

# Communications and Digital Committee

## Corrected oral evidence: BBC future funding

Tuesday 8 March 2022

2.40 pm

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Members present: Baroness Stowell of Beeston (The Chair); Baroness Buscombe; Lord Griffiths of Burry Port; Lord Hall of Birkenhead; Lord Lipsey; Baroness Rebuck; The Lord Bishop of Worcester; Lord Young of Norwood Green.

Evidence Session No. 3

Virtual Proceeding

Questions 27 - 31

### Examination of witnesses

Professor Stuart Allan, Professor of Journalism and Communication, Cardiff University; Liam Halligan, Economist and Journalist; Professor Mariana Mazzucato, Professor in the Economics of Innovation and Public Value, Institute for Innovation and Public Purpose (IIPP), University College London; Dr Tom Mills, Senior Lecturer in Sociology, Aston University.

Q27 **The Chair:** Thanks very much, everybody, for joining us for this meeting of the Communications and Digital Select Committee. We are live on the internet and a transcript of today's proceedings will be taken.

This is the third session of our inquiry into BBC future funding. I am very pleased to say that we have a panel of renowned economists and academics who can talk to us about the economic and social rationale for a national public service broadcaster, the extent to which this rationale has changed in recent years and what this implies about how the BBC should be funded in future.

Before we get to the questions, I would like to ask the witnesses today to introduce themselves. We have two witnesses here in the room and two joining us on Zoom. I am going to start with those in the room.

**Professor Stuart Allan:** Hello, everyone. I am delighted to have this opportunity to meet and discuss these issues with you. I am a professor of journalism and communication at the School of Journalism, Media and Culture at Cardiff University.

**Liam Halligan:** I am an economist and also a front-line journalist. I have worked at Channel 4 News, ITN and CNN. I write a column every

week in the *Telegraph*. I currently work for GB News. I should say that I am here in a personal capacity, of course, giving my own views. I do not represent any of the bodies I have previously mentioned or any others.

**Professor Mariana Mazzucato:** I am a professor at University College London. I am a professor in the economics of innovation and public value at University College London, where I founded and direct the Institute for Innovation and Public Purpose.

**Dr Tom Mills:** I am a senior lecturer in sociology at Aston University. I am also chair of the Media Reform Coalition.

Q28 **Lord Hall of Birkenhead:** The Reithian values, the mission from Lord Reith 100 years ago to inform, educate and entertain, is still the thing that the BBC thinks hardest about. The question this afternoon is: what does that mean? How does it do that? Does it still have value?" In my time, we have been through public value tests, and we also went through distinctiveness last time around in the charter. We would like to explore with all four of you at the kick-off the way in which notions of public purpose and public value have changed over time, not just with regard to the BBC but with regard to broadcasting as a whole.

Professor Allan, I wonder whether we could start with you.

**Professor Stuart Allan:** You have started us on just the right trajectory by reminding us of the Reithian ethos to inform, educate and entertain in the public interest. As much as things have changed since the 1920s, those principles and priorities continue to inform the development of public service broadcasting to a considerable advantage.

In thinking about questions of public value, the typical responses tend to be around the economic value. Literally, are licence fee payers getting good value for £159 a year, which amounts to about 43p a day? I do not need to do so now, but if you were to go through the whole breadth of the provision that the BBC offers, most people would suggest that that is pretty good value, however you look at it. It is cheaper than, for example, the £168 that you would pay for the top tier of Netflix, for which you would get Netflix, full stop.

In trying to think this through in research terms, Tom Chivers and myself, and others within the Creative Industries Policy & Evidence Centre associated with NESTA, have thought through the questions of public value. We have subdivided it into thinking about social, cultural, economic, industrial, representative and civic value. I will not go through each element of that typology at the moment, you will be relieved to know, but I would be quite happy to return to any one of those elements. That is the kind of multifaceted conception of value that we really need to be attending to in thinking through how this new media ecology within which we find ourselves is giving shape and direction to a very different conception of public service broadcasting; one that has to make a case for its own relevance, especially with younger audiences who may not yet be convinced that it is something worth paying for.

**Lord Hall of Birkenhead:** Professor Mazzucato, could we hear your

views on this uber opening question?

**Professor Mariana Mazzucato:** As was already said, it is the question to open up with.

I am mainly an industrial economist, and I try to understand how different sectors operate. As an economist, the first thing to say is that how we measure value relates to how we understand wealth creation and value creation in a sector.

One of the problems that has affected measuring public value in this particular sector is precisely that. If we just look at the BBC or any public service media actor as, say, fixing a market failure, that is then going to determine how we evaluate it. We will look at which market failure it fixed or use cost-benefit analysis and so on. When you have a more ambitious understanding of the role of the BBC or any PSB organisation, the question is what that then means for how we measure its value. That is precisely where we need to start breaking it down into much more dynamic categories. I recently co-wrote a report called *Creating and Measuring Dynamic Public Value at the BBC*, and the word “dynamic” is central there.

Even if we break it down into the three very clear areas—individual value, societal value and industry value—that requires us to understand the effect that the BBC is having on lots of different actors and sectors in the economy.

Individual value is what relates to the direct relationship between the BBC and every user and licence fee payer. For example, this would be the BBC platform during the coronavirus pandemic, and how people got their news and interpreted data through that platform

Societal value refers to the broader contribution to society, intended as the contribution that the BBC makes to the democratic process itself, including fighting against fake news. An example would be “Blue Planet II”, which had a huge, wide-ranging societal influence on how people understood climate change.

Industry value is probably the most important in this debate. It is important that we do not see it in this antagonistic way, where it is either the BBC or private providers like Netflix. Industry value is when you are shaping the market and reimagining what a soap opera or talk show is. This is about being a market leader in those areas and then crowding in businesses to play in a new type of market. That really refers to the contribution of the BBC, for example, to the sector as a whole, especially with an emphasis on its contribution to the creative sector and especially on leading it.

For example, the BBC has been a leader in setting digital video broadcasting standards, such as second-generation terrestrial technologies. It supports making the standard viable for all manufacturers to invest in and to build compatible equipment around it. That is a crowding-in effect.

The combination of individual, societal and industry value is already so much more dynamic than how we have understood it in the past.

**Lord Hall of Birkenhead:** You are both arguing that the way in which we have looked at value in the BBC has historically been, or has become, too narrow and we need to look at it from a much broader perspective.

Liam Halligan, as an economist, speaking purely from your own view here, what do you think?

**Liam Halligan:** Thank you for inviting me to give evidence. It is always good to be back in the Palace of Westminster, where I have worked in various guises over the years as a journalist and researcher and so on. I feel like this is a bit of an away fixture for me, though. I am the guy from the *Telegraph* who voted leave and who works for GB News, but I am house-trained, and it is nice to be here.

I have huge respect for the previous two witnesses, of course. We can think about the many great things that the BBC has done over the years and continues to do. I should put on record that, believe it or not, I am a supporter of public service broadcasting being centrally financed. I grew up in a house with no books. The BBC carved the contours of my young mind. I am immensely grateful to the BBC. I have even worked for the BBC on and off over the years.

