last year raised £3.7 billion for the BBC, and it has other sources of income as well. I would need to understand what that would do to its income if we were going to change. Overall, I think the BBC is a very important institution for this country. It is an enormous part of our soft power around the world, but undoubtedly the broadcasting sector is changing. I am learning more and more in this job but I think we all know, from streaming services and the way the younger generation consumes services, that it will change.

Q507 Julian Knight: You are open-minded about a subscription service?



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Nicky Morgan: I am open-minded and I will have discussions and listen to evidence on all sides.

Q508 **Julian Knight:** The Prime Minister, when Foreign Secretary, described the BBC's Brexit coverage as "infuriating and shamelessly anti-Brexit". Do you agree with the Prime Minister on this?

Nicky Morgan: Well, a bit like beauty: Brexit is in the eye of the beholder. I get e-mails on all sides of the debate—I am sure we all do—from people telling me that reporting, whether on the BBC or anywhere else, is biased in a particular way. It really depends on people's Brexit views as to which reporter and which programme they agree or don't agree with. I think that by and large the BBC has tried very hard—I know this from talking to various editors and journalists—to be informative and to steer a clear path. That has been a challenge while we have been discussing, a bit like groundhog day, effectively the same thing over and over and over for three years. Let's hope we can make some progress and then we can move the conversation and coverage on.

Q509 **Julian Knight:** You don't believe that it is infuriating or shamelessly anti-Brexit?

Nicky Morgan: I haven't found it to be, but it may be that I am listening to different programmes from others. As I say, it is very much in the eye of the beholder.

Q510 **Brendan O'Hara:** Thank you, Secretary of State. Following on from Mr Knight and the BBC, I hope you accept that between the Government and the BBC senior management, the BBC as a corporation might find itself in an invidious and unsustainable position. If you stick to your position as it currently is, what damage will you accept being done to the BBC as we currently know it in order to prove your point?

Nicky Morgan: I do not accept there will be damage done to the BBC. As I say, it would need a campaign to make sure that those who are eligible—I have been part of a Government that have had to make some very tough financial decisions. The BBC made a particular decision in this case, but £3.7 billion of licence fee income is substantial.

Q511 **Brendan O'Hara:** You don't think that by pursuing this there will be any damage to the BBC in what the viewer sees on screen or listens to on radio or accesses online? There will be no damage?

Nicky Morgan: There may well be changes, whether they will be, in your words, damaging or not. There are always going to be changes—that is what broadcasters do all the time.

Q512 **Brendan O'Hara:** Given the amount of money that then will have to come out of the creative economy, in the current environment where the BBC, as a broadcaster, is under enormous pressure from a variety of hitherto unseen competing forces, are you comfortable with that amount of money being taken out of the creative economy to essentially



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administer a welfare benefit?

Nicky Morgan: I am very pleased that you have mentioned the economy, because one of the messages I wanted to get across to the Committee is that I see this Department as an economy Department. The creative industry has contributed about £100 billion in 2017 to our economy. Overall, the Department contributed about £267 billion to our economy in the same year.

Brendan O'Hara: I understand you want to make this point but I will ask the question again.

Nicky Morgan: Don't worry, Mr O'Hara. I hope I have a reputation for answering questions. I am not just good at asking them; I have been a Chair and I am good at answering them.

Brendan O'Hara: Hopefully eventually.

Nicky Morgan: I will answer it and witnesses will answer as they see fit, but the point is that I do not accept the premise, which is that there will be some sort of scaling down of the creative industries economy because of the decisions being taken about TV licences. The BBC is an important part, but is not the only part of our creative industries economy.

Q513 **Brendan O'Hara:** Okay, let me ask that question again. There is money that should be going into the creative economy that will now go from the BBC to administer a welfare benefit at a time when the BBC is under enormous pressure from competing broadcasters. Are you comfortable with the BBC, first, administering a welfare benefit and, secondly, diverting scarce funds into that welfare benefit out of the creative economy?

Nicky Morgan: I refer you back to the agreement struck in 2015. In allowing the licence fee to be increased and the closing of the iPlayer loophole—I don't accept the premise of the question, which is about the damage that you see being done. In 2015 the BBC accepted responsibility for the over-75s TV licence. I have not noticed the DWP or an awful lot of other work—in fact, I think what will happen is that more work will be created and more money spent by this Government on pension credit.

Q514 **Brendan O'Hara:** I am not defending the BBC at all here. I think that the nod and a wink agreement that it came to in 2015, the lack of transparency in the processes that it followed, was bordering on the ridiculous. But isn't it the case that a public sector broadcaster should not be administering a welfare benefit, and also that that cannot be done without damaging the product and undermining the whole principle of public service broadcasting?

Nicky Morgan: I do not accept the premise of your question. The BBC has taken on responsibility for one particular issue, which is free TV licences for over-75s. The broader welfare benefit that triggers the eligibility for that is the responsibility of the Government and will be paid for and administered by the Government. The licence fee has increased



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and there is additional income. The BBC has agreed it on the basis that it would be able to increase its licence fee, which increases income, plus it has income streams from elsewhere. If you want to talk about public service broadcasting, that is a broader topic and the competition from other broadcasters and streaming services, for example, is as much of a challenge to our public service broadcasters as the changes that you are setting out.

Q515 Brendan O'Hara: This Committee recommended that the Government set out proposals on how they can break this impasse. What is your current thinking on that? Are the Government minded to step in?

Nicky Morgan: No.

Q516 Brendan O'Hara: Not at all, even though we have seen evidence from the BBC that shows there was never any expectation for the BBC to carry this on beyond 2020?

Nicky Morgan: I have not seen that evidence, so I am happy to go back and have a look, if it is published. My understanding is that the BBC agreed to take on the responsibility from June 2020 and so, while we will work with them—I have had meetings with senior management of the BBC to talk about how you make sure those who are eligible are getting the support—the overall policy and the decision taken in the agreement struck in 2015 stands.

Q517 Brendan O'Hara: You have no plans to change it at all?

Nicky Morgan: We are planning how we can work with the BBC to make sure that those who are eligible get the support that they need. For the future, we are not unpicking the 2015 agreement.

Q518 Chair: You accept that the BBC takes on full responsibility for the over-75 licence fee from 2020, but there is no obligation that it be fully funded. If there is no additional money from anywhere else, the proposal will be what the BBC has proposed until the next charter review, which is that only a third of the licences will be paid.

Nicky Morgan: Correct.

Q519 Philip Davies: Do you believe personally that over-75s should get a free TV licence?

Nicky Morgan: The view was that over-75s perhaps have a reduced income and I know that many of my older constituents would say they have worked damn hard throughout their lives and should have that additional support—we know, and I think the case has been made in the House and by the Committee, that having a TV is a source of companionship and entertainment for many people who often are living on their own. But I also accept that there are difficult financial decisions to be made and the BBC has made one of them.

Q520 Philip Davies: Is that, yes, you do believe they should get a free TV



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licence or, no, you don't think they should?

Nicky Morgan: I think there are good arguments either way. There was a policy that all over-75s would get free TV licences. I suspect that was arrived at in a day when probably far fewer people reached the age of 75. That responsibility has now changed, and the BBC has made a decision on restricting eligibility.

Q521 **Philip Davies:** Do you support the BBC's decision or are you opposed to it?

Nicky Morgan: I am working with the BBC's decision.

Q522 **Philip Davies:** Do you agree with that decision? Do you think it has made the right decision?

Nicky Morgan: I don't think it is for me. It is the responsibility of the BBC. There was an agreement struck in 2015 between the two sides, both of which had access to good advice and good economic analysis. A decision was taken and the BBC has taken on that responsibility.

Q523 **Philip Davies:** You said you were not minded to step in, you have no plans to step in. Are the Government ruling out giving any extra money to—

Nicky Morgan: All I can say is that we have no plans to step in. I am not working on anything that would involve that. As you all know, Governments and Ministers come and go and ministerial shelf-life is not terribly long at the moment. But, no, I have no plans to change that.

Q524 **Philip Davies:** The issue is that we get the BBC here and they basically say, "We don't have enough money. The Government have left us short and welfare payments are their responsibility. We can't afford to do it and that is that". You come here and say, "It is nothing to do with us. It is the BBC's responsibility". Meanwhile, back at the ranch there are a load of over-75s who are caught in the crossfire and who are not going to get their free TV licence, and understandably they are not happy about it. Why won't you sit down with the BBC with an open mind and think, "How can we sort this out between us?" I suspect that is what the majority of my over-75 constituents, and perhaps even yours, would want the Government to do.

