HOUSE OF LORDS

Communications and Digital Committee

Corrected oral evidence: BBC future funding

Tuesday 22 February 2022

2.30 pm

Watch the meeting

Members present: Baroness Stowell of Beeston (The Chair); Baroness Bull; Baroness Buscombe; Baroness Featherstone; Lord Foster of Bath; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Baroness Harding of Winscombe; Lord Lipsey; Baroness Rebuck; Lord Vaizey of Didcot; Lord Bishop of Worcester; Lord Young of Norwood Green.

Evidence Session No. 1 Heard in Public Questions 1 - 15

Witnesses

I: Dr Richard Fletcher, Senior Research Fellow, Reuters Institute for the Study of Journalism, University of Oxford; Professor Catherine Johnson, Professor in Media & Communication, University of Huddersfield; Dr Jeremy Silver, Chief Executive Officer, Digital Catapult; Paul Lee, Global head of research for technology, media, and telecommunications, Deloitte.

Examination of witnesses

Dr Richard Fletcher, Professor Catherine Johnson, Dr Jeremy Silver and Paul Lee.

Q1 **The Chair:** Welcome to this first public session of the Communications and Digital Committee as part of our new inquiry into BBC future funding. The aim of our inquiry is to consider how the BBC should be funded in future to deliver what public value is needed from a national public service broadcaster. As part of that inquiry, we are first taking a step back to explore some of the bigger issues, the first of which is how the global media landscape is changing and how audience behaviours are changing, or how they may be developing over the next 10 or 15 years.

We are very pleased to be joined by four experts to talk to us about that today. Before I ask to them to introduce themselves, because this is the first session of this inquiry we are all required to orally declare our interests, which will appear in writing in the report when we get to the end of our inquiry. We will go around the table and I will start with myself. My interest is that I was an employee of the BBC between 2001 and 2010; therefore, I have a deferred membership of the pension scheme.

Baroness Featherstone: I watch the BBC from time to time; that is it.

Lord Vaizey of Didcot: I watch the BBC all the time. I am on the board of Tate with Tim David, the director-general of the BBC. I appear as a regular panellist on BBC "Context", for which I am remunerated. I advise LionTree, the world's global leading M&A media advisory firm. I am on the advisory board of NewsGuard, which rates news sites for their veracity and truth, and I am chairman of Common Sense Media UK, a globally renowned charity that provides ratings on content for children and their parents.

Lord Bishop of Worcester: I broadcast occasionally for the BBC, for which I receive payment.

Lord Lipsey: I have nothing to declare.

Baroness Bull: I was a governor of the BBC between 2003 and 2006. I occasionally make programmes for, and appear on programmes on, radio and television. My partner is a freelance filmmaker and cameraman who is occasionally employed by the BBC, or by independent companies commissioned by the BBC.

Baroness Harding of Winscombe: Other than watching and listening to the BBC regularly, I have nothing to declare.

Lord Griffiths of Burry Port: I am an avid BBC listener and viewer from the time my alarm goes off in the morning until Huw Edwards goes to bed at night. I have worked with the BBC with its religion department for 30 years—I am sure you have all therefore heard of me. I was also on the Front Bench for the Labour Party for its DCMS brief, until Covid killed that like a stone.

Baroness Buscombe: I have no current interests to declare.

Lord Hall of Birkenhead: My interests are that I have been an employee of the BBC, ending up as director-general of the BBC—so two berths of employment—and I have a BBC pension. Other related points are that I am on the board of Channel 4, ending up as its deputy chairman. Also, I am president of the EBU, which is the organisation that represents public service broadcasters across Europe, north Africa, and so on. Plus I have a family interest in one of the providers to the BBC.

Baroness Rebuck: I am a non-executive director of three media groups: Bertelsmann, which has television interests in Europe and a television production company in the UK; Penguin Random House publishers and the Guardian Media Group.

Lord Foster of Bath: While envious of all my colleagues who have, I have no interests to declare.

Q2 **The Chair:** That having been done, may I ask each of you to just briefly introduce yourselves before we get going, please? I will start with you, Dr Fletcher.

Dr Richard Fletcher: I am senior research fellow at the Reuters Institute for the Study of Journalism at University of Oxford. One of the things we do there is conduct news audience research across a range of different countries, including the UK. I should also say that some of the projects that I will talk about are funded by a range of organisations, including universities, foundations, technology companies and media organisations like the BBC.

Professor Catherine Johnson: I am professor of media and communications at University of Huddersfield. I am an expert on the television industry, public service media and television audiences—in a streaming context I should say; I used 'television' quite loosely there. I will be drawing on some research that has been funded by University of Huddersfield and the Screen Industries Growth Network, which is funded by Research England.

Paul Lee: I am a partner and head of research for technology, media and telecoms at Deloitte, the professional services firm. Unusually, I do not have specific clients, but I meet a lot of our clients over the course of a year. We undertake a lot of qualitative and quantitative research and have done for the last 20 years or so, during which time I have been employed by Deloitte. All that research is self-funded by the firm.

Dr Jeremy Silver: I am CEO of the Digital Catapult, which is one of the catapults in the Catapult network. At least in part our focus is on the creative industries, and we spend a lot of time looking at the effects of advanced digital infrastructure, 5G and virtual reality on future formats and on the future of content. I am also a member of the Creative Industries Council, where I chair its Working Group on Innovation, and I am on the board of the British Library.

The Chair: Thank you very much for giving up your time to be with us this afternoon. I shall start with Baroness Harding.

Q3 **Baroness Harding of Winscombe:** The work of this committee has frequently focused on the fast pace of change in the media landscape. Could we begin by hearing your views on what the main trends are now in audience behaviour, particularly how digital technologies are shaping that audience behaviour. Professor Johnson, could you start us off and then bring everyone else in?

Professor Catherine Johnson: I would say there are probably three or four main changes, the first being the rise of subscription video on demand. Qualitative research we did looking at people's behaviours before and then during Covid showed that the biggest shift was in the uptake of subscription video on demand. In follow-up quantitative research earlier this year, we found that that had continued, and that 60% of our participants were watching subscription video on demand several days a week or more. That was a representative sample of UK participants.

But, importantly, my second point is the continued importance of free-to-air and linear and public service television. In that same survey, which was conducted in May, we found 35% of participants were watching free-to-air linear channels every day and 31% were watching subscription video on demand every day. Subscription video on demand is really important but free-to-air is still there and still important. We found that in that data, if we brought all the main subscription video on demand services together—Netflix, Amazon Prime Video, Disney+, Apple and YouTube—and then compared the frequency of viewing of all those with all the public service broadcasters, channels and their broadcaster video on demand services, they were fairly similar. People were watching them with roughly the same frequency, which was quite an interesting finding as well.

The third thing I would mention is the changing environment for watching television, which is where digital technologies are having almost the biggest impact. We found that fewer than 10% of our survey participants never used a connected device to watch television, so 90% were using a connected device at least once a week,[1] meaning smart TVs, laptops, tablets, smartphones, set-top boxes, games consoles, etc. Television viewing most of the time for most people is taking place in an internet connected environment. Our qualitative research suggested that in these environments people find it harder to find public service broadcasters' programmes—they are harder to discover and not as well known. Thinking about that wider environment, our qualitative research also showed that a number of participants preferred to watch public service programmes on the streaming services that they defaulted to in those digital environments. Digital Eye UK carried out a piece of research that came up with similar findings, although on a narrower range of series.

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[1] <u>*Amended by witness*</u>: Fewer than 10% of survey participants never used a connected device to watch television, around 90% used a connected device at least a few times each month, and a little over 80% used a connected device at least once a week.

My last point is about technology and access. Because all of this is happening, we tend to assume that access is easy for people, but it is not. Our qualitative research found that older audiences in particular can really struggle to use these technologies, the smart television in particular. I can see some nods around the room. I have to say that we are not able to generalise from the qualitative research, but we did find there was there was a gender difference there—that it was primarily older women who were struggling. It is not possible to generalise from a qualitative survey, but that was interesting. We also found some older participants who just did not know what video on demand was. One of our participants said, "What is iPlayer? I don't even know what that is; I need someone to explain that to me". We also found in the qualitative research that some of the lower-income participants were more dependent on linear. In general, we found people doing a juggling game; they were balancing, "Well, I want to watch this and my husband wants to watch that, so we've dropped BT, but we've taken up Netflix. And then we'll do that for a month and then we'll drop that, and then we'll do Now TV". People are juggling between different kinds of service because they do not feel they can afford access to all of them.