Streaming and digitisation are to broadcasting what the motor car was to the horse. While we can come up with legitimate and very wide definitions of value, as Professors Allan and Mazzucato very eloquently have, we also have to think about other aspects of value and how much better we can do, given where we are. The BBC is a crown jewel in our civic society. I want to see it preserved, but I want to see it changed, because if it does not change, it will be overcome by political, technological and cultural events.

Professor Mazzucato rightly referred to crowding in, and the BBC has done a lot over the years. My background is in ITN and Channel 4 News, and newspapers. I now work at a particularly resurgent media organisation that does not get a good press but is doing incredible things, both technologically and journalistically, which people in this room will come, eventually, to appreciate.

You can also have crowding out, as well as crowding in. If the BBC does everything, as it tries to, it crushes people who are trying to do things on a commercial basis. Does the BBC really have to do so many podcasts and shout about them on primetime television? What about other people trying to get podcasts off the ground—people who may not come from west London and have the same views as the vast majority of people at the BBC? My instincts are that we should worry about crowding out as much as crowding in.

We should also think about public trust. I am a huge advocate of the BBC. I recently wrote a chapter in a book, and the person who commissioned the chapter was disappointed because I was not more critical. He said, "I have got you down as a foe". I said that I am a friend of the BBC but think that it needs to change.

It is not progressive to have what is, effectively, a poll tax on a technological object that is now obsolete. We should pay for the BBC out of general taxation, as many other countries do for their public service broadcasting. It is not fair to criminalise thousands of people each year, many of them vulnerable; too many end up in jail, not least elderly women. On International Women's Day, we should remember that.

I want people at the top of the BBC to get ahead of change and start to shape that change, so that we can preserve this incredible cultural asset that we have. The BBC should do less but do it better. This should not be some kind of venal fight with one branch of our politics. I do not see many people at the top of the BBC getting ahead of change, frankly. I see them in a bunker trying to preserve what is theirs and trying to preserve a big bureaucracy. It should not be like that. We need to have a grown-up discussion about something that a lot of the public think is very precious. They want it preserved, but there is a sense that it is too big, does too much and caters only for a certain diminishing sector of our society, by age, demography and socioeconomic background. If I risk offending people by trying to provoke that debate, I can only apologise.

**Lord Hall of Birkenhead:** Mr Mills, what is your view on how the notion of public purpose and public value for public service broadcasting has changed over time?

**Dr Tom Mills:** First of all, I echo some of the points made by Liam Halligan. The BBC does need to change. On the way that public value and public purpose have been understood, we have already got a pretty good overview of some of the problems with how we think about public value. The big picture is that there has been a move away from this general sense of broadcasting as, first and foremost, serving a public purpose, towards more technocratic and economic debates about specific kinds of content that need to be produced that will not be provided by the market.

I know that Mariana Mazzucato has done some interesting work, which she has already mentioned, on how we need to think about public value more critically. When you started, you mentioned the original purpose. It is worth going back to those original purposes and principles, not because they are applicable today—in many ways they are not—but because at the level of principle they are important. There are a few things I would want to emphasise here in terms of the broad purpose rather than distinct types of content.

The first is universal access. One of the underlying assumptions of public service broadcasting is that we all need to have access to information that allows us to participate in politics, but that also applies to culture as well. The BBC needs to serve a function that allows us to participate fully in society and in our democracy. That is why you cannot have a subscription model; you need to have universal access.

The second one is more specific to the BBC's journalism, which is just one facet of what the BBC does. One aspect of the BBC's publicness, if you like, was the idea that the BBC would be independent of commercial and governmental interest. The BBC has become much more

commercialised, as we all know, but it does not have the authentic independence from government interest that is required. Part of the problem is the licence fee and the capacity for the Government to be able to set the level of the licence fee. That is just one aspect of it. We need to think about political independence as being an important part of the BBC's publicness. At the Media Reform Coalition, we have argued for a recognition of some of the regressive elements of the licence fee and a move towards a digital licence fee, recognising that the BBC does in fact need to change.

The third aspect, which is perhaps a little bit more complicated, is the BBC's cultural function and the original Reithian ethos. This was mentioned before, but the idea is that you bring the best of culture and the best of thought. This has been widely derided, particularly since the 1980s, for its elitism, and to a certain extent rightly. What is often overlooked is that the market systems that now have displaced the older tradition of patrician public service broadcasting have not really developed the kind of democratisation of cultural production that was originally argued. If you think about an organisation such as Netflix, its ability to see that its audiences are satisfied with its content is really not so different from what you get with the iPlayer.

What is the underlying point I am making here? One of the key aspects that is missing from these debates around public value and public purpose is the public themselves. The challenge for public service broadcasting is to ask what that means in a digital age and whether, as we move away from this one-to-many model of broadcasting, we can create a much more authentic, democratic and participatory platform. That is a much bigger question than funding, and it comes to profound questions around governance, but it certainly needs a lot of funding. The rationale for providing those sorts of resources for the kind of change that the BBC needs certainly should not be based on the impact that that would have on commercial interests.

**Lord Hall of Birkenhead:** Dr Mills, you and Mr Halligan have looked forward and clearly thought hard about whether the notions of public purpose and value will change in the future and therefore what that suggests about how the BBC funds itself. I wondered whether I could point that question, which you have both been answering, to the two professors.

**Professor Mariana Mazzucato:** In answering that question, I want to come back to something that Liam Halligan said, which is critical. How do we know whether any sort of public entity—today we are focusing on the BBC—is crowding in or crowding out? That depends on what it is actually doing. The pressure we should put back on to the BBC in terms of how to create public value is to make sure it is in fact doing what I described it as often doing, which is shaping and co-creating markets, not just fixing them.

In 2019, the BBC really promoted women's sports. This was on the back of the Women's World Cup, which it really centred. Something like 28.1 million people watched the BBC's coverage, and something like 42% of

them said it was the first time they had ever watched women's football, and 16% said that they were more likely to participate in football following that coverage. That is a catalytic effect.

It reminds me of a conversation I had with the director of a public museum, Frances Morris, head of the Tate Modern. She said that, if she just did what the Treasury wanted her to do in terms of how they evaluate the Tate, it would literally just be big blockbuster shows and selling tickets, whereas her objective, when she thinks about public value, is getting people to walk into the museum who have never waked into a museum before.

I want to push back on what Liam said. It is not about an elitist agenda; it is exactly the opposite. It is nice to pretend that the BBC is just out there as some sort of woke agency feeding the progressives and trying to convert the converted, but what I have seen it do—it should do more of this, and when it is not doing this, it is not doing its job—is promoting a different sort of experience to people who have often not been included in that experience.

I would also like to compare it to the United States, where we have PBS. There is a very different funding model, but still, it is a public broadcaster. PBS is great; I used to live in America and I love PBS. However, it is literally just fixing markets. It does high-quality news, documentaries and theatrical productions. It does not do soap operas and talk shows, because the idea is that it would be crowding out the business sector. The BBC has transformed what soap operas are. "EastEnders" is a soap opera about the working class, as opposed to "Dynasty" and "Dallas", the old soap operas of their time. The BBC changed what talk shows are, getting diverse voices on talk shows and promoting inclusion and diversity.