Nicky Morgan: I have already sat down with the director general and the chairman of the board on this issue, but it has been much more of a conversation about a decision that has been taken—what can we do to make sure that those who are eligible for support continue to get it? It is not like the policy has been abandoned completely. Of course, the Government have expressed disappointment, which I have done, but there will still be people who are eligible for free TV licences. We know from constituency business and casework that people on pension credit are those who need the financial support, and a free TV licence clearly will be very important for them.



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Q525 **Philip Davies:** We have a Budget due, as the Chairman said, on 6 November. Have you asked the Chancellor to provide any more money for this in order to sort it out?

Nicky Morgan: I have just said that I am not minded to make any changes. I am not working on any plans. I am not going to go into the Budget asks that we are putting together as a Department.

Q526 **Jo Stevens:** I want to turn to Hacker House. As you know, we have just published your letter to the Committee of 15 October. Thank you very much for that. I want to ask a couple of questions.

In your letter you talk about the CSIIF scheme and how a range of grants is given of between £20,000 and £500,000 per organisation. Attached to your letter, very helpfully, is an annex that sets out all the companies that have been awarded grants under the fund. It does not say how much each company got. Which company on this list got the most money?

Nicky Morgan: That is a very good question, to which I don't have the answer. You are absolutely right, the list does not say how much money each one has received.

Q527 **Jo Stevens:** Could you write to us afterwards and let us know, please?

Nicky Morgan: Yes. We said we would share as much information as we can with Parliament, unless there is something that is commercially sensitive or confidential, but I can't think why there would be.

Q528 **Jo Stevens:** You may not be able to answer the other question in view of your answer to the last one. Did any other organisation get awarded £100,000, as Hacker House did?

Nicky Morgan: Again, let me come back to you on that.

Q529 **Jo Stevens:** Your Department waived the requirement that the total grant awarded to any bidder must not exceed 50% of the applicant company's annual income. We know that that criterion was waived for Hacker House. Was it waived for any of the other companies that were awarded grants?

Nicky Morgan: I don't believe so. Well, I don't know actually. It has been waived in the past, so I would need to check and I think that might be one of the things that is part of the review that we are looking at. I can't say definitively. I think, from memory, that there may well be others who are start-ups, so they would have received money.

Q530 **Jo Stevens:** Could you write to us about that as well?

Nicky Morgan: Yes.

Q531 **Jo Stevens:** Thank you. The accounts that were filed by Hacker House—they cover the period July 2017 to July 2018, and those are the accounts used for the application for your Department's funds—show that Hacker House basically did not make any money. The only real income that



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Hacker House ever seems to have had is a £750,000 loan from Jennifer Arcuri to the company. It is a bit odd, because that big wedge of money goes into the company in one hit and then disappears during the year, apparently having been spent in its entirety but there are no assets or revenue in the accounts to show for it. Have you seen those accounts?

Nicky Morgan: I personally have not, no.

Q532 **Jo Stevens:** Have any of the Ministers in your Department seen those accounts?

Nicky Morgan: The only person who might have done is Matt Warman, so I would need to check with him. He answered the urgent question that the Shadow Secretary of State asked, and he is the closest person involved in monitoring the Department's review on that. If that is a piece of information the Committee would like, I will look at that.

Q533 **Jo Stevens:** Yes please. Hacker House also claims to have had UK-based employees and we know from the investigation that has been done externally—not your own investigation—that they posted a fake LinkedIn page for one employee using one of those stock photos you can download from the internet. Is your Department attempting to verify whether Hacker House had any full-time employees based in the UK?

Nicky Morgan: As part of the review, we are looking very carefully at the company and the employees. We know that an employee of the company attended a training course at the end of September, so there is somebody there as an employee who came along to something that was being run by Government.

Q534 **Jo Stevens:** Is that the end of September last year or this year?

Nicky Morgan: I think it was earlier this year, but I would need to check that.

Q535 **Jo Stevens:** That would have been after *The Sunday Times* publication of its investigation.

Nicky Morgan: Let me check those dates. The questions you are asking are the questions being asked as part of the review, and we have said we will publish the review. The Government Internal Audit Agency is doing this. I have not seen a draft report or anything like that to be able to answer the questions.

Q536 **Jo Stevens:** I am going to take from your answer—please correct me if I am wrong—that your Department is attempting to verify whether or not there were UK-based employees of Hacker House at the time they made the application?

Nicky Morgan: We are looking at all of the information that we have.

Q537 **Jo Stevens:** Have you seen Jennifer Arcuri's application form or Hacker House's application form? Is there any reference in her application form to her connection with Boris Johnson, and is there any reference in her



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application form to the mayoral trade missions that she went on to South Africa, Singapore, Malaysia, New York and Tel Aviv?

Nicky Morgan: I have not seen that form. I don't believe that there are any—I doubt very much that there is anything referencing those visits, but I have not seen the form.

Q538 **Jo Stevens:** You don't know because you have not seen the form?

Nicky Morgan: I doubt very much there is any reference to the Prime Minister, but we have said we will publish as many of the documents as we can when the review is published.

Q539 **Jo Stevens:** Your Minister, Matt Warman, has seen the application.

Nicky Morgan: I haven't said that. I said that he was the person most likely to have out of the ministerial team.

Q540 **Jo Stevens:** No, he told us, because I was in the Chamber when the urgent question was taking place and I will just read to you what he said, if I can find it. He said he had the application in front of him, he had seen it. I think he said, "I've got it here", so he has seen it but you have not seen it?

Nicky Morgan: Correct.

Q541 **Jo Stevens:** Thank you. When Jennifer Arcuri gave an interview on 7 October she suggested that your Department encouraged Hacker House to apply for the funding under this scheme. What she said was, "They came to us and said, 'Hey, we have this pot of money' and I said, 'Wow, you have a pot of money to do exactly as we are doing with the technology we were building'. Why wouldn't you fund us?" She then goes on to say, "My company has developed an extremely effective hands-on hacking course that allows people to enter industry based on the skills they achieve in my course. This is a massive problem across the UK and the United States. DCMS was far more concerned with fulfilling that quota and that need, so it came to us." Is it true that your Department approached her and Hacker House to apply under this fund?

Nicky Morgan: I wasn't a Minister at the time and this is subject to a departmental review, but it would not surprise me because we listen to what people are saying about the development of funds for a whole host of different parts of the Department. There is undoubtedly a need for more people to be trained in cybersecurity, and this fund is particularly about the increasing diversity of those engaged in that sector. Then we are looking for organisations that will benefit, who are doing valuable work in that area, and who we could support.

Q542 **Jo Stevens:** But diversity is not mentioned on the summary of grants that you provided with your letter for Hacker House, whereas it is for several of the other companies that are listed. If your inquiry—because it is an inquiry really not a review—finds that the Hacker House address that was given as its registered office, and the claim to have UK-based



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employees on the application form is false, will you be referring all of the evidence and what will you produce from your inquiry to the police and the CPS to consider a criminal prosecution for obtaining money by deception?

Nicky Morgan: I don't want to leap ahead to what might or might not be found as part of the review/inquiry.

Q543 **Jo Stevens:** I am not asking you to say what would be found, but in the circumstances that a grant has been awarded to a company that has placed false information on an application form in order to secure that money—

Nicky Morgan: There is an assumption that there was false information and I can't make that decision at the moment, but undoubtedly the whole point of having the Government Internal Audit Agency looking at this is to make sure that it is considered by somebody outside the Department. It will take it very seriously and do a very thorough job. The overarching message is that it is a serious matter for anybody to apply for a Government fund and provide false information as a means of trying to get funding out of a Government Department, and it is a criminal offence.

Q544 **Jo Stevens:** You have mentioned in your letter that you hope to have the review or the inquiry completed and published by the end of the month. Are you still on track to do that?

Nicky Morgan: Yes, we are still intending to do that.

Q545 **Paul Farrelly:** I wanted to cover the ground that Jo has covered with a few extra questions. If this lady says that she has been invited by DCMS to apply, the question is why and how her name was known from what is clearly a start-up business. I hope that your review of what contacts were made and how they came to be made will cover that ground.