The last thing I will say, regarding how digital technologies are shaping these trends, is that it is really important to be wary of technological determinism. These behaviours are not always primarily shaped by the digital technologies themselves. If we think about the qualitative research we did, we went to the same participants before and during lockdown and looked at the reasons why their behaviours changed. The main thing was the loss of routine—our viewers were really habitual. They said, "I sit down and watch 'Coronation Street' every night at 7 pm, and then I do this". Covid disrupted those rituals, because a lot of programmes disappeared, so they needed to find something else to fit that gap. We also found that, because television viewing was more important because, as one of our participants said, "It is the only thing to talk about", people were more inclined to then try a subscription video on demand service to watch things that their friends were talking about because those conversations were more important. Whereas previously they had said, "Oh, I'm not going to bother with 'The Crown', because I don't have that service", and they had plenty of other things to talk to their friends about. Covid created a sort of tipping point that pushed people towards subscription video on demand, then, once there, they enjoyed it, found new things and that changed their habits. But those changes are not necessarily driven by technology, if that makes sense.

Mr Paul Lee: I would just add this to those comments, because it is useful to look at the quantification of how much time is spent with broadcasters. We are expecting time spent with broadcasters as related to video content this year to be about 53%. That is 53% of all video viewing on all devices—televisions, computers, smartphones and tablets. What we have observed over the last few years is that every year that share has declined by about four percentage points. On a year-by-year basis, it does not feel significant; on a multiple-year basis, it is substantial. Going back to 2017, at that point the share was about 73%.

I would expect it to be 49% next year. These are material changes that are happening, partly driven by a shift of demand away from traditional broadcasters, but it is also linked to the fact that there is more supply of video content and more overall consumption of it. We have more opportunities to consume video because we have the devices that enable us to do that.

There are also some other shifts happening, such as video games becoming an increasingly big distraction. They are moving to becoming more habitual consumption trends, as opposed to occasional. The addressable market for even console video games is growing all the time. People who grew up with consoles in the 1990s or the 1980s have continued to buy and to play consoles, and there is a greater gender balance in games playing.

The number of distractions from traditional TV continues to grow. Just to be clear, when I talk about traditional TV, I am referring to TV consumed live or on demand or as catch-up—via a personal video recorder—but I would say that the perception of television is predominantly about live TV. I will just make one comment on how technology is shaping these trends. The heartbeat of all this change goes to the point about technical determinism. I understand that point as well, but at the same time it is a very powerful enabler. Basically, you have this constant shift in how much computing power you can buy for a pound, and that enables things such as smart TVs. I would not regard a smart TV as a homogeneous fixed quantity. The smart TVs available get better and better every year and the user interfaces become slicker and slicker. If you have a 10 year-old smart TV, it will be really hard to use because underlying processing power constrains it, but after a certain point they become easier to use than a remote control, which is part of the tipping point. Consumers dislike friction and when the remote control gives them more friction, they will move away from it. When you move to voice control to be able to say, "This is what I want to watch", when you move to really slick user interfaces and when you have TV set vendors looking to generate additional revenues, that is all part of the movement away from traditional TV delivered via traditional broadcasters, watched live and selected from a simple programming guide.

Lord Vaizey of Didcot: I am so sorry, but just to clarify, does your 49% refer to the traditional broadcasters, BBC, ITV, et cetera, versus Netflix and the others? Or is it 49% of what we see as broadcasting versus video games, TikTok et cetera?

Paul Lee: This year it will be 53% and next year 49%. That refers to the traditional broadcasters' share of attention relative to all other forms of video content on all devices. Social media would be included within that.

Lord Vaizey of Didcot: And you include Netflix in the other.

Paul Lee: Yes. It is principally SVOD and, I think, growing advertising VOD, social media and video games.

The Chair: I know that Baroness Harding has not finished but just before we move on, Lord Foster, did you want to ask a question on this?

Lord Foster of Bath: To return to something mentioned earlier, we heard from Mr Lee that the number of distractions is increasing, whether it is SVOD, videogames and so on, and I think we really get that. Dr Johnson, you referred to something that I know the public service broadcasters are very concerned about, which is the issue of visibility of the public service broadcasters, or traditional broadcasters as others have referred to them. Can you share with us how big a problem you think that now is because certainly the PSBs put it very high on their agenda—sorting out the EPG and how many clicks and so on?

The Chair: That is another big supplementary question. Can we come back to that, Professor Johnson?

Professor Catherine Johnson: Of course.

Baroness Harding of Winscombe: Dr Silver, could you add anything, specifically on the second part of the question, in terms of how you see digital technologies driving the changes, versus Covid or other behavioural changes?

Dr Jeremy Silver: I completely agree with Paul's analysis and with what he said. The level of fragmentation of sources of content is just growing and growing, and there is a set of stages of which that has been happening. The first stage, in a way, is the detachment from fixed sources of streaming all sources of content and on demand. Those two things together—being able to look at anything at any time on any device anywhere—are a major shift that changes behaviours. Then combine that with the range of other activities that people are engaged with, so on the same device you can begin to interact with your media—you can comment to your friends on what you are watching. That interaction, that social part of things, is driving a whole new set of behaviours and starts to link to the gaming side of the story.

The fact that games are a distraction—it is more than that. It is the fact that that initial passive engagement is now also being changed into something more engaged and more interactive. That is going on at a very, very fast rate, particularly for the younger generation. The Ofcom information that came out recently that pointed to the difference between Netflix viewing and BBC viewing among the 15 to 24 year-olds is very telling. For them, 66% are watching Netflix and only 28% are watching the BBC and iPlayer. You can see that change occurring there. If you then look at the other things that that demographic are engaged in, they are also looking at TikTok and Instagram obsessively, but they are also becoming creators themselves and engaging in gameplay, both as an activity but also as something that you watch.

The three big platforms where that is going on, Roblox, Minecraft and Fortnite, are absolutely huge platforms. Those are places where people are both making games themselves for other people to play and watching and enjoying other people playing games and commenting on those other games. This change, from a really passive consumption on a fixed medium all the way through to something very dynamic and very interactive, is absolutely where it is going. The scale of those platforms is the thing that we have to really take on board.

There are live events taking place on Fortnite. Two years ago, a rapper called Travis Scott put on a live gig inside Fortnite and attracted 12 million people to the event, and then about the same number watched it in archive subsequently. The scale of this, and the degree to which generationally that is having an impact is really significant.

There is one other thing bubbling up and worth mentioning, which is what is being called the creator economy. On the back of that—so this is not just little kids—there is a whole batch of new businesses starting up that are engaged in encouraging people to be producers of their own content, enabling them with platforms that other people can then engage with and where people can pay for their content and so on. That sense of fragmentation is really extreme and it is really important that they are all seen together and we do not make artificial distinctions between them, because consumers do not make those distinctions; consumers are looking at all of those things.

Baroness Harding of Winscombe: I was going to ask Dr Fletcher to set some context for us as well, if that is all right, Chair?

The Chair: Yes, that is fine.

Dr Richard Fletcher: Most of our research at the institute looks at news use, which is obviously part of the media environment but not the whole thing. Some of the things that we have found in recent years overlap with what has already been said, but there are some differences as well. We have been looking at news use in the UK since 2012 and have consistently seen that television and online are the most widely used sources of news for people in the UK; well over half the adult population use both of these. Although the figures for online news use remain consistently high, television news use has been declining, as has print and radio.

If we focus on online news use, one particularly important part is the growth of the smartphone as a point of access, as opposed to desktop or laptop computers. This obviously has an impact on the kind of news content people see, the formats it is laid out in and so on. In terms of the specific news outlets that people use when they are online, most news access goes to what we might think of as traditional news brands that predate the internet, so the *Guardian*, the *Mail,* Sky*,* the *Sun,* the *Mirror,* ITV and so on, and, of course, the BBC, which is the most widely used news source online in the UK. In contrast to the broader media environment, the online news media environment is very concentrated. Most of the attention goes to these big mainstream brands, which again includes the BBC.

When it comes to subscriptions and online paywalls, in our data about 8% in the UK say that they pay for online news each year. That does not include, of course, the payment they might make for the BBC; this is about paywall subscriptions to newspaper sites. These sites have much smaller audiences than many of the outlets that are free at the point of access. Platform companies—social media, search engines and news aggregators—are an important part of the news ecosystem in the UK, but they often act as routes back to the same set of traditional or legacy media brands. In our data, only 15% would describe social media as their main source of news.

I will just say a little bit, if that is okay, about attitudes towards news because I think this is relevant as well. One of the two key trends that we have seen in recent years in the UK is a decline in overall trust in the news. Around half in 2015 said that they trusted most news most of the time. The figure is now about a third. There is a big difference when we look at it by brand. The BBC is one of the most trusted news sources in the UK, but it has seen some declines as well, particularly from those in the more partisan groups. Typically, broadcasters come at the top of the brand trust list.