That is what it should be doing if it is creating public value. That does not mean we just defend it and say that it creates it; it should become a metric to make sure it is doing that.

**Lord Hall of Birkenhead:** That is fascinating. Professor Allan, what are your views on whether these notions will change in the future, and if so, how? How should the BBC and its funding mechanism respond?

**Professor Stuart Allan:** I agree with what Professor Mazzucato has just said, but I would step back a little and remind ourselves that, when we are thinking about the BBC, it is within a broader media ecology shaped by the other public service broadcasters: ITV, Channel 4, Channel 5, S4C and so forth. All of those have similar statutory requirements and similar obligations to diverse communities and to support the creative economy across the UK's nations and regions.

That tends to be framed within a market deficit model. There is an element of that that continues to be true, but I would encourage the kind of self-reflexivity that is being encouraged here. The BBC does have to stop, check itself and ask whether or not it is necessary for the BBC to invest in particular areas. Where it is not necessary and where it would crowd out legitimate commercial competition, that is something that it

needs to attend to. So much of the BBC's provision, of course, is directed into areas that have limited commercial appeal. That goes a long way in characterising its guiding ethos.

In some ways, interestingly enough, the current debate around the levelling-up agenda is helpful for thinking about the future direction of the BBC. When you look at the numbers—I have stats here, but we can go into that later, perhaps—you begin to see what Professor Mazzucato is talking about with regard to it being a market shaper, where you have innovation and spillovers. A crucial point there is the standard of excellence that the BBC strives to achieve. It does not achieve it every day in all aspects, but it nevertheless seeks to realise that kind of potential. That raises the bar for everyone. It sets the general standard to which every broadcaster then has to compare and contrast itself.

When you look at the effort to go outside London and the creative ecosystems that are developing with Media City in Salford, the BBC's new centre in Cardiff—my next-door neighbour—and Channel 4's hubs in Leeds, Bristol and Glasgow, you see that this agenda is under way. I respectfully suggest that some of the criticisms we have heard so far are maybe a little outdated. That does not mean to say they are wrong and that they do not invite that introspection, which is what you are trying to encourage.

The BBC has the message and is working to achieve these aims. When you look at the level of investment in creative workers' skills, the jobs, the networking work that is being done, the level of infrastructure, building talent pipelines, SMEs, freelancers and all the rest of it, it is just extraordinary how central the BBC is to creating these opportunities for commercial providers as well as for themselves.

**Lord Griffiths of Burry Port:** It was Dr Mills who grasped the idea that the public actually figures in public value and public broadcasting and so on, so the public needs to be thought about and related to in a more creative way. I just wondered whether Dr Mills would like to take that a little further.

A paper produced recently by the UK Coalition for Cultural Diversity talks about extending the ways in which contact with the public actually happens from the hidebound way of consultations into citizens' assemblies, school curricula and things like that.

Mr Halligan has also just reminded us of the existence of the public and that we perhaps need to consult them. He talked about his background and the way in which, as a member of the public, he responded to the BBC and how it shaped him and so on. How do we capture those energies, experiences and insights so that, when we talk about public value, we have a clearer idea of the public whose value we are trying to serve?

**Dr Tom Mills:** That is a really important question, and this is exactly the challenge that the BBC faces. First of all, there is a technological potential that exists, and digital technologies that make this much more practical than once it was. There is a degree of audience analytics that is

quite advanced. That is one element, but I would like to park that, because that is something that can operate across the digital sector. It is useful, and some of the most interesting work in the BBC is being developed in the research and development department, looking at the potential in digital technology for participation and democratic processes.

To directly answer the question as to how that would work, there is potential precisely for the kinds of assemblies that would be able to create a more organic relationship with audiences, which would be able to inform decision-making. Ultimately, if the BBC is going to make the claim that it represents the public, it precisely needs to foster those relationships.

The way that the BBC has changed in the last decade through devolution, which has already been mentioned, is very welcome. We need to recognise that the BBC remains a very centralised institution. On its broader editorial and political culture, it does remain very centred, at least in respect of journalism on, say, Westminster. The way I would envisage the BBC changing in the medium to long term would be to think of itself less as a broadcasting organisation centred around London or the other metropolitan centres—the shift away from London is very welcome—and more towards being a participatory and democratic platform.

The way the Media Reform Coalition thinks about this is that you have devolved production across the UK and then universal access at a level for everybody. This is the beauty of having digital content production, which is what the BBC is moving towards. There is much less of a limit on what we consume and how we can consume it, but there is also huge potential in the scope for producing that content. You have to think about democratising commissioning processes and editorial processes. Deliberative citizens' assemblies would be a very useful tool for doing that.

On Brexit, there was an experiment that the BBC undertook with audience panels in which they tried to get citizens to inform the editorial decision-making they would make. There is an anxiety about this that you then end up with all kinds of polarisation of political perspectives and the editorial process becomes politicised, polarised and all the rest of it. The real purpose of a public organisation is precisely to be able to facilitate those kinds of conflictual dynamics which emerge particularly in commercialised and digital media environments. That is the important role that public media can play.

We need to do that and address some of the critiques that are rightly levelled at the BBC on the kinds of audiences it represents. By the way, it is not really older, conservative people who are being excluded from the BBC; it tends to be younger people who are less engaged in BBC programming. In order to capture those audiences, there has to be a quite profound cultural change at the BBC. That has to be in the spirit of democratic participation.

**Liam Halligan:** I should reassure everybody that I am a huge fan of women's football. That is an example of exactly what the BBC should be

doing, because it is creating a market for and an interest in women's football. Where women's football was before that wonderful BBC coverage, the market would not back it. With all respect to the many fabulous women footballers, it was too niche. There is now clearly a market being formed, and long may that continue. That is exactly the kind of catalytic role the BBC can play. That is a wonderful example that Professor Mazzucato has given of crowding in.

However, as a commercial animal, there are many examples of the BBC crowding out as well. Local newspapers are bleeding red ink, trying to face up to the technical challenges of screen-based public activity, like the rest of us are. I have been involved in some start-ups myself. I am not blaming the BBC, but the BBC being there and providing stuff for free has crushed the market. That is unanswerably true, if you are a commercial person.

On the cultural points that Tom Mills touched on, the BBC has made huge progress. I say this as a friend. I do not want to get into some kind of culture war. I did not use the word "woke". I am somebody who has worked at the BBC on and off. Many of the people who I know best in my industry are at the BBC, and I see them all the time. While the BBC has made huge progress in gender and ethnicity on screen, socioeconomically the BBC has gone backwards, with all respect. It is the same at ITN, by the way. There are far fewer people from, shall we say, less obvious socioeconomic backgrounds working at the top of our broadcast media in particular—and our newspapers, by the way, as money has got tighter at newspapers—than there were when I became a journalist back in the mid-1990s. I doubt whether somebody from my background now could get the jobs I got back in the mid-1990s.