Nicky Morgan: I can certainly take that away, but we have a lot of dedicated officials in Departments across Whitehall whose job it is to identify skills gaps, in this case, or particular issues that we need to be better at dealing with as a country, and to say that some funding—whether it is seed funding, or funding for training or whatever it might be—is needed in order to build up those particular skills. We all know that officials go to all sorts of events; they meet all sorts of people and they will come across people who are in this sort of sector.

Q546 **Paul Farrelly:** But we wouldn't be asking these questions about this particular award of £100,000 unless there were wider public-interest issues at stake.

Nicky Morgan: Which I completely understand.

Paul Farrelly: The contacts and how they came about is quite germane.

Nicky Morgan: I can see why it is a matter of interest, but it is important to understand that apart from the creation of the fund—I think the previous Digital Minister said she was involved in the overall creation,



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and the setting out of what the fund wanted to achieve—it is very much led by officials who are working in this area. I don't think we should be surprised if officials know companies and individuals working in this particular sector.

Q547 Paul Farrelly: In your letter to the Committee, you said you have asked your officials to commission a technical review of this grant award. What is a technical review? Why use the word "technical"?

Nicky Morgan: I think it is just a question of looking at the evidence. I would not read anything into the use of that particular word. We are looking at all of the documents and asking the questions that you have been talking about.

Q548 Paul Farrelly: You say in your letter that you would be happy to publish all the relevant information pertaining to the award of the grant. Jo has already asked you whether the bid application included any references to participation in trade missions, or any other connections mentioning the Prime Minister's name or inferences that she knew the Prime Minister that may or may not have been potentially persuasive. Will you be publishing the bid application?

Nicky Morgan: I think what Matt Warman said, and I will say, is that we will publish everything as long as it is not commercially sensitive or confidential.

Q549 Paul Farrelly: That couldn't possibly be commercially sensitive because we all know about the trade missions now.

Nicky Morgan: You may well be reaching the same conclusions that I will, but for the sake of those who have received funding, we need to put in that caveat.

Q550 Paul Farrelly: I hope you reach those conclusions robustly and independently, as you would expect any Cabinet Minister to do, or a former Select Committee chair.

Nicky Morgan: Quite.

Q551 Paul Farrelly: Jo has mentioned the income waiver. What is strange about the income waiver is that the company does not appear to have any income at all.

Nicky Morgan: Often start-up companies don't. We all have constituents and others who have set up companies on an absolute shoestring, incorporated companies, and then have very little, almost no income in the first year and those who are working don't take anything out of it either.

Q552 Paul Farrelly: We have seen that in other Departments—for instance, training providers who have set themselves up as start-ups and prove not to be businesses at all.



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Nicky Morgan: That is why it is important that the Department and the Government Internal Audit Agency are looking and asking these questions.

Q553 **Paul Farrelly:** Jo asked a question about how many employees it had or trainees it had on its books, and she referred to the use of what appeared to be a fake LinkedIn page being used by the company to state that it had a media manager of Hacker House and her name was Annie T. I have the LinkedIn page here and the photograph used on this appears to have come from a stock image library on Pinterest. If I could hand it to you and you hand it to your officials, perhaps you might establish in your review whether Annie T actually exists as a person among your investigations.

Nicky Morgan: We will look at it with interest. Thank you.

Q554 **Paul Farrelly:** In your reply, you said that the residence of an individual director is not one of the defining characteristics of whether a company is based in the UK, but that is skirting the issue—the issue is whether it was a UK-based company, and therefore whether it fulfilled that criterion regarding whether it was waivable or not by the Department. There are some questions about the address that has been given, which from the evidence that I have seen appears not to have been a functioning address of a UK business, but your review will go into that.

Nicky Morgan: That came up in the urgent question and it is an area we will look into.

Q555 **Paul Farrelly:** I have looked at the company's website today and I will not read out all the services it provides—some people might find that amusing. But I did try to call the company, and I got a voice message that had an American accent. There is a message box at an alleged UK address in Shoreditch that was registered after *The Sunday Times* article, which seemed to be serviced offices. The main number to call is American and it does point to the fact that it really does not have a UK base. On the basis of what is known so far, the allegations—hopefully your review will cover them—do not just seem to be technical breaches of the Companies Act or DCMS bidding criteria but, as Jo mentioned, they are about obtaining money by deception, by fraud. I think it is a fair question to ask whether, if your review comes up with conclusions that the details that you have been given are not correct, or that false representations have been made to you, in the normal course you would refer the matter to the police.

Nicky Morgan: There are an awful lot of “ifs” and allegations in that series of sentences that you have just uttered, Mr Farrelly, and I am not going to prejudge the review. As a former company lawyer, I know the Companies Act pretty well. It is not unreasonable to have directors with overseas addresses and a UK company address, nor is it unreasonable for a company to be in serviced offices. I am not going to prejudge. Let's see where the evidence lies—the whole point of having the Government



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Internal Audit Agency doing this is to see exactly where the evidence lies. I can't be clearer about what I said to Ms Stevens, which is that the Government hand out lots of money to individuals, charities, organisations to support them in the work they are doing, and we want to make sure that we are handing it to the right people who are telling us the right information.

Q556 Paul Farrelly: But as you know, at the time of the application and the award of the grant, the allegation was that the address that was given in the UK was not a functioning address. It was a rented residential house where the current people are returning post "addressee unknown".

Nicky Morgan: It is perfectly possible to have a company at any UK address. It does not have to be an office. As we know, there are many people who run companies from their homes, and that is one of the reasons why we want to massively improve broadband connectivity. People are running businesses from home.

Q557 Paul Farrelly: This wasn't their home address either.

Nicky Morgan: I am not going to prejudge, as I say, but I think we should be really careful about saying things aren't right when the Companies Act does not require that.

Q558 Paul Farrelly: I have dealt with the Companies Act myself as a journalist in the past. It has been stated in Parliament that £47,000 has been handed over. Your review presumably will establish what, if anything, that money has been spent on and whether that complies with the conditions and criteria of the grant.

Nicky Morgan: Indeed, and the information we have is that they had a target to place 50 UK residents who successfully completed the course for which they bid for funding with a UK employee in a cybersecurity penetration testing role, and they had placed 11 people to date in employment. I think Minister Warman also said in the urgent question that while the inquiry is going on any further funding was not to be handed over. Generally when the Department hands over funding there is always a process of trying to check to make sure that the money that has been given, which is the taxpayers' money, has been spent appropriately.

Paul Farrelly: Thank you. I look forward to seeing the report by the end of the month.

Q559 Clive Efford: Just very quickly, I will just come back on one of the points. The technical review that you are going through: is that a technical review of the performance of the company prior to the contract being let?

Nicky Morgan: I do not have the letter in front of me, but there were two paragraphs that set out the terms of reference.

Q560 Clive Efford: I am just curious how you do a technical review of a start-up company unless it is post the contract being let. Is it common for the



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Government to give contracts of this kind to start-up companies with no history of—

Nicky Morgan: I think it is not uncommon, yes. Particularly in relation to additional tech sectors, there are a lot of start-ups, and so there should be. We want to encourage them.

Q561 **Clive Efford:** Addresses where no one knows they exist, and—

Nicky Morgan: Now you are getting into the weeds of the review or inquiry or whatever you want to call it.

Q562 **Clive Efford:** Can I just come to the review very quickly, because we have done a lot on this? I just want to be clear about what is in the review. If there was any lobbying on behalf of Hacker House or individuals related to Hacker House during the application process by the former Mayor, the Prime Minister, or any of his staff at the GLA, either by e-mail, phone or text message, they will be in the review? Will that be published?

Nicky Morgan: Sorry. It sets it out in the letter. I am sorry, I do not have it in front of me. There are two paragraphs that say what the review actually is covering.

Q563 **Clive Efford:** What is at the heart of this is who said what to whom.

Nicky Morgan: Of course.

Q564 **Clive Efford:** The review is redundant if it does not publish that sort of data. If there was any lobbying by a member of staff from the GLA on behalf of the Mayor or as an individual, that will be part of—

Nicky Morgan: I think we are talking about a grant that was handed out at the beginning of this year, when the person in question, the Prime Minister, was a Back-Bench Conservative Member of Parliament.

Q565 **Clive Efford:** If there was any member of staff at the Greater London Authority who was lobbying prior to that, will that be published as part of the review?

Nicky Morgan: As I say, there are two paragraphs with exactly what the review is covering.

Q566 **Clive Efford:** If the Right Honourable Member for Uxbridge had lobbied, that will be published as part of the review?