The other key trend is declining interest in news, which is perhaps not talked about quite as much. We have seen similar declines to those in trust when it comes to interest. This is particularly important for online news use because I think motivation and interest are much more important for people when they are seeking out news and information; it does not come as passively as it might have done in a broadcast TV environment. In terms of the effect of digital on all of these, it is self-evident that digital has caused the decline of TV but also enabled the growth of online news use in some ways. There is little evidence to directly link changes in the digital environment to these changes in attitude in trust and interest. That is something that research has not really bottomed out yet.

The Chair: Thank you very much, all of you, for laying out those pictures for us. I have quite a few colleagues who want to come in with supplementaries. Let us start with asking Professor Johnson to respond to the question that Lord Foster put about visibility or prominence of the PSBs.

Professor Catherine Johnson: It is a really good question and, unfortunately, a really difficult one to answer. It was one of the core questions we went into our qualitative research with. One of the problems is you cannot ask people about public service programming or public service channels because they do not know what it means, unfortunately. They absolutely do not. We had people say, "We don't have public service broadcasting in the UK, do we?" They really do not understand what it is, so you have to look for other ways to ask that same question.

We did sit down, when we could, in 2019 with people with their primary television viewing technology, whether that was their games console or their smart TV or whatever and just said, "Show us what you do to find things". From that we were able to deduce that people are quite habitual. They say, "I do this, I do this, I do this", and they miss things in the interfaces. Whether there is a lot of emphasis from the technology companies and from the industry about where things are in the interface depends on people's habits.

Having said that, we did find that when people were in the internet environments—so when they were on things such as Sky Q, where things are aggregated together into one place, or where they defaulted to what we call "one world behaviour"—people would default to a particular world. So, "I go to Sky Q and then I follow where it takes me", or, "I go to Netflix", and, "Oh, I just want to get things easily", and exactly what my colleagues were saying here about the experience being frictionless and easy. Then they said, "Oh, there's three things up there. I've watched that one, I've watched that one, I'll watch that one". That is in terms of their smart TV's interface recommending things.

My sense, from the research that we have done, is that the more people are habitually defaulting to these kinds of digital environments, such as smart TVs, aggregator environments, Fire TV sticks, their game consoles or whatever, the more they will be driven by what is frictionlessly given to them in those environments. That is where those concerns about the prominence and visibility of public service broadcasters, both their apps and their content, comes into play.

Q4 **Lord Hall of Birkenhead:** This is a question to any of you, really. We have concentrated on video because we always do, but radio is going through something of a golden age, I think, and is really interesting. Can you comment on any trends that you are seeing in audio? If not, maybe we could have a look at it separately.

The Chair: If not, we have maybe identified a gap we need to fill later.

Dr Jeremy Silver: Here are a few thoughts off the top of my head because it was not really something that we had prepared for. There is a huge upsurge, as you know, in the popularity of podcasts. The way podcasts are distributed now, through big streaming music platforms, is an indication of the degree to which they are mainstream in their appeal. They are still at an early stage of development in lots of ways. The problem that we were just discussing of accessing and discovering the content is still a huge problem when it comes to podcasts.

There is not, for example, a universal podcast search engine other than Google. In a sense, that creates an interesting opportunity, but it is also, I suppose, an indicator of the early stages of where podcasts are. If you ask the question more broadly about audio, there are other things going on which are quite interesting. Most of those are to do with music—which happens to be my background—but the use of different sorts of music as a gaming background, for example, is growing and I think that will become more sophisticated and continue to increase.

There is also a huge recognition of the value of the audio track within production generally in terms of drama production and the presentation and narrative. Audio is at a growing and important place. We have not talked very much yet about where this all goes in the future and things such as virtual reality, but in that world the audio piece is recognised as being probably disproportionately significant.

Lord Hall of Birkenhead: There is one block, which is consumption of audio and the importance of consumption of audio—where is it, by whom and where? Also, there is the locality of audio and the fact that it can be very local. Then you get into the issue, which we shall have to address at some point, of how you consume video or audio? Radio audio is more transmission-led as opposed to online-led. I think this is something that we need to be able to pick apart.

Paul Lee: May I just make a quick follow-on comment? I would say that audio has become a lot more prominent recently, partly because of deals done, say, in the commercial music space, but also because of podcasts. What the industry that I look at—technology, media and telecoms—is very good at doing is rebranding existing things with new names. Podcasts are effectively part of the move towards the commercialisation of audio and the migration of audio and the best talent behind paywalls. Podcasters create what we would normally call radio programmes. Calling them a podcast gives them a bit more fizzle, but they are radio programmes.

When you look at the top 10 or 20 downloaded podcasts, they are radio programmes and comedy programmes predominantly, but they are called podcasts. It gives them a cachet when people say, "I listen to podcasts on the way to work at double speed". I would say that it is radio at the same time, which is fantastic. I see a lot of innovation in the audio space, say, for music. A really interesting change at the moment is spatial sound, which is the evolution of stereo into lots of different channels. What I always find interesting about that, though, is that the monetisation of audio is not that great. Recorded music went through a massive dip—it is recovering at a fast pace—but if you look at the revenues, they are not that significant. The recorded music industry is worth about $20 billion but, by contrast, the video games industry this year will be worth about $250 billion. They are very different in terms of how they monetise.

Q5 **Baroness Rebuck:** We have heard a lot from you about the many viewing opportunities for the 15 to 24 year-olds and then, at the other end of the scale, the perhaps more habitual viewing habits of those aged 55-plus. It may be too early to have any data but I am interested in the extent to which viewing habits, or the kind of content consumed, might change over time. That seems pretty significant if one is looking at the future of the BBC or the PSBs. Professor Johnson, maybe you have some evidence of this.

***Professor Catherine Johnson*:** It is quite a difficult one to answer. Paul, perhaps you would have more data from looking longitudinally at your research. It is a really interesting question because it is life stage. What you are asking about is life stage versus age and to what extent people take those habits with them. From what I understand of the data, it is a bit of both. That is probably not what you want to hear, but there it is. People become habituated to certain things and they also bring things with them, but then their life stages affect what they watch. When they have young kids, for example, their viewing habits will be shaped by that and so on.

In talking about younger audiences, I looked again at Ofcom's most recent Media Nations research into 16 to 34 year-olds. It looked into the way in which the amount of viewing overall for that group increased over lockdown, as it did for everybody, but the amount of broadcast content they were watching in 2020 was the same despite the increase in SVOD viewing. They were not going from broadcasting to SVOD, they were just watching more SVOD on top. I know that this is a slightly unfashionable view, but this does suggest to me that there is something in your traditional television—your live, recorded and BVOD—that retains interest across the generations. Thirty-two per cent is not a small number.

There was also some interesting research done by the BFI and Cardiff University that looked at how young people see themselves represented on television and the results said not very well; 24% did not feel themselves represented on television, and that was pushing them towards YouTube or social media, but they talked about actively wanting to watch television. It was something that they wanted to do; they just did not see the things that they wanted there. In the past I have done historical research, and when we look historically, we know that one medium does not replace another—there is continuity. If you look back at cinema and television, this is repeated over and over again. There is continuity and change; it is just about how they parse out. That speaks to radio and audio. Traditional listening to linear radio is still really important in people's lives, but there are other things happening. That is what I would say to that.

Baroness Rebuck: Paul, did you have anything to add to that from your longitudinal study?

***Paul Lee*:** Broadcasting is currently dominated by older viewers—55-plus—and I would be careful not to underestimate the pace of change that can happen. You may remember that, 25 years ago, the internet was something that younger or more advanced people did. Smartphones came out, let us say, in 2007, and for at least a good five years they were pretty niche. They were what younger or wealthier people had. Then, probably five years ago, you reached about 85% usage by 65 to 75-year-olds. What we have seen in the last five years is the rate of adoption of SVOD, both in the UK and the US, has risen very fast. The pandemic prompted a lot of older users and families of older users into watching SVOD.

Once you get used to it and you get used to the choice of some of the brands, it can be hard to move back if you have the right technology. That is always the caveat. SVOD on a modern, powerful, smart TV is a treat to use. If you do not have that, and of course age groups and technology have an inverse relationship, then linear will probably appeal more. There is also force of habit.

The Chair: We have a final supplementary from Baroness Featherstone and then we will move on.

Q6 **Baroness Featherstone:** Dr Silver, was it you who said that 24% were still watching the BBC? What proportion of that might be news versus programming? I just wondered how that was split because the streaming tends to be different from news.