I salute and completely support and endorse ethnic and gender diversity—who could not? But we have to be aware that, socioeconomically—I know this as somebody who is on GB News and talks to many people who have abandoned the BBC—parts of the public feel that the BBC is not serving them in the way it did when they were kids, for instance, if they are older. It certainly is not serving lots of children and young people all over the country.

I am old enough to remember when "EastEnders" started. Who could forget that incredible theme tune? The bloke who was in "Grange Hill" was suddenly grown up—Todd Carty, what a fabulous actor. There was Susan Tully and Wendy Richard; there was Dirty Den. It was a wonderful socioeconomic moment in our national story. I am not old enough to remember when "Coronation Street" started, which is the commercial example of what the BBC eventually got around to imitating, because "Coronation Street" started on ITV many decades before "EastEnders" started in the early 1980s.

**Professor Mariana Mazzucato:** Can I come in on this question?

**The Chair:** Would you mind awfully if we moved on to another question? Lord Young wants to ask a quick supplementary; it may be something that you can pick up on in response to that.

**Lord Young of Norwood Green:** I would just like to make a comment first. You mentioned poll tax and criminalising people. This is not the place to discuss it, but in fact the BBC pursues very few people. In fact, those who end up in prison usually go there for a variety of reasons, not just because they have not paid the licence fee.

**Liam Halligan:** I used the words “poll tax” because it is not progressive. It is a flat rate, and of course most of the poorest people in this country do not pay income tax. That is why I would prefer that it came out of general taxation.

**Lord Young of Norwood Green:** I was not arguing about that; I was just trying to set the record straight.

I really want to engage with you on where I think the challenge to the BBC is, which is to engage the next generation. That is the biggest challenge they face, in my view. When I talk to 16 to 18 year-olds, I ask them where they get their news from. If I ask them whether they listen to radio, blimey, I might as well have asked them whether they come from outer space—or they think that I have. Generally, what ought the BBC do? I like the idea about engaging them through different audiences. What else can we do to capture that next generation?

**Liam Halligan:** I will try to be brief, because I know other witnesses want to get in as well.

There are many things that the BBC does really well. Tony Hall is looking at me there. The development of iPlayer on your watch, Lord Hall, was a fabulous technological leap forward. It is a wonderful asset that we have. CBBC, CBeebies and Bitesize are all fabulous examples of public service broadcasting; things that the market would not necessarily do, or would not do as well as the BBC does them—they would do them in a more shrill way.

I have three children, albeit they are teenagers—one of them is in their 20s; wow, where did that time go?—so I am all too aware of how the commercial sector can exploit children and bombard them with ads. I am extremely grateful for the likes of Bitesize and CBeebies and so on. There is a huge global market for that wonderful educational resource in the English language, beautifully produced. The BBC should be exploiting that as its licence fee income winds down—which by the way it should.

I would also say that the BBC does too many things. It ends up doing them not so well and not engaging with as much of the audience as it could, both socioeconomically and by age. It undermines the case for public service broadcasting being publicly and centrally funded, albeit under a different mechanism, which, even though I come from where I come from and do what I do for a living now, I am here to defend.

**The Chair:** Can we ask Professor Mazzucato to respond to that and say what she wanted to say before?

**Professor Mariana Mazzucato:** I will start with what I wanted to say before, because it is connected to this; it is almost the first pillar of the answer.

There are two sides to what we mean by “public”. This comes back, of course, to the youth, because they are part of the public. Of course, “youth” does not just have an age: there might be a disabled young person; there might be someone from a very different socioeconomic background from some of our children and so on. Really breaking down the racial, ethnic and disability side of the equation is something that the BBC has not necessarily done perfectly, but at least it has asked itself how it could do it better.

For example, there is a BBC diversity group that includes a big discussion about disabilities. My good friend Tanya Motie sits on that and is always telling me how she has had important discussions with Lord Hall about how to bring differently abled people to the screen and ensure that they do not feel left out in representation. We all know the story of Alex Scott, who is a very important BBC presenter. She was criticised by one of your peers because of her accent and told that she needed elocution lessons. We all thought it was wonderful that she fought back. I know many young women football players, from different racial and ethnic backgrounds, who were like, “Yes!” Again, we have to break down what it means to be leading on this, in the way we have just talked about.

We also need to think about all these young people who are interested in climate change. We have Fridays For Future and kids striking all over the world. We should not forget that the BBC speaks to kids all over the world, because many of their parents might watch BBC World, which is very important, especially in moments of war, as we are experiencing now.

Climate change is hugely debated, but one of the things that the BBC perhaps could do better is to really think through what it means by impartiality. What we do not want—this is something that the BBC is criticised for on both sides of the spectrum—is this feeling that just because you have a climate scientist on screen, you have to have a climate denier. That is a static way to present two sides of the same debate. Young people want a safe place to disagree and to have heated arguments that are evidence-based. You do not want some random Joe off the street, or a public intellectual off the street, to be invited on screen because you have a remainer or a climate change activist.

The pushback that the BBC always has to be impartial has created, in the view of some—I would admit that I am one of them—a static debate. Instead of asking, “Where is the evidence?” and having a heated debate about the scientific evidence, unfortunately many scientists find themselves across the table from someone who one would question whether they should even be on screen. That is not about diversity. We need many diverse voices and people who hold different opinions, but there needs to be a benchmark here. We cannot have a static divide between climate activist and climate denier or remainer and leaver. We need to have a modern, high-level debate about what counts as evidence, and make sure that that is the benchmark from which we have the debate.

Q29 **Lord Lipsey:** Like Liam Halligan, I should rush to say that I am a fan of

the BBC. I should also say that I am the sort of fan who attends only home matches and does not travel away.

I want to concentrate on one of the justifications used for BBC funding, which is addressing market failure. You hear less of this than you used to, but you still hear quite a bit of it. I understand, as an economist, a bit about what market failure is—it is mostly about externalities—but I find it quite hard to apply it to the BBC as a whole. If I take an example—it has come up in a different context—where is the market failure in the provision of sport on television? I can get any amount of sport I want at varying prices, from free upwards. Why do I need the BBC to spend not all but a very high proportion of its budget bidding against these other suppliers of sport? What market failure is that addressing?

**Liam Halligan:** It may surprise you that I would support the BBC in protecting those crown jewels. Maybe I am showing my age. There are certain events that everybody should be able to see, whether or not they pay for them, such as the cup final, England, Wales, Scotland, Northern Ireland and the Republic—let us throw it in—when they appear in international football and rugby tournaments, and even the cricket. I am less exercised about the BBC spending money on that, within reason.

I welcome your focus, Lord Lipsey, on market failure. I have the scars on my back, as a Prime Minister once said, from trying to get commercial broadcasters to greenlight, as we say in the business, rather worthy documentaries by me about things such as the private finance initiative and the failure of public sector pensions, years before they come to public attention. You do the documentary and you get people like you interested, and suddenly there is a parliamentary inquiry and suddenly the law changes.