Nicky Morgan: It says in that letter I have written to the Chairman what two elements are being looked at.

Q567 **Clive Efford:** The relationship of Ms Arcuri with the Conservative Party when she was on a Conservative campaign bus: would that—

Nicky Morgan: No. We are looking at the awarding of the grant to the company by my Department.



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Q568 **Clive Efford:** To someone who has extremely close associations with the Member for Uxbridge and the Conservative Party, yes. Will all the details of that relationship between that person, the Conservative Party, and the Right Honourable Member for Uxbridge—will any references to that relationship that are in the possession of your Department be published as part of the review?

Nicky Morgan: We are looking at the awarding of the grant, and obviously the awarding of the grant is the awarding of the grant before it is awarded.

Q569 **Clive Efford:** That sounds evasive. Why aren't we being completely open and saying whether there was any communication whatsoever—

Nicky Morgan: I am being broad. I am saying we are looking at the awarding of the grant in its entirety.

Q570 **Clive Efford:** Therefore, any communications by individuals lobbying on behalf of anyone relating to Hacker House will be published as part of the review.

Nicky Morgan: First of all, I am not sure how you publish a conversation. Secondly, we are looking at the awarding of the grant.

Q571 **Clive Efford:** The record of that conversation taking place.

Nicky Morgan: I think now you are prejudging what the evidence is. We are looking at the awarding of the grant.

Q572 **Clive Efford:** No. I am just asking for the scope of what evidence will be published.

Nicky Morgan: I have said in that letter that I have written to the Chairman—I am sorry that I do not have a copy of in front of me. There are two parts of the review, and it is set out very clearly is what is happening.

Q573 **Clive Efford:** Last question. In principle, you accept that if we are going to get to the bottom of this, full disclosure of all documents needs to be part of the—

Nicky Morgan: I think, first of all, you are assuming there is something to get to the bottom of, but there is enough, as raised in the urgent question, to do the review.

Q574 **Clive Efford:** No, I am not making any assumption. People can make their judgments if everything is published.

Nicky Morgan: We are doing the review on the basis of both the urgent question and the letter that I have sent to the Chair.

Q575 **Chair:** For the benefit of the record, the letter says that the technical review will cover the due diligence and the assessment process. I would imagine the due diligence is the diligence into the assessment of the company's bid and the technical strengths of the bid, and the assessment



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process would, I am imagining, include any other discussions or conversations around that bid.

Nicky Morgan: I would have expected so, yes.

Q576 **Chair:** There are obviously a number of aspects to this, but there is quite an important point about the way the Department awards funding, particularly because the Cyber Skills Immediate Impact Fund was designed to support the training of people in the UK who were ordinarily resident in the UK and would be expected to stay in the UK after they completed their training. On one level, it would seem odd that a contract like that was given to a company based in California.

Nicky Morgan: Again, I do not want to prejudge, but I think your point is that if it is a company with a UK-registered address, training people in the UK—as I say, the evidence that we have is that Hacker House has placed 11 people into employment in the UK. One of the challenges for the whole digital tech sector is that people with good skills are often snaffled up and encouraged to work overseas. It is about addressing a skills gap here in the UK.

Q577 **Chair:** Absolutely. What would be interesting to the Committee is—hopefully, this will be included in the review, but if it is not, maybe you could write to us separately about this—how was DCMS satisfied that Hacker House had the capability to deliver this training programme in the UK when its principal resource seemed to be outside the country.

Nicky Morgan: I think that goes to the point about due diligence and the checking of this and the other companies—I think 11 companies received funding. That is obviously a question that I have asked, and that is why I think the reference to due diligence is there.

Q578 **Chair:** Yes, but it is important to know what evidence they demonstrated to show how they would fulfil the contract, given that the clear purpose is to train people in the UK. What did they say they would do? If they put 11 people into employment in the UK, that is great, but how does that sit against the projections they made when they put the bid in?

Nicky Morgan: I think it said 50, so it is 11 so far. The grant was only awarded in February of this year, so you have to find the people and train them and everything else, but it goes back to the point about the application form and what was said in it.

Q579 **Chair:** Thank you. I just want to move on to some other topics. Staying in this technology space, on broadband—first, in the broadband provisions in the Queen’s Speech and the supporting documents, the Government say that the purpose is to “roll out gigabit-capable broadband across the UK to achieve nationwide coverage as soon as possible”. What is the difference between gigabit-capable and full fibre?

Nicky Morgan: I think that rather than being prescriptive about how I say that “faster broadband”—and I mean “much faster broadband”, if we are going to put it in common parlance— is delivered, we are saying,



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"This is where we want to get to in terms of speeds". Around the Queen's Speech and elsewhere, we have talked about, for example, downloading a movie in 45 seconds. For most people, whether you are talking about super-fast broadband or ultra-fast or full fibre, that does not mean a great deal, but if you are talking about what somebody can do with that gigabit connectivity, whether it is uploading work files or watching a film or video gaming, it means a lot more to people.

Q580 **Chair:** Yes. "Full fibre to the premises" is really clear. Everyone will have a fibre connection. "Gigabit-capable" seems to suggest that there could be other technologies to deliver that service that do not necessarily involve fibre connection.

Nicky Morgan: Virgin Media, for example, is doing the cabling. It is very much—

Q581 **Chair:** As you know, there have been some criticisms that what Virgin Media calls "gigabit-capable" does not deliver the same speeds as full fibre connectivity or indeed gigabit.

Nicky Morgan: It is an interesting discussion to have. There are those who say that that is what they are going to be doing. There is also the use of 5G, for example, as well. We know, for example, that we are talking about everywhere in the UK, but there are going to be some premises where, because of distance or accessibility, the fibre—I am not the technical person. I am having conversations with the various organisations and providers and everything else, but there will be some places where 5G may also be helpful.

Q582 **Chair:** From what you are saying, it could be delivered by mobile signal rather than by fibre connection?

Nicky Morgan: I would expect the vast majority of this gigabit speed to be delivered by full fibre to the premises. I think that is the way to build the strongest and most resilient network, but I could not say that that is going to be the answer everywhere, in the way that I do not think providers will say that now.

Q583 **Chair:** This is interesting. You might say the policy has evolved somewhat since the statement of there being full fibre to the premises.

Nicky Morgan: Yes, and you would hope, in a way, that the policies do evolve. Ultimately, we are about trying to deliver for people and getting to where people want to be.

Q584 **Chair:** Yes. The other thing that the language has evolved on is that 2025 has become "as soon as possible".

Nicky Morgan: It is very ambitious. We cannot deny that. We are really ramping things up, and this is not just about money. There are the Bills in the Queen's Speech about new build, but also about the tenants and the multi-occupied blocks of flats, for example. All of that, plus many



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other barriers, have to be busted through in order to get that delivered. I still use the phrase 2025, and so does the Prime Minister.

Q585 **Chair:** It is just not in the Queen's Speech documents. It does not say, "by 2025". It says, "as soon as possible".

Nicky Morgan: We are using the phrase 2025.

Q586 **Chair:** The Department is working towards 2025?

Nicky Morgan: I am being very clear with the Department. It is 2025 that we are aiming for.

Q587 **Chair:** Will we expect to hear progress reports of how well you are doing towards reaching that target?

Nicky Morgan: I expect to hear progress reports, and that will be a very important part of this delivery. Minister Warman will be sitting in a lot of meetings, hopefully monitoring a lot of progress.

Q588 **Chair:** Perhaps we could ask you to share those progress reports with the Committee as well.

Nicky Morgan: I am happy to entertain the suggestion. Much will depend on getting the providers to share information. It is obviously a challenge and some of it is commercially sensitive.

Q589 **Chair:** As you know, moving on to data, the Government are engaged in a big advertising campaign about being Brexit-ready. Is DCMS ready for Brexit?

Nicky Morgan: Yes. I think we are prepared. We are, overall, more prepared than people perhaps realise, but there is always going to be more to do.

The big challenge for DCMS—I do not know if you plan to come on to this—and our big involvement is around personal data. The Government are very prepared, both nationally and locally, as well as Government Departments and arm's-length bodies. There is undoubtedly a challenge, as there is right the way across Government, with getting businesses and private organisations ready. That is even more of a challenge in terms of small businesses who are busy running their businesses.

Q590 **Chair:** The Government are placing adverts telling people that if they want to be ready for Brexit with their business that processes data from the rest of the EU, they should seek information about that. What information are the Government giving?