***Dr Jeremy Silver*:** I am afraid that is an Ofcom statistic so you will have to ask Ofcom for that data. I was simply quoting it.

Baroness Featherstone: All right, I will ask Ofcom. A more general question then for anyone to answer: is there any data that tells us how most people make a new choice or a new change? Is it word of mouth, for example? What is it that actually swings it?

***Dr Jeremy Silver*:** Do you mean a change in their viewing habits?

Baroness Featherstone: Yes, what they choose to watch. What makes them say, "I am going to watch something" or "This channel is good"? Where do they get their ideas from?

***Professor Catherine Johnson*:** I can answer that because that was one of the main questions that we went into in our qualitative research. I do not have it in front of me so I am going slightly from memory here, but I can always send it to you.

Lord Vaizey of Didcot: You can write to us.

***Professor Catherine Johnson*:** Yes, I can write to you. Word of mouth was definitely there, as were recommendations based on their habits from the technologies that they were using and marketing, such as reviews. We found that these things work together. People would be looking through their smart TV or Netflix and they would say, "Oh my friend talked about that. I will watch it" or "Oh, I saw a review for that". It was often multiple points coming together that then influenced their behaviour. I can send you that research.

Baroness Featherstone: If prominence was not there, would that mean they would not get that ricochet?

***Professor Catherine Johnson*:** It is not just about prominence but also about how much something is being talked about in the press. How visible is it in their social feed? It is those things working together. If you are not necessarily seeing it on your interface, you might search for it. We did have people make a decision in advance: "I want to see this thing because I have heard about it. I am going to seek it out". You have those two different forms of behaviour, which can vary depending on what kind of mood people are in or the time of day.

Q7 **Baroness Bull:** That is absolutely fascinating—really interesting stuff. I would like to shift the focus forward to look at a time horizon of 10 to 15 years and away from evolutions in our behaviour—be they tech-driven or not—to evolutions and shifts within the global technology and media markets. We have already heard about some changes and it would be interesting for you all to reflect on how those changes might be maintained, accelerated or even reversed over a longer timeframe. Also, what are your professional and expert views on what is on the horizon that may or may not impact on how we create, consume and indeed interact with content? Paul, perhaps this is one for you to start on.

***Paul Lee*:** I am happy to start. To give a bit of context, one of the things that we do every year is try to predict what will happen in the next year.

We have been doing that for the last 20 years and occasionally we get it right. What I would expect for the next 15 or 20 years is that a lot of what we will see in terms of trends is continuity, and that is partly because continuity tends to be the default. If you bet on continuity, you tend to win out. But at the same time, the aggregate of continuity can be quite a marked shift. When I look at video, for example, I do not think we will be consuming video in markedly different ways from how we do now.

One very long-term trend is that we have always had a box in the corner called television, which has become the box on the wall, and it will come to dominate the wall because we enjoy being entertained in the company of others. By the time we get to the end of the decade, there will be screens available that are indistinguishable from windowpanes. That is the technology road map: to create screens that have perfect lighting and perfect colour palettes. You are also going to have perfect sound and a frame rate beyond what the eye can cope with. That is what we have been trending to, and that is what we will get to. That is one reason why we will have a lot of continuity because that is what has been happening, certainly over the last 10 years and the last 20 years.

One of the big questions that you may have in your mind is, "Are we going to abandon watching 2D screens and instead wear goggles?" That is one of the big discussions that has been reawakened because of certain news announcements over the last few months. My expectation, based on looking at how technologies are adopted, is that people like doing stuff that appeals to what gives them pleasure. If you have to wear goggles, one thing it does is delete everyone around you, and my observation is that the majority of people have always enjoyed the company of others' reactions. Deleting those diminishes the benefits. It is like going to watch a comedy show without the laughter around you. You would never know when the punchline came in unless you had that cue. I remember going to watch the Olympic Games, which was fantastic, and being surrounded by 80,000 people watching sports made it entertaining, but in reality you are watching someone throwing a stick into the ground 75 metres away from you; on its own it may not be that entertaining. That is why I would expect virtual reality not to be that mainstream.

We also have longitudinal data on usage of devices. What we are trying to do is understand the utility of devices so that we can see the trends that are changing. Smart TVs are going up; that is because there are more smart TVs on the market. We can see the smartphone being very, very popular. We estimate daily usage of virtual reality headsets as of last year, the year before and the year before, in a range of countries, hovering at about 1%. At that trend rate, it will be 1% in 10 years' time, but anything can change, of course.

Baroness Bull: That is really fascinating. Dr Silver, would you like to come in next?

***Dr Jeremy Silver*:** Not wishing to contradict Paul, but talking about technological determinism, I am bound to want to point to those who are thinking differently from that. If you look at what is going on in the large technology platforms, whether it is Facebook or Microsoft in particular, they are not just taking bets but making very significant investments in a view of the world that is a bit different from that simple continuity that Paul describes. Of course, these two things are not mutually exclusive; both could happen. That sense that virtual reality will not come about is something on which we can all conjecture.

What will happen, however, is that the experiences will improve. The current ungainliness of wearing something that feels like an overtight, restrictive pair of swimming goggles through which you can peer through a letter box will and is improving, and it will improve very quickly. That, combined with the increased social dimension inside the kind of virtual spaces being created, is already becoming valuable to people. In the automotive industry and in architectural practices, for example, augmented reality—that is, a digital layer over what you can see in front of you physically—is already a design tool that people are using that allows them to collaborate internationally and to work together. In my personal view, augmented reality is probably where this is going to grow, rather than the more contained spaces.

You have to think about what these larger players are doing to make that happen. You will have seen that Microsoft recently bought Activision Blizzard, which is a very large games company. It was a $65 billion acquisition. They did not do that casually. That followed two years or so on from its acquisition of Minecraft, which I was talking about earlier—that environment in which kids make games. That is combined with its ownership of LinkedIn, which is a massive social network that you are all familiar with, and its investment in what it calls the HoloLens. The HoloLens is a form of hardware—an augmented reality headset—currently mostly used by industry and it has been targeting the enterprise customer for that rather than consumers. If you piece all those investments together and look at where they are going, it is pointing in that direction.

I am afraid I am going to have to be the first person on this panel to use what I call "the M word": the metaverse. This is a sort of myth—a bit like a unicorn; it does not actually exist—but it is a prospect that a lot of these companies are investing in. We cannot ignore this, even though at the moment many of us would look at that and say, "That looks like a really uncomfortable, anti-social environment. Why would I want to go there?" But the speed and the levels of investment being put into developing that kind of virtual environment are immense.

There is one other factor that is driving that which is non-fungible tokens, or cryptographic currency, which is driven from the blockchain and that whole side of things. The idea that suddenly you can buy a digital asset—a digital work that is of limited scarcity so it is unique and therefore you can invest in it—in these environments creates the huge financial incentive that is driving that development as well. Again, a lot of us would look at that and say, "A fool and his money are soon parted". None the less, the volume of investment that is going into that is indisputable. When we put all those pieces together and we look at what those large players, those big existing technology platforms, are doing, it would be a huge mistake to think that that is not going to change people's behaviour and that we are not going to see an enormous part of the population engaging in those kinds of environments, even if at this point we cannot quite see how that is going to shape up.

Baroness Bull: It is fascinating because you have two immensely powerful forces there: the money—the investment—technology and human nature. What you have described is the age-old thing where we sit and watch people perform; we have done that since time immemorial and we are still doing that with our box in the corner, or box on the wall. I do not know, Professor Johnson, whether you can bring together these two forces of the human appetite for communal experience as opposed to this massive and powerful investment that will shift us. Then I want to bring Dr Fletcher in and think a little bit about the news element of this.

***Professor Catherine Johnson*:** I am an academic; we hate predicting the future. My take on it is much more in relation to thinking about the media markets rather than the technology markets. What we have all been talking about up till now is the convergence of previous broadcast markets—not just those—with the internet. That convergence has pretty much happened; by the time we are 10 or 15 years down the line, we are not going to be able to talk about those things separately. We are talking about a media market that is an internet market; those are going to be the same things. That has a number of consequences for the ways in which media as a business operates: it makes data far more important; it makes personalisation more important, whether that is personalisation for users or personalisation of advertising or as revenue models. It makes ownership of IP more important, and it makes who controls the relationship with the audience more important.

Those would be the things that I expect are going to change: data underpinning the business models of media organisations in ways that it always has done, but driven much more by what we might call a platform economics. The thing about all those areas—datafication, personalisation, IP, controlling the relationship with the viewer—is that they all favour scale. The larger international players that operate across multiple businesses all have advantages when we are talking about that kind of economic model.