For the BBC and Channel 4, of which I have much more experience and for which I have made most of my long-form television films, that public service element of what they do is absolutely precious, and I would defend it with every breath. The market would provide documentaries, but they would not be that focused and they would not be obvious to a commissioning editor; if they were just going for numbers, now, they would go for more lifestyle and celebrity-focused documentaries. That is one reason why. It is partly my own experience but also because having public service broadcasting enhances our democracy and our public debate, with journalists and current affairs people holding the powerful to account. That is why I want to defend it.

Often the market will often not understand these long-form, more worthy, for want of a better word, projects. The market is generally focused on the bottom line now, and the immediate bump in viewers now. It is more interested in the sugar rush than the nutrition of programmes that do not immediately grab commissioning editors, who are invariably metropolitan in their outlook.

The BBC has a role to play. The BBC should not necessarily be doing things that the market would provide anyway, such as the shiny floor shows, as we call them. The BBC should focus on things that the market would not provide. Sometimes when it does that, it sparks a genre

across both the UK and the rest of the world. It was not commercially obvious that a bloke who was once the controller of BBC2 standing in front of a camera and talking about nature was going to be an absolute global phenomenon; it took the BBC to launch that in the form of David Attenborough, and thank God it was there to do that.

There is market failure out there. The market often lacks imagination of people who do not have to immediately make a profit and immediately justify higher ratings in the cultural sphere. But we have to be careful that the BBC does not do too much.

**Professor Mariana Mazzucato:** Market-shaping is my expertise. I have been a big advocate of economists in general needing to go beyond the understanding of the public sector as fixing a market failure. We would never have had the internet or anything on our iPhones had the state just thought of itself as filling the gap. The internet itself came from a purpose-oriented and mission-oriented public entity called DARPA, and we know that there is a big debate about this in the UK.

The BBC has been a market leader and shaper due to four or five different functions that it has. We have so far today talked only about the content that we watch on TV, which helps us understand the BBC as a platform. BBC Studios is also really important to the creative programming over the last decade and to cinema. The spillovers that it creates would be the second element. The “Blue Planet II” production ended up creating all sorts of spillovers in underwater technology for the wider media industry, which was able to benefit from it. Again, that is crowding in. A third would be de-risking industry innovation. BBC iPlayer has basically de-risked investment in internet streaming technology, reducing the overall investment cost for other companies. A fourth is official standards setting. The BBC has established new technologies that have become industry standards, such as the second-generation terrestrial, the DVB-T2.

Lastly—this comes back to youth, which we were talking about before—is training and retaining talent; the BBC’s investment in education and training. To support that new talent, the BBC has made something like a £9 million annual investment in BBC apprenticeships. It has an annual commitment of over £500,000 to ScreenSkills, which is a programme around that. It has an annual commitment of over £250,000 to the National Film and Television School, which has often been focused on outreach to those from diverse backgrounds, as we were talking about before.

These are all ways that it has shaped the broader market and not just seen itself as filling a gap if there is something the private sector does not do. It has overall benefited the private sector due to this market-shaping function.

**The Chair:** I am sure that Baroness Rebuck will pick up on some of the themes you have just touched on about the BBC’s role in respect of the rest of the creative industry. Just before I hand over to her, do Dr Mills or Professor Allan wanted to say anything about market failure in particular?

**Dr Tom Mills:** It is important to be forward-looking when we talk about market failure. We tend to think about these things as plugging these various gaps and providing things, as we discussed, that a private provider would not provide. It is useful to think about market failure in terms of the whole system. We are trapped in this pre-2008 mentality of technocratic market management: “What can we get the BBC to do that private providers will not?” The issue that we are really facing is looking at a long-term market failure, particularly in journalism and also cultural production.

We are seeing a movement of advertising revenue away from journalistic production particularly, which makes journalism at a local level completely unviable but also increasingly unviable at a national level. We had a period when it was theoretically possible that you could have advertising-funded, universally available journalism and indeed cultural production. That source of revenue has now been sucked away towards the digital platforms. If you look at the video-on-demand services that are very rapidly sucking up audiences, these huge organisations are not interested in journalism for the same reason that, traditionally, private providers have not been interested in journalism. They are not even particularly interested in local culture, unless some version of it can be very broadly marketed.

When we think about market failure, we are seeing a total market failure and a policy-making environment that finds it very difficult to recognise that fact and come to terms with it. That is why I would encourage the committee to come back to these first principles. What kind of set of media institutions do we need? What kind of media ecology do we need? What role does the BBC play in that? What function should it have?

Rather than assuming in the first place that there will be a few issues with the market, we need to come to terms with the current trajectory of the media system. That means thinking about big tech and these platforms. It means thinking about the now widely recognised problem of how journalism, which we all recognise to be fundamental to democratic participation, is going to be conducted in this environment.

**Professor Stuart Allan:** I will just briefly add in two other points, if I may. I certainly take the proposition that we need to engage with the public and think about public service broadcasting very seriously. I certainly engage with a lot of young people—our students. I teach a first-year module to 300 of them, and so on a regular basis I encounter their experience of what public service broadcasting means to them; or more to the point perhaps, what it does not necessarily mean to them.

You quite rightly pointed out the advantages of Bitesize, CBeebies, CBBC and so forth. I would add “Newsround” as well. You highlighted quite rightly the commercial potential there, and yet we do not have any commercial provision for children’s broadcasting. It is entirely in the hands of the BBC. I am sure the BBC would be very pleased to have some competition in that realm. The Young Audiences Content Fund was just starting to find some traction and was doing some very good things. I hope the decision to roll it back will be rethought and reconsidered. We

were on to a really positive development there, with BFI involvement and so forth.

Local news is another example of where the BBC is blamed, as the 850-pound gorilla or whatever it was at the time of the Graf report. There is some truth to that, but that was very early days in terms of what counted as online news, especially with regard to wider digital provision. Look at what the BBC has been trying to do with local democracy reporters and the investment it has made in trying to create spaces for cross-subsidising local news provision and so forth. Unfortunately, these things have been subjected to some pretty severe cuts of late, but that was the right direction of travel. A more co-operative model with the private sector would be of considerable benefit.

One of the most pressing issues that we have in this country in thinking about the future public service broadcasting is the local dimension, which is so often left within the confines of that market-centred logic. The evidence speaks for itself. So many communities are being effectively under-serviced, and in so doing there are real implications for civic engagement. When we talk about misinformation, disinformation and the like, we have to start at the community level. There are some very serious issues unfolding there.

**Q30** **Baroness Rebuck:** Very helpfully, Professor Mazzucato, you have answered my question, but I have another question that derives from it, about the impact of the BBC on the wider creative industries.

Certainly, we have read about the BBC's impact, which you referenced, in developing creative individuals, through training or employment; creative companies, through investment; independent production companies; creative regional hubs, as some of you have mentioned; and media technology, which is really important. You have all talked about the BBC iPlayer. The founder of Netflix actually praised the BBC iPlayer as blazing a trail for on-demand viewing. That is interesting in itself.

I know from talking to people in the music industry that they praise the BBC for helping in the discovery of new bands. I come from a book publishing background, and certainly a lot of publishers rely on the dramatisations on the BBC or historical programmes such as BBC2's "The Big Read", which asked the nation for its 100 favourite books. That helped a whole new generation discover some modern classics, which is interesting in itself.