Nicky Morgan: On the Information Commissioner's Office website there is a lot of information about how you can mitigate problems—we are in a delicate time of negotiations. We are preparing for hopefully a deal, but also preparing for no deal. In the event of no deal, we hope very much that the EU will engage very promptly with us on an adequacy assessment of our data regimes. Until that is in place, the advice on the



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ICO website, which I think has been made a lot more user-friendly thanks to significant business engagement over the summer, is to put in place the standard contractual clauses to help with that mitigation.

Q591 **Chair:** For all the ads I am seeing around the place saying, “Make sure you get ready for Brexit”, “Do you process data this way?” basically the message is, “Go to the ICO website and see what—”

Nicky Morgan: Yes. When you log on, that is where you go. I think it is important to have one place that people can go to for advice, and the ICO is a good place to have it. The ICO has been working with a number of business organisations who are trying to give off a lot of messages, but DCMS officials have been engaged in the road shows that are being organised by BEIS. Of course, we are going to have a lot of people standing by to assist with any data queries around 31 October and after.

Q592 **Chair:** The information on the Information Commissioner’s website tells you that you have to enter into data agreements with companies that you deal with. The ICO supplies template letters and text that you can do that with. Just to make it clear, you have to do that with every single supplier. You do not just register yourself. You have to have contracts in place with everyone you work with. It does not really give much information about how much it costs to do this. Do you think there should be more information provided?

Nicky Morgan: The more information, the better. There is a balance to be struck. When I came in in July, one of the first things I did—as an ex company lawyer, I used to spend my life advising companies on these sorts of clauses and putting them in documents—was look at the ICO website. I thought it could be more business-friendly, so that is where there has been significant engagement in that.

There is something there on estimate of costs, but perhaps it could be more prominent. There is a balance to be struck between information overload and making sure that people have enough information to answer queries. There is also the ICO, which has a helpline to answer questions. We would encourage people to use that.

Q593 **Chair:** If the UK leaves the EU without a deal on 31 October, have the Government spoken to the Commission about getting an assessment for data equivalence for the UK?

Nicky Morgan: Yes. It has been mentioned, but the EU so far, as with other areas of policy, is not engaging on that. At the moment, we are all watching to see what happens in terms of the deal negotiations.

Q594 **Chair:** Data is the new oil of the economy. It is more valuable than oil. If all of a sudden there were no data protocols in place for 1 November, that would be a pretty serious thing.

Nicky Morgan: We should be very clear that data will continue to flow. The public sector is prepared and has put in place mitigation measures.



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Many large businesses and organisations actively have done that too. In terms of private sector businesses, the advice is there. We would encourage people to do that.

Q595 **Chair:** The public sector has done that by repatriating data centres to the UK.

Nicky Morgan: No. I think other measures have been put in place as well in terms of our large critical suppliers, so no, that has not necessarily been the approach.

Q596 **Chair:** It is good for the public sector, but a lot of businesses may still be concerned. There were reassurances given in the past that, whenever we left, data equivalence would be guaranteed the following day, the protocol would be signed off, and it would be all done.

Nicky Morgan: Perhaps I can give a message now—if anybody from the EU Commission is not engaged in this and is watching this session, we are ready to start those discussions on adequacy assessment immediately.

Q597 **Chair:** The other area of data that has become of interest is the use of data from gov.uk. The Government are gathering data, it would seem, from different Government Departments about what people are going to do in order to provide a more targeted and personalised service. Do you feel that visitors to gov.uk have given their informed consent for data to be gathered in that way?

Nicky Morgan: I would need to go and have a look. I have not logged on to gov.uk and seen exactly what is asked of people and the acceptance of cookies and everything else. I think the idea is that data, for example, are used when people are looking at one particular service, and to potentially suggest that they could be looking somewhere else. There might be something else they want to consider as well.

You are absolutely right in what you have just said, Mr Chairman. Data, as I have discovered in this job, is the new currency of the 21st century.

Q598 **Chair:** This was regarded as mission-critical by Downing Street, and Departments were encouraged to put procedures in place immediately so that this data could be gathered and shared. The Government have not really published any information about the data protocols they have in place or what level of consent has been given for this. Given that your Department is the lead Department on data, does that not give you any cause for concern?

Nicky Morgan: As I say, I think people knowing is important, and people should understand that data are being gathered. I go back; I think we had a broader conversation earlier on about people generally understanding that when they log on—now, with GDPR, for example, it is a prominent fact that data are being collected. Perhaps there is always more that can be done to explain exactly how the data are being used. It



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is right that we should understand which pages are most popular, which people are looking at them, and where they are going after they have looked at those pages. Are they then accessing information or not?

Q599 **Chair:** I can understand the reason why it is being done, but I think probably people expect the Government set the high standards in terms of—

Nicky Morgan: Yes. Absolutely, and we should be doing that.

Q600 **Chair:** Has the Information Commissioner raised any concerns about this?

Nicky Morgan: I cannot comment on whether there are any live investigations ongoing. I think the Information Commissioner is aware of the concerns that have been raised in the press.

Q601 **Chair:** The Information Commissioner is investigating this. There is a live investigation.

Nicky Morgan: I cannot comment. What the Information Commissioner is doing and looking at is very much a matter for her, but I am sure she will be aware—

Chair: She is investigating it?

Nicky Morgan: I cannot say one way or the other, but she will be aware of concerns raised by this Committee, by yourself, Mr Chairman, and in the press.

Q602 **Chair:** For the record, I understand that the ICO is investigating this, so clearly it must have some concerns. We would probably all be interested to know what those concerns might be.

Nicky Morgan: I think that is a question probably for her.

Q603 **Clive Efford:** Can I just ask, Secretary of State, was your Department consulted by the Department of Health over the arrangements with Amazon on data sharing between Lewisham and Greenwich NHS Trust and Experian?

Nicky Morgan: I do not know. I am not aware of the issue. I would have to go and ask internally.

Q604 **Clive Efford:** I wonder if you could come back to us about this, because this involves the transfer of patients' data to Experian and to Amazon, which may not have been approved by those patients and it may have broken data protection regulations. I would be grateful if you could come to us about that, because not only does it involve my constituents, but it has major implications for people who are providing confidential data to the National Health Service.

Nicky Morgan: I will certainly ask internally and come back to you, yes.

Clive Efford: If you do not know about it, I am not going to pursue it



right now.

We are waiting for your response to our inquiry into immersive and addictive technologies, but do you accept that makers of online platforms, including games companies, should be subject to a duty of care to their users?

Nicky Morgan: Going back to where we almost started on online harms, and the duty of care and everything else, one of the things I did when I came to the Department was to say that we need a very coherent and consistent digital strategy, and the idea of a duty of care, because things will change all the time. I think it is an interesting report on video gaming and immersive technologies. We need to consider it in terms of our principles and the way we look at platforms and who is regulated. These things are going to keep changing, and we are going to keep asking whether the duty of care should apply.

Q605 **Clive Efford:** One of the things that has come up, whether in the use of data by companies like Facebook or online gaming, is that people's data have now become so valuable, and people are being monetised through use of their data. The temptation for the people creating those platforms or those games to push the envelope to make money makes it questionable as to whether they are the right people to be regulating. Do you accept the principle that these people should not be left to their own devices, and that some form of external regulation is required, whether for gaming or whether for online information?

Nicky Morgan: Broadly, I do. We have to decide in terms of the White Paper, looking at the responses and the prelegislative scrutiny, exactly what platforms, what comes into the scope and all the rest of it. I take your broad point, which is that there are people all the time who are using—well, it is difficult, because video gaming is a very important part of our creative industries. It is something that brings in significant amounts of money. We educate people. Near my constituency, De Montford University has a good course, which educates people well, and they have great careers doing all this. It is not all bad.

Equally, with any new platform in technology, you are right to say that there will be people who push boundaries, who collect data or introduce other elements to it, and yes, we should be asking questions about the duty of care.

Q606 **Clive Efford:** Would that involve, for instance, immersive technologies that we have looked at that encourage people to play for longer than perhaps they should, and perhaps even spend money that they should not?

Nicky Morgan: Possibly. I think that is the whole point about having a principles-based set of digital regulation and an overarching duty of care. It would not be right, and I do not think we would want to do it in 2019-20, to say, "This kind of gaming technology is caught by the regulation", because it will be out of date within about five months.