Baroness Bull: Fascinating. Richard, could we get your perspective?

***Dr Richard Fletcher*:** When it comes to predicting the future, new technologies like AI and virtual reality will undoubtedly be a very important part of that. At the same time it is perhaps more informative to look at current trends, or trends from the last 10 years, and extrapolate out from that. If we do that when it comes to news, over the last 10 years we have clearly seen the audience for television news, although still very large, is getting older and smaller and the audience for online news is growing. I completely take the point about life stages and how this has influenced news media use in the past, and I think that will still be relevant. But people who are now using smartphones or the internet to get news are not likely to give up on the convenience of this as they get older, primarily because these changes that we have seen are driven by audience demand. People can access news in any way they want at the moment, but many are choosing to do it in a certain way and it is difficult to imagine them going back.

The other point about that is that we track these developments in a range of different countries and we see the same patterns almost everywhere; it is not just the UK, these are global trends when it comes to preferences about accessing news. Things get slightly trickier when it comes to trying to understand the role, for example, of social media in this. Although young people clearly have a stronger preference for accessing news via social media, this may be a less stable trend because we are already seeing quite big differences between the 18 to 24 age group and the age groups just above those in terms of the networks they prefer. To give one example, TikTok is much more popular among the 18 to 24-year-olds than it is with other age groups. This is a network that may not be a good fit with news compared to others like Twitter. These are changes that are happening very quickly and those are much harder to predict, but the broader move towards smartphones and online is likely to happen.

Baroness Bull: May I ask really quickly about paid-for content? I was very struck by the figure that shows that we are so resistant to paying. It is at 8% in the UK, as opposed to almost half the population of Norway who are willing to pay for news. Do you see a move towards paid-for news?

***Dr Richard Fletcher*:** Some publishers are reporting year-on-year increases in the number of subscribers, but these are quite small, particularly compared to other countries. You mentioned Norway, which I think is the world leader. It is also worth pointing out that that figuring is not just about subscriptions; it also includes donations to outlets like the *Guardian, s*o the figure for subscriptions is actually slightly lower than that—but we are seeing some increases. It takes a bit of time for those increases to be seen in the data that we collect on the population. Some publishers, such as the *FT*, has seen growth, as have the *Telegraph* and the *Times*. I believe that will continue.

Q8 **The Chair:** Before I move on to the Lord Bishop, I just wanted to ask a supplementary of my own. In the context of markets, I wonder whether anybody has any comments on the aggregation of the streamers and whether you think there is much likelihood of that. I am just thinking more of a sort of transition period between now and something very futuristic, and what we might be seeing in the markets.

***Dr Jeremy Silver*:** There was an interesting statistic about Netflix. It announced its most recent subscription numbers, and its share price dropped because the growth had not been as high as had been predicted. Clearly, there is a level of saturation that is likely to occur, and presumably at some point after that there may be some consolidation. You might also think about single-stream services, or single providers such as Netflix that provide a single area of content, looking at another company that provides a single area of content, such as Spotify, and thinking about how it is going to compete with Apple, which has a more complex package. You can imagine consolidation of that kind potentially happening.

The interesting thing is that if you compare the music market to the TV market, whereas the music market has consolidated around a small number of services that offer comprehensively all music that is available—or at least that is the nature of the offering—as far as video on demand and streaming is concerned, the battle for the subscription has been based on exclusive content. The business model is very different there, and that is determined by the nature of the content itself.

Lord Vaizey of Didcot: Professor Johnson may have been asked this but, on the back of that, did you mention cost when you were talking about people's viewing habits? Are consumers very cost conscious at the moment, or is that beginning to happen?

Professor Catherine Johnson**:** They are cost conscious. Ofcom's research shows that the average number of SVOD services people subscribe to is 1.7, and it has been the same for about three years now; it has not changed. It is a little bit more based on free ones that you share, through password sharing—so that is quite consistent. The consumers that we looked at were very cost conscious, and that was where that juggling came up.

I also wanted to speak to that aggregation question. I do not think there is going to be a single service for video, because that market is just completely different to the audio market. I am really interested in watching what is happening with pay TV. Sky at the moment is absolutely trying to position itself as the aggregator; it is already in a great position in terms of providing our set-top boxes and so on. One of the big drivers for our participants in taking SVOD during Covid was getting a new Sky Q box, which had a Netflix subscription included in it. There was a deal with Discovery Plus, which is a new Discovery streaming service, that was provided to Sky customers for free, and the reports are that it was Sky that covered the costs for that, not Discovery.

You can see a business model for pay TV providers such as Sky to try and become the one-stop shop—to be that aggregator, whereby people are paying for multiple services but they are just paying that one thing. From the consumer's point of view, they can say "Oh, I have Sky, it gives me everything that I want. It gives me multiple, different things". You might have a particular fandom around horror, for instance, and for £2 a month they can add on Shudder. So people will say, "Oh yeah, I'll do that". I am quite interested in what is happening around Sky trying to position itself in terms of that aggregation.

Q9 **Lord Lipsey:** Just to follow up on this, I can see all these fascinating visions, but we are going into a period where there is going to be a really quite sharp fall, certainly in the UK, in real take-home pay. That may well go on for a much longer period than is clear to any of us at the moment. If your take-home pay is falling, what do you do—not buy the kids cornflakes, or not have an additional aggregator for SVOD content?

Professor Catherine Johnson**:** This is where Sky is really interesting, because it is an internet service provider, and often the cost of the package for internet alone and internet with pay TV is exactly the same. People are going, "Bottom line, I need the internet. I get this other stuff with it". Do you see what I mean? I take your point that people will possibly ask themselves, "What can I drop?" We have not seen in the UK the levels of cord-cutting that we have seen in the US, where people have dropped their very expensive pay TV services and they have instead gone to Netflix and Amazon. The markets are not really comparable, because the cost is completely different. Pay TV in America costs so much more; it is already about twice the amount that UK consumers are spending on pay TV and the SVOD top-ups. There will be pressures, but people will still think, "I need my internet". Then they will get those other things with that package.

Lord Lipsey: It is difficult to see what the outcome will be. I thought it was significant that Netflix subscriptions have suddenly stopped rising; that could be perfectly well explained by the fact that people do not want to fork out for it now because they are feeling hard up.

Paul Lee**:** What has happened in a lot of developed markets, particularly English-speaking ones, is that you have probably reached the saturation point for SVOD, so you hit the period of churn. The real difficulty which they are hitting is in adding additional subscriptions at the same average revenue, or the same ARPU, as they were getting before. If you go to developing markets then you can add subscribers, but at a much lower ARPU. That is the balancing act that they are currently going through.

In terms of what consumers will do when their disposable incomes decline, you can go back to 2009-10, which were two really good years for pay TV because it was positioned as, "You upgrade your staying in". For the cost of four mediocre pizzas you could have fantastic pay TV. Those were the messages that were given out, and they resonated. Whenever you have a downturn, there will always be a treat that people look out for. If you cannot afford to go for a meal out, the cost of SVOD services is relatively small.

Q10 **Lord Bishop of Worcester:** This is a fascinating and really helpful session, and thank you so much. What I want to ask about follows on rather well from Lord Lipsey's supplementary. You have said that academics hate predicting the future, but we are going to continue on that vein—not so much on technology, although the two are interconnected. I have to say, I am musing on the possibility of replacing my window with a television. I suppose it is a modern version of stained glass.

Lord Vaizey of Didcot: You can get a mirror, technically, already.

Lord Bishop of Worcester: Moving on from that, you have spoken, fascinatingly, about technological determinism and the dangers of it. I recognise the dangers of predicting, or trying to predict, the future through extrapolation. There are lots of figures on which you have drawn, technology being a powerful enabler and the creator economy.

What I want to focus on now is not so much what the technology will or will not enable, but what the needs and wants of the punters are likely to be. That will, of course, be affected by what is available; it might even be, to some extent, determined by what is available. I look forward to hearing what you have to say about that. As Baroness Bull says, there are powerful forces involved: money and human nature. I wonder if you could say something about how you would, gazing into a crystal ball, look at the future needs and wants of audiences?

Just as a corollary to that, despite the rise in paid-for services, a recent Enders Analysis report estimated that there are currently just under eight million adults who either lack the means or do not wish to pay for TV services beyond the licence fee, and despite that these viewers watch around five hours of television a day, which is over two hours more than the average viewer. I am quite interested in the people who might be left behind in all the advances that are going on. Will those people just catch up? I know lots of grandparents who said they would never get a smartphone, but as soon as it was the only way of connecting with their grandchildren in the pandemic they soon got one. But will they change?