To your point, Professor Mazzucato, yes, the BBC is a market-shaper. Professor Allan, perhaps you would like to talk about the BBC's industrial value as part of this question. What is the BBC's role in stimulating the creative industries? How integral is this to the overall purpose of a national broadcaster?

**Professor Stuart Allan:** It is perhaps one of the dimensions that is not immediately recognised. If one wants to challenge the BBC on how it presents itself to its own public, one might encourage it to say more about this and explain itself a little better. It is not fully understood or recognised by members of the public.

There are lots of statistics bouncing around. A recent study suggested that every £1 of the BBC's economic activity generates a total of £2.63 in the economy. We have already talked about the creative and digital clusters that have emerged. The BBC is supporting a total of over 53,000 jobs across the UK, over half of which are outside of London. The BBC has generated an estimated £4.9 billion for the UK economy in the last year, £1.5 billion more than if it was performing in line with the industry average. I could go on. The BBC is investing over £100 million in skills and training. There are things around intellectual property rights and the whole R&D dimension. We have talked about software development and the like.

All of these factors are things that are happening under the broad umbrella of the BBC but which do not tend to be categorised as such. Perhaps the BBC has been a little too modest about the scale of its achievement there. I find myself quite surprisingly being defensive of the BBC. I do not know why; perhaps it is the company I am keeping at the moment.

**Liam Halligan:** How ironic.

**Professor Stuart Allan:** I am quite happy to be so. Ordinarily, as an academic, I always feel the need to be a bit more balanced in my praise and criticism. The BBC has a good story to tell, and it is one that needs telling to a greater extent.

**Professor Mariana Mazzucato:** Could I come in on that last point?

**Baroness Rebuck:** Can I come back to you in a second? Hold that thought. In the interests of debate, I might go to Mr Halligan, to get his perspective on this question.

**Liam Halligan:** We have just heard some excellent examples of crowding in. I am not denying that there is crowding in, but there is also crowding out. This is a complex organisation, employing thousands of people. It is an organisation that is rightly of global repute, which is 100 years old this year. It is very complex.

If we can trade statistics, I thought that the statistics presented by Paul Lee of Deloitte in your last session, and indeed by Dr Catherine Johnson from the University of Huddersfield, were very interesting. I will not bore you by going through them, but I have read them and absorbed them. They demonstrate the fast and accelerating move away from terrestrial appointment-to-view broadcasting towards on-demand platforms. That is a move, sadly, away from the BBC, despite the historic importance and technical merits of iPlayer—which I know you oversaw, Lord Hall.

We can sit here and have a BBC love-in, and talk about the wonderful things the BBC does and how it crowds in—and it does do wonderful things. Unfortunately, in times of national crisis, like people buy the dollar they will revert to the incumbent broadcasters—not just the BBC but increasingly ITN, by the way, which is commercial, and so it is not just because it is a state-funded thing.

In general, we would all agree, if we were honest, that the BBC is not held in as high repute as it was when we were kids, for instance—certainly not by our kids. That is just a technological, cultural and socioeconomic reality. We cannot ignore that. That is why those of us who want the BBC to be preserved, and not challenged unduly or ruined, potentially, by political spite, need to address the reasons why there are people in the Government who think it would be quite popular with voters to give the BBC a kick in the head from time to time.

One reason for that is that the BBC is not reaching as many people as it needs to because of this technological and digital onslaught. The BBC needs to be suitably publicly and commercially funded, with enough commercial savvy at the top. Those people should not be BBC insiders who have done a bit of commercial work, but genuine commercial people who are not beholden to people within the BBC but are thinking about what is best for the institution and for the public realm. The BBC can survive that, but it needs to address where the public is annoyed and concerned with the BBC.

It comes back to the Overton window. Aside from hate speech, of course, which there are rightly laws against, there should not be areas that the BBC should not go to, because Overton windows of debate move. For instance, six months ago, it would have been seen as beyond the pale to have somebody who supported fracking on BBC News, because it was the subject of a government moratorium. But go to Blackpool, and talk to people in the north-west of England who want those well-paid industrial jobs. Guess what? The Government are about to lift the moratorium on fracking quite soon, if my sources are correct.

Things change, and we should not dictate from on high what kind of debates we can and cannot have. We should trust the British public. They are a very sophisticated group of people, who want broad discussions, and they want discussions on their national broadcaster that reflect them. I am afraid that, too often in recent years, that has not happened. We can go through specific examples, but I will spare you the pain.

**Baroness Rebuck:** The question was really about the BBC's impact on the wider creative community. I happened to be listening to Radio 4 this morning and it did talk about fracking, so it is discussed.

Moving on to the question of the impact of the BBC on the creative industries, I would like to go to Dr Mills for his perspective on this.

**Dr Tom Mills:** I echo some of the other points that have been made. The BBC has always been at the centre of a broader, mixed economy of creative production. It spends a lot of its commissioning in the private sector. Some of that has been earmarked over the current charter for spending in the nations and regions and for spending outside London. That is all to be welcomed.

Of course, there is less visible stuff that the BBC does, through the partnerships it has with educational institutions, museums, the Arts Council and the Open University. We saw some of that taking on a more

prominent role at the beginning of the pandemic. That is all to be celebrated and welcomed, in particular any kind of partnership between the BBC and other civil society organisations around the UK. We tend to have these discussions about the BBC in isolation, but of course the BBC is going to be only as good as the broader cultural ecology of which it is part.

Having said all that, it is important that we are a little attentive to the assumptions that underline some of our questions about this. To use an analogy, we never really ask how effectively the NHS is stimulating the wider medical industry; we ask how well the NHS is serving patients. It is really important that a medical system has very well educated medics and nurses, and efficient and well-resourced research institutes, auxiliary companies and the rest of it. Of course, these are means to an end; they are not an end in themselves. I would like the BBC to be part of a very vibrant media ecology, but there are also ways in which the BBC could stimulate that broader cultural environment much more effectively. I would like to draw attention to some of areas where currently, as usual with the BBC, it is doing good stuff around the margins. That could really be doubled down on and brought to the fore.

This goes back to the 1980s and the Birt period, with the emergence of external commissioning. It is a slightly complicated picture but we are seeing an increasing concentration of commissioning among these super-indies. To my mind, that is not stimulating the wider creative industry; that is just pouring public money into the hands of large multinational corporations. Therefore, we need to think about whether that commissioning money can be used in smarter ways to stimulate culture.

This comes back to a question I missed out on earlier, to do with how we engage younger audiences with the BBC. I am a 40 year-old man. I cannot advise you on how the BBC can become cool, but the answer to that has to be about how the BBC can draw in the broader culture to itself. Instead of thinking about how the BBC can do stuff that younger people would like, the challenge is about how the BBC can open itself up to the existing culture that is out there and stimulate that. To my mind, that is about the same processes that I alluded to earlier in relation to the BBC's governance. It is about devolving its production much more radically in the direction that it has already moved in. It is also about providing funding to people who would not have previously received it.