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Your point is that if there are people who are vulnerable—you could say children or vulnerable adults—who are encouraged to engage in stuff that might be perfectly legal but could be harmful to health, or could encourage other behaviours that are not good for lifestyles, then that is a question that we should be asking.

Q607 Clive Efford: We specifically recommended that the purchase of loot boxes should be prevented because it is a form of gambling. Do you accept in principle that if children are being asked to purchase a loot box on the chance of gaining something—say, in the instance of FIFA, that they would get Lionel Messi or someone—that is wrong?

Nicky Morgan: It is interesting. I have a one-person 11 year-old focus group at home, so I asked him what he thought about loot boxes. He said to me, "People will know what they are getting into, and they do not have to buy things" and all the rest of it. It is interesting.

There was a survey by Internet Matters. For 26% of parents, that was not what they were concerned about. They were concerned about other behaviours as well. There is a debate about whether loot boxes are gambling or not. We are going to come back to you with a full response on this from the Government.

Overall, it is a very interesting area to look at. Undoubtedly, although there may be other protections, and there is a whole debate about the way people use social media, gaming and other things. Dame Sally Davies, the previous Chief Medical Officer, did a very good report about how behaviours are changed by these online activities, and what people should watch out for with young people who are playing them.

Q608 Clive Efford: We will wait for your response to that.

Can I ask you about research, then? It is a hugely profitable industry and capable of investing in effective research. One of the things that we were told in response to our questions about loot boxes is that there is no evidence that they are doing any harm. Of course, if you are not looking, there will not be any evidence. We certainly did not take the view that the industry should direct the research, but perhaps an independent body could do that. The principle is that the resources for that research should come from the industry itself.

Nicky Morgan: That is very sensible. Again, it is about these platforms stepping up and taking responsibility in a way that perhaps many of them have not done before. There is a danger in them funding the research and with them potentially coming up with the conclusions, that this Committee might say, "Hang on a second. That is not independent research". More and more, as this technology develops, there may be arguments about whether universities or other research councils are coming up with funding and grants.

I will go back to what I said earlier on. These are areas of technology that are changing rapidly. As I say, I look at the video games being played at



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home and they are of a different order from how they looked and how encouraging they were to keep playing them from five years ago—from 10 years ago—certainly from the Atari games when I was growing up. It is changing very rapidly. You are absolutely right, more research is needed; more evidence is needed to understand what is happening in terms of addictive technologies and the impact on behaviours, definitely.

Q609 Clive Efford: Thank you very much for that. Can I ask you about video games tax relief? It is suggested that it disproportionately benefits large companies, enabling foreign companies such as Sony to claim UK tax relief. Do you think that this tax relief is operating in the way that the Government intended?

Nicky Morgan: It is an interesting recommendation. It has not been raised me with directly, apart from today and obviously in the report. I think tax relief is important for a number of the different sectors that my Department looks after. We know, for example, that there is film tax relief, TV production tax relief, and lots of other tax reliefs are often asked for. I entirely take your point about knowing whether it is going to the right companies.

Q610 Julie Elliott: On an entirely different topic—listed sporting events. We have not had a proper review or any real changes for over 20 years, yet when you spoke at the Royal Television Society it seemed a very minimal area that you were looking to change. Can you explain what your thoughts are on this, please?

Nicky Morgan: I am not sure. Women's sports and Paralympic sports are pretty important. We would like to see more coverage of them that is easier for people to access. I get asked all the time, and I know the Sports Minister has as well, about whether we are going to open the whole thing up for review. It is not something that we are planning on doing.

Q611 Julie Elliott: Why not?

Nicky Morgan: I am not sure where it would necessarily take us as a country. There are an awful lot of demands. No doubt there are a number of sports that benefit—cricket being one of them—and the money raised from broadcasting is very important as it is ploughed back into the sport and encourages more great performances.

Q612 Julie Elliott: If you look at cricket, young people are not playing cricket in the numbers they were when I was growing up, because they do not see it. It is not part of the sporting world that they watch. There is an argument that we have to have a pipeline of talented people. If you are looking at women and Paralympic sport, what are you looking at doing to bring that forward?

Nicky Morgan: We have written to the governing bodies and said—particularly on the women's sport, as it is often the equivalent of the



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men's sport—that it should be free to air and easier for people to view, basically, and some of the Paralympian events as well.

Q613 **Julie Elliott:** Which ones?

Nicky Morgan: I cannot remember the list now. For example, there was the England women's rugby, the Solheim Cup for golf, the football as well. The Paralympics we have already seen. The Channel 4 coverage, for example, of the Paralympics—how brilliant has that been in terms of changing perceptions of disability sport?

Q614 **Julie Elliott:** The last real look at this happened in 2008 in the review that was published, but it was never implemented because of the general election. Have you looked at that in detail to look at if there is anything you can learn from that?

Nicky Morgan: I have not, but it is a very good point. That is something I can certainly take away.

Q615 **Julie Elliott:** Could you have a look at that and then perhaps write to us with your comments on what that review—

Nicky Morgan: I am happy to do that.

Julie Elliott: Thank you.

Q616 **Philip Davies:** I probably should register my interest.

Nicky Morgan: You will declare an interest.

Philip Davies: I declare an interest. You will know, Secretary of State, that being a modest racehorse owner and an owner of modest horses, I have long held an interest in British horseracing. Given that this Saturday is one of the biggest days in the calendar, the Champions Day at Ascot, and given how important it is to the economy—about £3.5 billion a year—I just wondered how important the horseracing industry was to your Department.

Nicky Morgan: All sport is important. We take great pride in all success of our sporting stars, including racehorses, and in holding as many events as we possibly can that attract tourism and investment and, as I say, put the UK on the map.

Q617 **Philip Davies:** The reason I ask is that since the reduction in stakes on fixed-odds betting terminals, one of the I suspect unintended consequences—although I think a predictable one—is the impact on the finances of the horseracing industry. Obviously, each betting shop gives about £30,000 to the horseracing industry. For every shop that closes, that is £30,000 less for racing. I just wondered what the Government were planning on doing to help the horseracing industry plug that increasingly significant gap that it is now finding in its income. The lower the prize money levels, the less competitive British racing is on the global stage.



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Nicky Morgan: At the risk of now being inundated, nobody has raised that issue with me since July, when I was appointed.

Philip Davies: Really?

Nicky Morgan: Yes.

Q618 **Philip Davies:** Have you met anybody from the British Horseracing Authority?

Nicky Morgan: No.

Q619 **Philip Davies:** Do you have any plans to, or could I perhaps encourage you to?

Nicky Morgan: It might well that the Sports Minister has done so. We have all been very heavily engaged in new stakeholder meetings and everything else. It is just not something that has been raised directly with me. I take your point on board. I try to meet as many stakeholders as I possibly can, right the way across the Department.

Philip Davies: If I could just encourage you to meet the British Horseracing Authority—

Nicky Morgan: I have no doubt that after this session an e-mail will be winging its way to my account very quickly.

Philip Davies: Thank you.

Q620 **Jo Stevens:** I just wanted to ask you about the Copyright Directive. If we end up with a no-deal Brexit, obviously the Government are not going to be bound to implement the directive, and we know that creators at the moment are being ripped off. They are being paid 0.00054 pence per stream by the likes of Google's YouTube, which makes enormous amounts of money. If there is not a transitional phase on departure from the EU that would give that time to implement the directive, what are you planning to do? How are you intending to fully implement the directive?

Nicky Morgan: I have not had any detailed conversations. Since I took over in the role, it has been very much about preparing for 31 October, potentially with no deal, but literally preparing for that period of time. We have talked about the transfers of personal data, for example, which is the biggest involvement of the Department, or alternatively supporting efforts to negotiate a deal. I would need probably to write to you on that. I cannot see why we would want to offer any fewer protections for people than they would currently get under an EU directive. There is going to be a debate over succeeding years post 31 October about which directives and which EU rules we choose to follow, and about what we might choose to do differently, not just in copyright but in lots of different areas. As I say, it is nothing that I have looked in detail at decisions on for now.

Q621 **Jo Stevens:** Thank you. I am pleased to hear that you think it should be implemented, and I am sure some legal mechanism would be available to implement the spirit of it if we are out of the EU.



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Just a final question from me on music venues. You will know that we published our report some months ago now on live music. Business rates remain one of the biggest challenges facing live music venues, and we know about statistics, with a third of venues having closed in the last decade. What representations has your Department made to the Chancellor about extending existing relief schemes like we have for pubs and small retail properties to grassroots music venues?