I would also like to go back to Lord Hall's comment about radio. In the communities in which I minister, local radio is really crucial for people who would otherwise be quite isolated. I would like you to think about those people who might be left behind, but just give some general thoughts. Since you excited me by thinking of a television window, Jeremy, would you start?

***Dr Jeremy Silver*:** It's Paul's idea.

Lord Bishop of Worcester: Was it Paul? I do beg your pardon. Was it? I am so sorry.

***Dr Jeremy Silver*:** I will not take credit for his idea.

Lord Bishop of Worcester: No, you cannot. You are right.

***Dr Jeremy Silver*:** The most immediate trend that is observed, and I think people have already commented on, is a desire to have something more personalised—in other words, to be able to have a navigation of available content that addresses an individual's interests and needs, and an individual family's needs. We have seen lots of moves in that direction in terms of trying to provide recommendations and to find associated content that will take people on a journey of content consumption from one thing to another in a way that is sympathetic. That, as we have also seen in some environments, has led to people being shown things that have become very quickly rather unacceptable. YouTube analysis has shown the speed with which extremist material is shown to people when they are looking at moderately controversial material; it comes to them quite quickly. People are aware of this, and I think parents increasingly are very conscious of wanting to know what their children are being put in front of and what is coming.

There is a general consumer perception that understanding the nature of what people are about to see and having some awareness of the nature of the content is quite important. Underlying all of that—and I am sure we will hear this from our colleagues when they talk about the news—is a need for some sense of authenticity, for knowing the provenance of the material. Your comment about the importance of radio, for example, reflects a well-known view of radio that it has a kind of intimacy and immediacy that television sometimes does not have, and that people really value it for that. They probably also value it because they trust it. That sense of having such a fragmented range of potential sources of things to consume, and therefore the notion of a trusted source, is becoming more and more important.

As we are increasingly aware of how content can be portrayed, sometimes misleadingly, and how the context in which things are being consumed is not always apparent, that need for authenticity and trust is becoming more and more critical. Just to give you one example, which I found pretty startling, on the one hand, TikTok was showing interesting videos about how people and carers were working with people with dementia. My initial reaction to that was, "Well, gosh, that is interesting. That is really quite encouraging, that an environment like TikTok should show content of that kind". But then it became apparent that the videos that were the most popular were actually really objectionable ones, in which the carers were taunting their patients. Those were the ones that had gone viral in that environment. Obviously, there is a whole conversation about online harms, and this bears on that conversation. Overall, that is the framework that is probably the biggest challenge in all of this.

Lord Bishop of Worcester: Paul, what do you think people will be wanting instead of four mediocre pizzas—or perhaps they will go back to those?

***Paul Lee*:** We have fundamental needs and urges, and one of them is being told stories. It goes back millennia, since humans existed, and you cannot just rewrite that. If you address that urge, you have a market, and that is what I expect in 10 or 15 years' time. We will still be watching the same kind of stories that were being told thousands of years ago, but with more pixels, better quality sound and larger screens. On the larger screen, what I am describing is not my prediction but the industry roadmap. You end up with perfect screens and there is a route to that, so we will be getting there.

In terms of personalisation, we are complex beings, so we like the idea of being individuals but we like to follow the crowd. We like choice but we do not like choosing. For that reason, I expect there will still be lots of demand for events. Live TV gets smaller audiences than it did 10 years ago. Ten years ago, you could get 10 million viewers on a regular basis; now you get 5 million on a regular basis. It is the only medium that can deliver that. If you take something that is often controversial as a programme, like "Mrs Brown's Boys", it gets ratings.

Lord Vaizey of Didcot: The best show on television.

***Paul Lee*:** Thank you.

Lord Vaizey of Didcot: Just to be clear.

The Chair: Do not start.

***Paul Lee*:** A show like that can get 10 million at Christmas—which it did not get last year, but the year before it did get close to it—but then you consider the 15 million who watched a rapper for 10 minutes globally on Fortnite. This is one country, in which there 10 million viewers, versus the whole world in which there were 15 million, to put it in context. Often these numbers are not presented in context. The sum of all this technology, all this choice and all these platforms, is that still we will enjoy doing things that other people are doing along with other individuals.

Professor Catherine Johnson: I am going to borrow from Dr Fletcher's approach of extrapolating the future from looking at current trends. In the survey that we conducted this year, we asked people how important different functions of television were for them in their lives, and the three that came top were informing and educating people, allowing people to switch off from everyday tasks—so kind of relaxation—and providing amusement. I was quite struck by that, because that sounded quite Reithian to me; it sounded like inform, educate and entertain. Sorry, it was not entertainment but amusement—providing amusement. Those are quite old needs that people are still looking to television for.

We asked people about the origin of programmes—where they come from—and there was a very clear preference for British programmes. Some 54% said that access to British programmes was extremely or very important, compared to 33% for US programmes and 15% for international programmes from countries outside of the US. This goes back to that BFI Cardiff report I mentioned as well, and it shows that there is a strong desire to see yourself represented and to see your culture reflected back to you in some ways. Those are going to continue to be important needs for audiences.

To speak to this point about algorithms and personalisation and the like, our participants were very clear that they found ease was so important because this is, on the whole, a relaxation activity. It is something that you do in your downtime. They do not want to put a lot of work into it, so they appreciated the sort of ease of algorithmic recommendations, when they worked. Often they are not necessarily thinking about it and are just going, "Oh, yeah. I want to watch that. That's easy". They are not necessarily thinking about where it came from—but there were a lot of concerns about algorithms, such as, "How do they know that's what I'm going to like, are they watching what I'm watching? That freaks me out".

There were those kinds of concerns and, in our quantitative research—I was quite surprised by this—61% of participants said that they were concerned about the amount of data that was collected when they were watching television. There is a genuine concern from people that, "There's something going on, I don't really understand what it is. I don't know how it's working. It's doing something that I kind of maybe like, but sort of upsets me as well". There is quite a lot of ambivalence and some concern there. Those are the things that I would draw out.

Dr Richard Fletcher: In terms of what audiences will expect from news in future, I think it will be similar to what they expected in the last half of the 20th century in many ways, particularly when it comes to the core of news that is reporting on current events. People will want impartiality, a lack of bias, the search for truth, the prominence of facts; I do not think these kinds of things will change. We may see differences between younger and older people, such as that younger people may want news organisations to take a more activist position on something like climate change, for example, but at the core this will be quite similar.

Where the change on the audience side might come is that many of the things that people expected news organisations to provide in the past, such as information on local events, advertising or a connection with the outside world, audiences are perhaps getting elsewhere, particularly on social media platforms, and may continue to do so in future. That is a big change that news organisations are dealing with now.

There are also going to be differences when it comes to expectations around access. We already know that those who are highly interested in news and are motivated enough to seek it out can get whatever news they want, rather than carving out time to watch a TV news bulletin. That exists already, and I do not think that will change. The more interesting part is what happens to those people online who are not perhaps as interested in the news, or not as motivated to seek it out. Currently there is a perception that psychologists call "The news finds me perception" which is the idea that if you are online or on social media, the news, if it is important enough, will come and find you because of the systems that have been put in place. Often this is not the case, but people have come to expect it and rely on it. We have called it "Incidental exposure to news on social media" where people log on to do something else, but they might see news in the process.

That expectation is there now, and while it is perhaps easier to see how that was created in a broadcast television environment by scheduling news at certain times in between popular programmes and so on, it is slightly less obvious how that kind of mechanism might work on some platforms. When people are online, sat in front of a keyboard and deciding where to go, it is up to them—and that is something that is important to think about.

Lord Bishop of Worcester: Thank you. Quickly, just to go back to radio, Enders Analysis in November last year found that radio consumption is holding up quite well, with 89% of adults tuning in every week and an average listening time of just under three hours per day—but there is a problem with smart speakers, which over half of homes now have. Is that going to be a difficulty for radio producers in future, if they have to negotiate with those who run the smart hubs?

Professor Catherine Johnson: Smart speakers are going to be an issue in general. I know we might come on to talk about the challenges for national broadcasters, and Dr Silver may know more about this issue. The BBC tried to make a deal with Amazon Alexa smart speakers around news, and was not able to make it because they could not agree on data-sharing. That does not even get us to minority language content. If you take a provider like S4C, which provides Welsh language content, in the context of smart speakers, as far as I understand, there is not even the technology to deal with Welsh currently because it is such a small language. How do you even get that technology to work for minority language content? There are all sorts of challenges, if we increasingly move into an environment where people are searching through voice. You guys might have more thoughts on that.