One thing we have argued for at the Media Reform Coalition is taking some of that external commissioning money and, instead of handing it to these big companies, handing it towards local, smaller producers and people and organisations that are much more rooted in the communities that they need to represent. If you start doing that, then you are able to create a much greater understanding culturally and politically—and a feeling of marginalisation from the centre of the BBC has been alluded to. You start to create a much more meaningful ecology, of which the BBC is at the heart, and you have some of the benefits of large-scale production. That is real, but you also have an opportunity for the BBC to be part of a much more devolved ecology and to be able to have a more organic relationship with the communities that it is supposed to

represent. That can be things like citizens' assemblies, as I mentioned earlier. It can be used in targeted commissioning and much deeper relationships with civil society organisations.

You may be thinking, "Isn't it doing that stuff already?" Yes, it is already doing that stuff in the margins, but at the centre of the BBC is its relationship in journalism, essentially with the London-based political elite— current company excepted—and in culture, with these large corporate producers. All of that is causing this blockage. The BBC has an opportunity to change and embrace these new technologies, but there are things stopping it from doing that. There is the issue of governance, and there is also the issue of this marketised regulation. We have talked about how some of this stuff blocks what the BBC could do in the digital sector, precisely because of the idea that that is going to obscure the provision of private alternatives, which quite frankly are not going to be forthcoming because there is no business model for doing that.

**Baroness Rebuck:** We covered some of this in our inquiry into Channel 4, but your comments are interesting and well made.

Professor Mazzucato, I know you wanted to add to the debate. From your evidence to date, I know you believe that the BBC makes a significant contribution to the wider creative industries. What weight should be given to this in any decisions about the corporation's future and any funding decisions? A corollary to that might be what the consequences could be if the BBC did not exist in its current form and size, and how fast those consequences might be manifested. Maybe you could answer both.

**Professor Mariana Mazzucato:** You are absolutely right that they are related. In economics, there is a nice word that sounds very abstract but is not: "additionality". In the policy space, the public actor space or in this case the public broadcaster space, it basically means that what you are showing or what you are doing in the broader sense of the word that I talked about is catalysing things to happen that otherwise would not. Are you having that catalytic effect, or are you, as Liam Halligan has been talking about, just crowding out and taking up space in an area?

The market-shaping view that we have been talking about really should lead to measures, including government measures—think of the Green Book measures that we have to evaluate public actors—to capture whether there is this additionality in creating those dynamic spillovers across the whole economy. The Treasury itself should make sure that in evaluating an organisation, which could be a public museum or a public broadcaster, we really have those dynamic evaluation criteria.

In terms of the BBC, I talked about those categories before. You could also talk about them throughout the whole innovation chain. You can think about the BBC as an investor of first resort, an innovator and a platform. It is an inventor; I mentioned "Blue Planet" testing new marine research tools and exploring emerging environmental and societal issues. As investor of first resort, it invests in diversity programming and makes R&D investment in high-definition standards. As an innovator, there is content such as "I May Destroy You", Bitesize, education content during

Covid-19, Databox, iPlayer, micro:bit. As a platform, there is BBC Studios, and the blockbuster revenue products of iPlayer and BBC Sounds.

The poet George Mpanga has a wonderful podcast series that recently won the Peabody Award. He has talked to me about how his podcast has been enriched in that catalytic way by BBC resources. The BBC orchestra, which features on his podcast, is an amazing public resource, as is the BBC archive. What we see on BBC iPlayer is much more recent than the very long, century-old archive.

One of the questions for the BBC in the future—in this more ambitious, forward-looking way that we should talk about, not just measuring today in an old-style cost-benefit setting—is how to widen the access to some of these data commons. Think of what it would look like if the BBC archive was also hosted in the public library system, which could start becoming part of the innovation ecosystem in the UK. Of course, we have the British Library, which is a wonderful institution. Public libraries are often at best being funded and at worst getting cut, but they are not really housing some of the data commons in that way. We really should have metrics, whether they are the classic additionality metrics that economists should think about or on the reach of the BBC and its resources into different parts of the public ecosystem like public libraries. That requires a huge reimagination of its role in the ecosystem.

Coming back to Liam Halligan's point, there is this irony that, the more we worry about the BBC, the more pressure it has almost to play this tame role, and the more it ends up crowding out, because it ends up not being ambitious and fearing having the more mission-oriented role that it used to have. I am not saying that is what has happened, but it could happen. By not being ambitious enough for the BBC, we could take it down to the point where it is just taking up space and not having that catalytic role. That is when it starts to crowd out, but as long as it can be ambitious in using metrics that really allow it to keep pushing the frontier, it will be crowding in.

It should also be held internally for the BBC to be more accountable and to make sure that it is in fact reaching different audiences and doing these path-breaking, thought leadership roles across the different spaces of inventor, investor of first resort, innovator and platform.

**Baroness Rebuck:** That is so interesting. You tread such a fine line there between the two. I do not know whether Professor Allan wants to comment on that second question of the importance of this factor in future decisions about the corporation and its funding with reference to the industrial value.

**Professor Stuart Allan:** It is a testament to the success of the BBC in many ways that it is presented with this kind of challenge. It is sometimes described in the language of "glocalisation" in the sense that it is a global player and it needs the kind of scale that the licence fee affords it in order to compete effectively at that level, yet it is being held to account for what it also does at the other end of the spectrum at the local level. It has to be just about everything in between.

If you begin to compare and contrast the BBC with other state broadcasters—you might be able to guess from my accent that I grew up in Canada—the CBC has a very different funding model. I would not want to begin to criticise the CBC, but it has a very modest provision because, as hard-working as it is, it just does not have the resource to develop the kinds of innovations that we see with the BBC. I have managed to spend some time in Australia over the years and watched ABC, and you see a similar kind of story there.

There is a real danger that, in trying to think in normative terms about the future of the BBC, how it is operating and, crucially, how it ought to operate, we then find ourselves looking for quantitative measures. That kind of evidence is important, but we need to reverse the logic there a little bit and decide collectively, “What do we actually want from the BBC? What does success look like?” and then come up with the economics to underpin it. If it gets flipped the other way around, we will end up with a broadcasting system that is much closer to those in certain other countries where they only look at what happens at the BBC with considerable envy.

The issue of experimentation and innovation is quite right. The BBC finds itself continually under attack. It ends up being a little too defensive and conservative, as has been said. We need to look to it to be a driver of innovation, to take risks and to open up opportunities, many of which will fail if it is doing the job properly. It then has to be recognised for that, and all the panellists here today have been making a very similar point. We are all anxious to see that kind of commitment, but that implies that all of us have to then modify our expectations a little and give it a little bit of room to manoeuvre.

**Q31 The Lord Bishop of Worcester:** Can I begin by saying a very big thank you to all four of you? This has been a really helpful and hugely informative session. I am sure I speak for all my colleagues in saying how grateful we are.

In a sense, I want you now to sum up. The question is about the scope and nature of the BBC’s programme and online content and how it matches up to its purpose as a national broadcaster. You have already said a lot about this and about the strengths and weaknesses of the BBC. Part of the answer to this question will depend on what we want of the BBC, as Professor Allan has just suggested. I wonder if you could perhaps just sum up in a few sentences how you feel the BBC is doing on its programming and online content, and make any final points that you might like to make about the BBC.