Nicky Morgan: I need to check what previous Ministers have done. All I would say is we are putting together at the moment and have been working on various things about the budget. I will not go into the details, but I am well aware from one of your former colleagues, Michael Dugher, who works now for UK Music, and from others as well, about the issue of business rates and venues and everything else.

With my previous hat on as chair of the Treasury Select Committee, we were doing an inquiry into business rates. It is a complicated area. Overall, the system needs looking at in its entirety, but I take the point about music venues. That is something that has been raised directly with me and I hear it. As I say, we are preparing a list of asks for the budget.

Jo Stevens: Thank you.

Chair: Clive, did you want to come in on this as well?

Clive Efford: It was a similar question, so I will not repeat it on the business rates. It is a big issue and that they do need to be protected, yes.

Nicky Morgan: It is a big issue, yes. Of course it is.

Q622 **Paul Farrelly:** On copyright, the Copyright Directive as part of the digital single market initiative was much delayed and was approved finally by the European Council in the middle of April this year, with two years for Governments to pass legislation to put it into domestic law. Those two years would conceivably have been outwith the original transition period.

When we conducted our report on the implications of Brexit, the very clear message from Government was that they voted for it in Brussels and would wish to mirror all of the directive's requirements as a matter of policy. I think it would be quite important if you could come back to us on that.

Nicky Morgan: I just said to Jo that I did not see there was any particular reason—it is not something, as I say, that I have gone through line by line, because attention has been elsewhere. However, I cannot see any reason—I think Jo asked about the event of no deal—why it is something that we would not want to be bringing in ourselves.

Q623 **Paul Farrelly:** Your answer did raise the possibility that you might want to pick and choose in the future.

Nicky Morgan: I would say that more broadly, generally, the story of Parliament over the next few years or decades is going to be, on a



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number of different EU directives, “Do we go the EU way or do we decide to do something else that is different?” That was basically the comment that I was making. This is going to be a debate we are going to have more and more.

Q624 **Paul Farrelly:** With respect to this particular directive—

Nicky Morgan: I have not been through it line by line and everything else.

Q625 **Paul Farrelly:** I would hope that you would not need to go through it line by line, because the UK Government have voted for it and previously said, as a matter of policy, that they would not wish to diverge so that there is a coherent European framework.

Nicky Morgan: I cannot see why we would wish to diverge, but I am not going to sit here—Select Committees are important—and say to you that I have been through or looked at it in detail to decide exactly what we are going to do. I cannot see why we would wish to diverge, though.

Paul Farrelly: It would be very important as a matter of priority to come back and—

Nicky Morgan: My officials are scribbling away. There are lots of things I am going to come back to this Committee on.

Q626 **Paul Farrelly:** Copyright is the bedrock of the UK music industry, authors, our creative industries. You will find in the future that you are going to be subject to lots of lobbying by big tech as and when or if we leave the European Union, particularly from the US, regarding which bits of the Directive they do not like, and which bits we should not implement. It is important for those industries to have some certainty.

Nicky Morgan: As I say, I cannot see why we would wish to diverge, but I am not going to sit here and say that I have been through every single last dot and comma and say we are going to be following it completely.

Paul Farrelly: I hope you would not have to.

Nicky Morgan: I would always want to.

Q627 **Chair:** Thank you. I have a couple of other questions, and I will come back to you to finish us off, Paul.

I just wanted to pick up on a few things. One thing that I have raised before previously with you privately, and I think you mentioned, is that after Brexit the country has a decision about which direction it goes in, particularly in terms of trade agreements and agreements with other countries. You will know about the trade agreements that the USA has negotiated with Japan, and with Canada and Mexico—they are not yet ratified, but the agreements require what is known as section 230 of the Communications Decency Act provisions, which basically maintain the platform neutrality of tech companies. Those have been included in the trade agreements, and we bridge the trade agreement on to one of them.



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We discussed duty of care provisions and the liability of tech companies, and you said earlier that the idea of them just being platforms is not something that is fit. If the UK was required to sign a trade agreement similar to the ones that have been negotiated with Canada, Mexico and Japan, that would basically wipe away all that legislation. Is this something that people in your Department have discussed with the Department for Trade, so that it is aware of the concerns that would exist around this?

Nicky Morgan: I cannot say very much about the details, but it will not surprise you to know that, yes, absolutely, of course officials have spoken to officials at the Department for International Trade. I have spoken to the Trade Secretary, and a lot of thought is going into the key areas of negotiations for future trade agreements with a number of different countries. This is obviously an issue that is relevant to a number of those trade agreements.

We are very conscious that in developing a regime that is right for the UK—as I say, more broadly, this is going to be an issue going forward. When the UK has a position, whether it is on online harms or anything else, there is now going to be a debate about what that does in terms of our international trade framework.

Q628 **Chair:** Has this issue specifically been discussed with the Department for Trade?

Nicky Morgan: I can't go into all the details of trade agreements and everything else, but we are very conscious of the importance of this particular issue and, as you say, other key potential trading partners' views on it.

Q629 **Chair:** I do not expect you to discuss the details of the Government's negotiation plans for different trade agreements but, because this is important and potentially cuts across proposed legislation in the Queen's Speech, but has this been flagged with the Department for Trade so that it is aware—

Nicky Morgan: Absolutely. Of course, absolutely, it has been flagged. We are not going to put a lot of work into developing a whole set of digital regulation, first without being aware of the potential for trading agreement, and secondly, because this particular regime wants to get it right for the UK.

Q630 **Chair:** Has this issue been flagged by officials or Ministers or whoever in the Department for Trade?

Nicky Morgan: I think I have already said that this is an issue, among others, that is being discussed.

Q631 **Chair:** Can I add that to the list of questions that we might get a response to in writing—just to ask whether this has indeed been flagged with the Department for Trade at either a ministerial or official level,



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given that this issue is part of the Government's programme of legislation and, therefore, should be flagged?

Nicky Morgan: Speaking with my former hat on, I think Parliament and Ministers will have to think very carefully about how we talk about and scrutinise future trade agreements, and what we are able to share with Committees in terms of negotiation stances and everything else. This is going to be a matter of critical importance to future trading relationships for this country. I can assure you this is one of the issues that is absolutely on our radar in terms of discussions with DIT about future trading agreements.

Q632 **Chair:** I appreciate that, but I think it would be useful to know whether this has been flagged to them, because it is quite a specific issue. It is quite technical. It might not be something that they are aware of, and it would be quite understandable if they might be talking to the Americans and said, "The draft agreement we have with Canada or with Japan could be the basis of our negotiations as well", but there could be something very specific in this that could cause a real problem.

Nicky Morgan: I think I have covered it, but DCMS is heavily involved in certain areas—there are a number of them—that will be relevant to future trading agreements, and this will be one of them.

Q633 **Chair:** This will be one of them, and it has been flagged with them.

Nicky Morgan: I have been talking to Ministers and I have been talking to fellow officials about a range of issues, including this one.

Q634 **Chair:** I am not 100% certain that was a yes, but I think we have made the point anyway.

There are just a couple of other questions I want to pick up on, following on from what Clive Efford discussed with you on video games. One really important aspect of that is the Information Commissioner's recommendations on the age-appropriate design code. That is being consulted on and is now lodged with the Department. I believe it has to be ratified before 23 November or not. Do you expect to make a decision on that sometime soon?

Nicky Morgan: Yes. We are very conscious of the fact that it has to be put down, and laid in Parliament on that day.

Q635 **Chair:** Do you expect that that will be laid before the deadline in November, obviously subject to Parliament still being here?

Nicky Morgan: Subject to all sorts of other eventualities and everything else. Yes, we are very conscious of that deadline and I will do everything I can to make sure we meet it.

Q636 **Chair:** Just one other tech issue that I wanted to raise. A concern that has been brought to my attention that a lot of the issues linked to the age-appropriate design code also link to site blocking, particularly for inappropriate content, and to restrictions on pornographic sites and other



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things as well. There are big concerns about how we do that. One of the things that the ISPs do is gather data about who is accessing what sites, and how to stop people accessing sites that have been blocked. However, there are other servers that people can use, including some Mozilla and Google services, which mean that data cannot be collected by the ISPs. Does the Department have concerns about this?