Dr Jeremy Silver: It is a question of access and control. The business model of the large platforms is to provide as complete an offering for their consumers as possible to ensure that they do not leave the platform or that they do not feel the need to. Having said that, at the moment I listen to Radio 4 on my smart speaker every morning, quite happily, and it understands my English. I have not asked it in Welsh whether or not it would find Radio 4, but I could try that.

The Chair: I do not want to start encouraging letters from correspondents about our debate here on the provision for Welsh language services. We can go to Lord Hall.

Q11 **Lord Hall of Birkenhead:** Thank you very much. As you look at the future needs and wants of audiences, what insights do you have into the question that obsesses broadcasters—at what point you can risk a turn off of DTT for television, and at what point you can risk the turn off of DAB or FM, or both, for radio. That question hugely influences the way in which you look at the business models for broadcasters, broadly speaking.

The Chair: Who are you directing that at?

Lord Hall of Birkenhead: I do not really know. Maybe Professor Johnson and then Mr Lee.

Professor Catherine Johnson: I do not know whether you might have more interest on it from a tech perspective, Paul.

Paul Lee: I can offer one answer to that question, looking at it from an economic, technological and political lens—because I think you have to look at all three. When there have been shifts of spectrum, there has always been an economic imperative to do so because there is a political cost. If you get to the point where, say, 10% of people are still using terrestrial broadcast, what is the political cost of moving them off it to another platform? Humans do not like change; particularly as you advance in age, your rigidity with regard to change becomes greater, but your willingness to vote becomes greater still. When you have had a spectrum being shifted, for example, to be sold off to mobile operators, there have been dividends from that in terms of the spectrum sales. With 3G, it was tens of billions of pounds. With 4G it was a lot less. With 5G it was also low billions. Who is going to buy the spectrum that may be freed up, and at what price? That would be my calculus. Based on that, I expect in 15 years' time we may still have terrestrial broadcast.

Lord Hall of Birkenhead: On both audio and television?

Paul Lee: Yes.

Lord Hall of Birkenhead: Thank you very much.

Q12 **Baroness Buscombe:** Given that we are just now having a Statement here on living with Covid, I am wondering whether there is going to be some churn in terms of people's wants and needs? For the last two years, many people have become much more adept at understanding what it is behind that smart TV, using the internet for their online shopping, and for their Teams and their Zoom. They have grown in confidence in surfing the web to find out what is out there. Netflix has had a huge increase in consumption, but maybe that has now plateaued a bit. In the next year or two, will it be interesting to see how our habits adjust when people go back to commuting, have less time for TV or have worked out they are a bit sick of it in terms of content and want something different—and are trying as well to change their lifestyles through that experience? Any of you can answer.

Dr Jeremy Silver: I will jump in. I believe we will see a reversion back to the way life was, in part. Clearly people are creatures of habit and they will return to the behaviours that they have always enjoyed. However, with what we have seen in terms of technology adoption and the awareness of the fact that, "Actually I can have a video call with my kids in America", or whatever it is, I do not believe we will go back from that. Where people have seen a benefit and where behavioural change has been to their advantage, that will remain. Of course, a lot of the trends that we have been talking about are trends that were taking place before Covid hit and, in some cases, Covid has accelerated them. In other cases, they have just continued anyway. Those are the business strategies of the big players. On the whole, the pandemic has had an accelerating effect, but not much more than that.

Professor Catherine Johnson: When we talk about people shifting to adoption of SVOD in the pandemic, they are integrating it into their existing habits. People would still watch linear TV with their tea, but maybe instead of watching a quiz show, they watched the 5 pm briefings during lockdown. Instead of then watching their soap, which was not on, they would think, "Oh, now I'll go to Netflix". It was just substituting. Given that we have seen the level of SVODs remain, I suspect that that substitution is still happening or that people, even if they have gone back to their soaps, are maybe going to their SVOD service at 8 o'clock or 8.30 pm.

Interestingly there is some suggestion—I was reading some research on it this morning—that longer term users of Netflix are getting increasingly frustrated and finding it increasingly hard to find something. So they might think, "Oh, I'm going to go away from that and try something else". We know there is a massive fight for original content at the moment; there is going to be an almighty battle around that—it is the old primetime slot. It is effectively the 9 o'clock slot, but it is just not a slot anymore—but it is still a slot in people's lives.

Paul Lee: One thing that is happening around peak time, which is the most valuable, is that peak-time slot, which used to be owned by a broadcaster, is now owned by the aggregate of SVOD. Comparing that group of SVODs to an individual broadcaster is not a fair comparison, but that is what has happened. It still does not mean, though, that, say, selling advertising at that time is not valuable—it is really valuable. It is more valuable per user, but not necessarily in aggregate.

Q13 **Baroness Featherstone:** This is an anti-algorithm kind of question. I do not know whether it is the right analogy to say that I brought a green sweater and then they offered me three more green sweaters—what I am getting at is that the business model is all about how much money you make in the end. Is there any work being done on the psychological consequences of just being fed what you like, on the common good as opposed to the fragmentation that goes on when we have nothing that is universal?

The Chair: Rather than get into a very deep philosophical discussion on this item, it might be something that we can follow up further on.

Paul Lee: Can I just make a quick comment on that? The power of algorithms is often overplayed because it is a great story and because it is frightening. The reality is that a lot of SVOD providers are offering top tens, because people like to do what other people are doing. As people, we love lists and we will revert to them. There have long been these stories that the algorithm will deliver you the perfect suggestion; that is not factual. Going back to Professor Johnson's points, what we are recommending is what other people are talking about. It is the encouragement of others around us, whether we know them or not, which often drives our decisions. We love looking for cues for groupings, and that will continue.

Baroness Featherstone: That may be what human beings do, but is that what we should be doing? Should we be directed to something for the common good, as opposed to something that just sates our desire? I do not think that question was quite answered.

Paul Lee: I would not know how to find the common good.

Dr Jeremy Silver: Perish the thought.

The Chair: It is a fair question, but it is a very—

Baroness Featherstone: I know, but they are all so good at what they do. I thought they would have a view or could tell me if there had been psychological studies.

Lord Vaizey of Didcot: They are going to write to us.

Baroness Featherstone: All right, write to me. I want to know.

The Chair: Okay, we will see how quickly Lord Foster gets through his set of questions, because we are already running out of time.

Q14 **Lord Foster of Bath:** I am very conscious of the time. Before I ask the key question I want to ask, can I just say that I was absolutely delighted that Lord Hall asked his question. Ever since Dr Johnson said, "The media market will be an internet market", I wanted to know when you thought that was going to happen—and how disgraceful it is that the current Government are so conservative that the AM/FM licence is extended for 10 years, totally wrongly, in my view. Anyway—

Lord Vaizey of Didcot: They are on the side of the listeners, are they not?

Lord Foster of Bath: Well, exactly. And that is the point that was made about it being a political decision about how people will vote rather than what is the most sensible thing to actually do, because the cost to the broadcasters is ridiculous.

You keep not wanting to talk about what is going to happen in the future, but that is what you have very kindly done, and you have described it brilliantly for us. It has been incredibly helpful. But we are focusing ultimately on how to fund the BBC, and we are therefore focusing today on what is going to be the role, scope or scale of the BBC in this landscape that you have described. It is a ridiculously big, broad question, but very quickly from each of you—and please write to us afterwards—could you just tell us how you think the national broadcasters, and in particular the BBC, will be able to take advantage of this landscape that you have described? Clearly there are issues of amalgamation between the broadcasters, and working collaboratively and so on, but I want to hear from you what you think they could do and what it is going to be like.

The Chair: Who would like to start?

Dr Jeremy Silver: Elect a spokesman.

Dr Richard Fletcher: I am happy to have a stab at that first. We have mainly talked about the challenges for national broadcasters up to this point, but there are some opportunities as well, although they may be less clear. The main one is that the national broadcasters, including the BBC, are starting from a very strong position, at least when it comes to news. They are very widely used; they are broadly trusted, not just among certain political groups, but across the political spectrum; and it has a very strong brand. Branding is very important, online in particular where choice is very high, and so is trust. That is the clear advantage.

Lord Foster of Bath: Sorry. I promise I will not interrupt everybody all the time, but just on the issue of trust, Mr Silver referred earlier to the importance of a trusted source. That surely only really applies to news and in relation to news. We have heard that actually people are less interested in news anyway, so I am not sure whether the trust argument is a very important one—or perhaps I have it wrong.