Nicky Morgan: We do. Again, I can write to you. I think Mozilla has written back to us fairly recently, but I would need to go and check. We did raise our concerns. There were a bunch of external stakeholders who raised their concerns with me over the summer. We did write. We do have concerns. I am pretty sure Mozilla has just replied, but I would need to set out the details for you as to exactly what it set out. We will do that, yes.

Q637 **Chair:** Certainly if there is anything in that response that could be shared with the Committee, it will be of interest to us.

Nicky Morgan: Absolutely, yes.

Q638 **Clive Efford:** Just very quickly, do you think the time has come for a fit and proper person test for people who own football clubs?

Nicky Morgan: I think we are heading in that direction. There is the owners' and directors' test, and the EFL, after the tragedy of what has happened to Bury, is going to review that. We are very interested, and we will co-operate and help with that review if we need to go further.

I say, "It depends what you mean by fit and proper". We all know what we mean. What are we trying to catch? We trying to catch people who, in this case, took over a club and then either took the assets or used it to load it up with debt, and then financially made it unviable. Whether it is fit and proper or whether it is setting out clearly what you can and cannot do with assets and everything else—clearly more action has to be taken.

Q639 **Clive Efford:** Do I take it from that that you would be prepared to regulate, then?

Nicky Morgan: Let's have the review.

Q640 **Clive Efford:** You don't think this is just a matter for the authorities within football itself. Is there is a role for Government here?

Nicky Morgan: There is a role for Government to have an opinion, absolutely, and I think I have that. The question is going to be that I think the regulator will tend to come from the football authorities. Let us wait and see what the EFL review says and then we will take it from there.

Q641 **Clive Efford:** Let me try one other question. One of the problems is that football clubs are treated just like any other company, but they are not like any other company. I take from that answer that you accept that principle. Therefore, do you think that there is a need for Government to



regulate in the area of football clubs?

Nicky Morgan: I would hope not. I would hope that the football authorities can do this, frankly. The owners' and directors' test is based on a set of objective criteria. What it is not at the moment—this is why the review is going to be important—is anyone's fundamental ability to run a football club or their motivations. Let's see what the EFL says. If it says that it or others could not possibly ask those questions—I think what we all care about is that football clubs are at the heart of communities, and we do not want to see another Bury or what nearly happened to Bolton happen again.

Clive Efford: I will leave it there.

Q642 **Paul Farrelly:** I just wanted to come back to Leveson and press reform in case you thought that we had really totally got bored of it after so many years.

Nicky Morgan: No, no. I would never doubt that.

Q643 **Paul Farrelly:** I noticed that the so-called Independent Press Standards Organisation has now appointed Lord Faulks, a Justice Minister—he has stepped down from the Conservative Party now—as the new Chair from January. I do not begrudge him the loot on top of his attendance allowance, and I would not ask you to comment on that appointment.

Nicky Morgan: That is good.

Paul Farrelly: Under the royal charter a recognised regulator would not have a politician at its helm. It just begs the question: is it still Government policy to encourage IPSO to apply for recognition under the charter, or have you just given up the ghost?

Nicky Morgan: We are watching to see what happens with press regulation. The press wanted the system of self-regulation. I think I said in the House in response to an oral question about recent press coverage that I will watch the system of self-regulation and what happens with great interest. I am not intending, I am not minded to introduce, and I am not discussing in Government any reforms to the current system for any time soon. It is not on our horizon.

Q644 **Paul Farrelly:** So it is not Government policy anymore to encourage IPSO to be complaint with the charter and be a recognised, independent regulator?

Nicky Morgan: I would need to check, I am afraid. It is not an area that I am able to give you chapter and verse on. In terms of the different regulators and everything else, I was just trying to think whether there is anybody else. Your aspersion about somebody who is an ex-politician and, therefore, not up to being independent—I am not sure that holds water, really.

Q645 **Paul Farrelly:** That is not the case. I did not say that. I said that under the royal charter, politicians would not chair a recognised regulator.



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Nicky Morgan: What about the Competition and Markets Authority and Lord Tyrie? I do not know. That is what I need to look at.

Q646 **Paul Farrelly:** Under the royal charter for press reform that went through this House, which you presumably voted for.

Nicky Morgan: I presume I must have done, yes.

Paul Farrelly: Perhaps we will return to it in the future.

Nicky Morgan: Do.

Q647 **Paul Farrelly:** Your predecessor, with what might be called indecent haste, decided very quickly into his brief tenure that he was not going to implement section 40 of the Crime and Courts Act 2013.

Nicky Morgan: I am not going to implement it either.

Q648 **Paul Farrelly:** Do you have any intentions of removing it from the statute book?

Nicky Morgan: No, I wouldn't have said so at the moment. There is a difficult conversation to be had with the Chief Whip about any legislation and with the Leader of the House. Again, that is not something that is on my horizon, no.

Q649 **Paul Farrelly:** Clearly, there is the issue of Leveson and a possible Leveson 2. Just take a couple of examples of the press perhaps not learning from experience or being unwilling to learn—you commented on the outrageous intrusion into Gareth Thomas, at the time of the Rugby World Cup. He very bravely, after 10 years, was the first major rugby figure to come out as gay. He has made it quite clear he would not have revealed that he had a diagnosis of HIV-positive without being blackmailed by a newspaper, which threatened to reveal it if he did not. At another end of the spectrum, you have the lawsuits now being planned by Meghan Markle and Prince Harry over privacy and phone hacking.

Would there be any circumstances under which you might feel it was right to reverse the Government's decision not to go ahead with Leveson 2?

Nicky Morgan: On those particular cases, certainly in terms of the first one and Gareth Thomas, I fully appreciate the very distressing story, and there are others as well. Of course, we always end up talking about well-known people, but there are plenty of people who do not hit the headlines who also find that things are covered in the press that they might not want or might not have put in the public domain. As I said, and as I would say again, the press wanted a system of self-regulation. I am interested to see how it operates, particularly when there are complaints. Let's take it from there.

Q650 **Paul Farrelly:** Yes. The press was offered a system of self-regulation under the royal charter but it wanted a self-regulator that it controlled.



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Nicky Morgan: Yes. As I say, let's see.

Q651 **Paul Farrelly:** Just to be clear, are there any circumstances under which you might think the Leveson 2 inquiry, which was promised by the Government to address a broader range of behaviours and history, might go ahead? Are there any circumstances at all?

Nicky Morgan: I cannot envisage any at the moment, no.

Q652 **Chair:** There are one or two final questions from me. Paul Farrelly asked his question about chairs and governance structures. A lot of what we have talked about today has been about data policy. As a Committee, we had regular sessions with the Information Commissioner's Office over the last couple of years that we did not used to do before. I think the ICO is almost as big as Ofcom now in terms of staff, but it has a very different governance structure. The Information Commissioner is all-powerful in her domain. Do you think there should be a consideration of whether there should be a more formal structure for the ICO—a more formal board, and the chair as well—so that its governance structure is more like other big regulators like Ofcom?

Nicky Morgan: I don't think it has been raised with me and it is an interesting proposition. You are right. As the roles of these bodies change, it is right to keep governance under review. It is something that I am happy to discuss and look at. I am always slightly wary about reorganisations and new governance and taking people away. As you say, the ICO is engaged in some very important activities. It is a question of weighing up and identifying where any particular issues need to be tackled in terms of governance or that trigger a reorganisation or not. Of course it is right to keep any organisation under review.

Q653 **Chair:** I do not think it is a reflection of the quality of the Commissioner.

Nicky Morgan: No, no, no. It is a question of, as you say, size and responsibility.

Q654 **Chair:** The Commissioner is doing a very good job, but whether that is a discussion the Department should be having with the ICO to see what the ICO's view on it is as well—

Nicky Morgan: I see the ICO pretty regularly and it is something I am happy to discuss.

Q655 **Chair:** Finally, the Home Secretary published a letter about Facebook, about the concerns about the end-to-end decryption of all messaging services. Do you share that concern? Do you think there is a need for it? Do you think that is meeting a consumer need? There are encrypted services—WhatsApp is one. Is there really a case for saying that all messenger services operated by Facebook should be encrypted?

Nicky Morgan: I think the Home Secretary made an extremely good point. It is a concern, particularly where it is making law enforcement or



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safety regulations, or cracking down on vulnerabilities or particular issues or the way that services are being used very difficult to investigate.

Chair: Great. Thank you very much. I think that concludes our questions. Thank you for making this work today in what has been a very busy day.

Nicky Morgan: Thank you very much indeed, all of you, for your flexibility.