Dr Richard Fletcher: I cannot really comment on how trust applies to other non-news media products, but it is certainly important for news, and I think news is a very important part of the whole media offering. On other opportunities around impartiality, we have collected data on people's stated preference for impartiality, which is very strong. Of course, national broadcasters are required to provide that, and that is something the public recognise. It is not just a stated preference; it is also a revealed preference in where people choose to go online and also who they choose to trust.

Finally, on investment, particularly in news, when many commercial news organisations are struggling at the moment, the fact that national broadcasters are often of a large size means that they have high revenue and relative stability of that revenue. This means that they have the ability to invest in digital technologies, which will be crucial to delivering in an online environment. That is not something that I think you can imagine all commercial news organisations being able to do. Many broadcasters, including the BBC, have a track record and have been able to use that ability and expertise to invest in technology in that way. That is a clear opportunity.

Lord Foster of Bath: Dr Johnson, do you want to go next, and then we will just work along the panel?

Professor Catherine Johnson: Yes, I will have a go. I would support the points around strong brand, particularly for the BBC. It is an incredibly strong brand, not just in the UK but internationally. UK broadcasters, with the BBC at the centre, are incredibly good exporters of British culture and British programmes. There was a really interesting stat that came from research by Oliver & Ohlbaum, which showed that the revenue generated by the film and TV sector in the UK are higher than any other country, apart from the USA, relative to GDP per capita. The revenue generated in that economy comes from our public service broadcasters; they are a core part of our creative economy. They are the primary investors in UK productions and, even though we are seeing the platforms move into that area, they are not doing it in any way on the same level. Netflix has reached saturation point in the UK, where its investment in original content is going to be focused in other local markets; that is where it is trying to develop in Africa and India and so on.

We talked about people wanting to see themselves represented and wanting to see British content. It is the public service broadcasters that are far and away the providers of British content. Our research showed that the people who value that most highly spend more time watching the public service broadcasters than other services. I was just looking at some of our stats around BBC television channels and iPlayer combined, and they are watched more frequently than the SVOD services. There is a lot to demonstrate that the BBC is fulfilling important needs and has a strong brand, and a lot of those things are going to be helpful for it in moving forward.

I genuinely think that the primary opportunity here is a regulatory one rather than one for the broadcasters. We are in a position where broadcasting regulation is from 2003, from the Communications Act, a piece of regulation brought in to respond to digitisation. We need regulation now in response to the internetisation—for want of a better word, although it is a horrible one—of television and broadcasting more generally. That is what we need, and that regulation has to address the power of platform economics, which is basically the economics that underpin a sort of internet ecosystem. Even if DTV and FM stays for another 15 years, as I think it probably will, that does not negate the fact that, increasingly, the broadcast market is a market underpinned by the internet economy.

One of the real opportunities is that there is a wide recognition that this wider platform ecosystem does not serve the public interest. That is widely recognised by politicians and the public—so we need to think about what we can do to make that ecosystem work more effectively. One thing we can do, if we want to think about a media ecology that works in the public interest, is look to our public service broadcasters. I find it frustrating that a lot of the debate suggests that we need to start from the position that public service media are the problem that needs to be solved. Let us switch it around: let us start from the position that platform power is the problem, and maybe public service broadcasters can help us, with that wider infrastructure, that system that we have in place that is widely valued by the British public, which is fairly effective. There are problems with it, and let us address those as well—but how can it help us to address platform power? I think we are having the conversation the wrong way around. That is my point. I could talk a lot more about how we might do that.

Lord Foster of Bath: We would be very grateful to hear it, but perhaps if you could write, that would be very helpful. Thank you.

Paul Lee: I will focus on one opportunity, which is around a more pragmatic collaboration between the current broadcasters. With an area such as on-demand platforms, is there a justification for there to be one per broadcaster in the UK? I know that there have been attempts to try to create single platforms and they have been stymied in the past, but this is going back over 10 years, to 2008 or 2009. There is a need for collaboration between the broadcasters, not just in the UK, but across Europe as well. The reason why that would benefit is because you would get the economies scaled, and you would have the ability to iterate on-demand platforms on a regular basis. You would have much larger combined budgets for the non-content element—but that essential element, which is distribution, because this is what broadcasters do; they distribute content. We use a different technology to do that, and it is moving away from that. One of the main opportunities is around joining forces to create better technology, better platforms and greater usability, because there is a cleft between the usability of the SVOD services and on-demand platforms for a variety of reasons. By pooling budgets, you can create better user interfaces and better systems.

Lord Foster of Bath: Thank you. Again, perhaps you can write to us and give an answer. The more you collaborate and bring things together, for instance, with a single app for SVODs, then you come back to the whole problem of prominence. It would be a huge row today—

Paul Lee: You would have a white-label platform, but you would vary the look of the app.

Dr Jeremy Silver: If you look at this from a purely economic basis, in terms of the cost and budget of content production budgets, the BBC is never going to be able to compete. We are already in a situation where every one of Netflix, Warner Media and Disney is spending $17 billion a year on producing content. The BBC’s entire budget is a third of that. In lots of ways, how we look at it as being about our relationship to the platforms is perhaps not the right way of thinking about it. There is an economic perspective, which is what the role of the BBC is, not just in terms of its audiences but in terms of sustaining an entire industry andz, in fact, the breadth of the creative industries in the UK. When we take all this into consideration, we have to think about that contribution too.

The reason why we have seen Netflix, Warner, Disney and Amazon all invest massively in studios in the UK in the last two years—over £2 billion has been invested in new studios in the last two years—is because the technical capabilities of the UK media workforce are well regarded around the world, and that is because most of them have been trained from the BBC. That value is growing, but the recognition of it is not there. We have to think very hard about what that means, and the BBC has to think very hard about how to keep that going. That traditional set of skills and capabilities is great and is world beating, but it has to stay current. For all those technological innovations that we have all been talking about, even though some of them may be successful and some of them just pie in the sky, we have to have a BBC that is able to produce technical capabilities ahead of where all those innovations are going.

That equation is incredibly important, because the economic argument cannot simply be one that says, “There is a cost here to purchase a subscription”. Trying to equate the licence fee with a subscription fee for an SVOD service is entirely misplaced, because of that other contribution the BBC is making. It goes beyond that as well, of course, because the BBC, in lots of ways, is probably the single biggest ambassador for the UK’s identity in media terms anywhere in the world. We continue to subsidise organisations such as the British Council, and that is great—but on the role that the BBC plays in doing that around the world, again, no value is placed, and it is actually very hard to put a value on it. The fact is it is an incredible contribution.

When we think about the economics of what we are talking about here, it would be a terrible mistake if we tried to say that the £8.99 a month that I spend on Netflix compared with the £12.95 that I am asked to spend for the BBC—or whatever the exact numbers are—somehow have parity with one another and we should make a decision based on that. That would be a complete mistake. But for that perspective to remain relevant and real, we have to see an investment in the ongoing ability of the BBC’s content to remain relevant to audiences in whatever kinds of environments emerge, and whatever the different platforms are.

Lord Foster of Bath: That is very helpful indeed, thank you.

Q15 **Lord Vaizey of Didcot:** I just want to go back to more objective evidence rather than subjective opinion. This is particularly to Professor Johnson and Dr Fletcher, slightly building on what Dr Silver was saying.

Does your research show any awareness or bias among audiences about what we perhaps call the halo effect? Is there any evidence that they think that the BBC acts as a sort of anchor tenant in terms of quality programming to ensure that the whole broadcasting system is better? I would be interested to know if they think that. Secondly, we have talked about demographics in terms of age, but what about ethnic heritage? Does the spread of technology mean that different parts of our communities now have content that they want to watch, which obviously speaks more to them and where they are going?

The Chair: These are both very big questions, I do not know whether we will be able to do justice to both of them.

Lord Vaizey of Didcot: Do feel free to write to me on those two points.

The Chair: If there is any brief comment that you wanted to make now, then please do so. Otherwise, I think it is probably better that you provide that in writing or we are opening up a whole new—

Paul Lee: I can comment quickly on ethnicity from a personal perspective and also from a data perspective. Certainly, when I look at the SVOD players, there is a lot more that is done in categorisation to appeal to non-white groups. From a personal perspective, my children are mixed race, and one reason they watch SVOD is because they have Asian leads, which they do not see on terrestrial broadcasters.

The Chair: Thank you. You have been incredibly generous with your time, all four of you. I am, on behalf of all of us, very grateful. Indeed, not only am I grateful for your time this afternoon, but we have asked you to follow up with quite a few answers to questions that have come up during the course of this session. If you are able to follow up anything in writing, that would be most welcome, and I thank you in advance for the imposition on your time in doing so. Thank you very much, it has been a great first session of this inquiry. On that note I am going to draw it to a close and say goodbye.