**Professor Stuart Allan:** Of all the issues that we have highlighted today, the one that troubles me the most on a personal level is my regular experience of talking to young people about the BBC and the licence fee and recognising that they like what they see, although they do not see a whole of it, and they are more inclined to like what they are listening to. They especially like the music provision and so forth.

This is a generation—here I apologise for generalising, to the extent to which it is possible to generalise—that has grown up in a culture in which the baseline expectation is that things should be free. We have to address that. You can point out as many times as you wish that the BBC licence fee is a fraction of the price of a cup of coffee per day and that young people typically buy more than one cup of coffee every day. You can point out the size of their mobile telephone bills and look at all the other things that they are spending money on. Many of them will still say that that is a choice; they do not have a choice where the licence fee is concerned and it is expensive.

The kinds of arguments that we have heard today about it being a regressive tax are very true. Whatever emerges from this discussion, I would hope to see some sort of new model develop that has a more progressive dimension to it. The challenge will be to find a way to administer it that is seen to be fair, logical and consistent. The administrative cost of the licence fee is surprisingly small for the complexity involved, but there may be other ways in which we can look at other systems to see whether we can simplify this even further. The German system, for example, is worth further attention.

It will never be perfect. There will always be some households that do not have a television or a radio and would feel hard done by if they were made to pay. About 95% of households in the UK have a television. The point that one might want to make in that context, though, is that they are nevertheless beneficiaries of the BBC, even if they are not direct users of it. We would all be able to point to examples of things that we do not have a personal experience of, but we nevertheless recognise that they contribute to our values within our society. They enhance the quality of our public life, and crucially that of our democracy.

The civic dimension really does resonate with young people. They really get that. They are often criticised for being apathetic and indifferent, not following the news, not caring and so forth, but this could not be further from the truth. They just do that in a very different way, which some of our existing categories are in danger of losing sight of when we are trying to quantify our conception of the public. They slip through those more traditional ways of thinking and analysing. I have heard several colleagues say that we need to have a meaningful and much more inclusive discussion and debate with respect to members of the public to give shape and direction to the kind of BBC that they would like to see develop.

**Dr Tom Mills:** I have already made some general remarks about market failure. I would re-emphasise here that the market is failing, and in that context it is madness to force the BBC to cut its provision in news or children's programming. These are classic examples of areas that are not well catered for by the market. If you acknowledge that there is a market failure, you do not cut public provision. I am the only non-economist on the panel, but that is basic economics. You do not attack public provision where those goods are not being provided.

I would reaffirm some of the points that have already been made about the need for funding. Some really interesting comments have just been made about the ability of the BBC to take risks and the relationship between risk-taking, innovation and crowding out. I would add that the sort of confidence you need to take risks comes with adequate funding. If we see the periods in the BBC's history when it has been most proactive, confident, market-shaping and all the other important elements we have been talking about, they have been at periods when the BBC has enjoyed a higher degree of income and political independence. The BBC absolutely needs to be funded.

However, there are certain areas where even a huge influx of funding does not solve problems. A lot of the problems we see with BBC journalism—we have been dancing around this issue to some extent in our discussions about the culture wars and so on—fundamentally stem from the lack of political independence. That, in part, stems from the funding mechanism.

I would echo other points that have been made. We need to have an alternative, progressive funding model. As I said, I would like to see that being a digital licence fee that means that we are making a collective claim on our digital space, as we did on the airwaves, but that is broadly symbolic. The key aspects are, first, the progressive nature of the tax and, secondly, the lack of political interference in it.

That leads back to this issue of journalism, but also one of culture. Just as we do not want a cultural model at the BBC that has a Reithian, aloof tradition, journalism equally cannot simply relay what politicians are saying or doing or things that politicians think are important. This comes back to that question of disengaged audiences. If you want to be able to report in an effective way and engage citizens, you need to engage citizens in the first place rather than saying, "This is the story, basically, and people need to be interested in it".

We need to see a profound cultural change at the BBC that takes it away from the world of officialdom, London and formal politics, sees stories emerging from the broader society and sees the BBC as facilitating that kind of conversation. On the narrower question we are concerned with today, which is really about funding, the fundamental question is one of political independence. That can have knock-on effects on the broader culture of the BBC and the small-C conservatism that we see.

**Liam Halligan:** Much as I defend the BBC—and I do, believe it or not—as it enters its 100th year I am mindful of a point that Lord Lipsey made in the last session about the cost of living crisis. With current geopolitical events and fuel and food prices going up, that cost of living crisis will become more acute, and the concern about the BBC among a significant part of the population is likely to get more acute.

My co-witness Professor Stuart Allan asked what success looks like. Success will be when no Government think that there are any votes in giving the BBC a bloody nose, as I said. The current Government think that there are votes in it. That is why they are making the statements they are making. That makes me sad, because future-proofing the BBC,

a priceless cultural asset, is a very complex task. It needs smart people of good faith to tackle complex issues. It does not need a political bunfight in the midst of a culture war, but that is where we are. That is deeply unfortunate for the many people across the UK and the world who value the BBC.

We have not talked much about BBC News. I could; obviously I know BBC News very well. But that is not what we are here to discuss, although some of the public's concerns about BBC News over many years are influencing the politicians and this funding debate. During the Covid pandemic, for instance, I lobbied a lot of people close to the top of the BBC that it should do a lot more to provide schooling through televisions rather than handing out laptops to people who do not have broadband. Almost every household, certainly lower down the income scale, has a TV.

The BBC could have moved a lot faster to really entrench its role in our public realm by providing schooling online. That would not have been as difficult as it sounds. That could have been done. A smaller, more nimble, more outward-looking organisation, in which more people at the top of it really understood in their bones and experienced what lockdown was doing to people of a lower socioeconomic and income background, would have moved to do that. I am not criticising people; I am just making an observation.

I believe strongly as an economist that we need to embrace these complexities. There is crowding in; I completely agree with Professor Mazzucato. I used the word "catalytic" earlier, but there is crowding out as well, and we need more of the former and less of the latter, not denying that one or the other exists.

There is a way in which we can come up with a hybrid funding model that has public money at its heart from general taxation, which is the most progressive, and provides on a sustainable basis, with commercially raised funding as well, leveraging the BBC's huge cultural global reputation, its archive and the esteem in which it is held around the world. We can come up with a hybrid model that means the BBC can be funded in a way that the public supports as the cost of living crisis escalates and has room for making output that the market would not make, which is its ultimate aim that should be preserved.

It is not an either/or. We should not have a culture war about this. Unfortunately, we are in a situation in which the way politics is, and the way a lot of people who are trying to defend the BBC defend it—with a bunker mentality while taking any criticism as aggressive, even very friendly criticism that is moderately well informed—does not facilitate the kind of complex discussion, and indeed negotiation, that we all have to have.

**Professor Mariana Mazzucato:** It is important to recognise that money comes and goes, budgets go up and down, but organisations do not. They can take a century to build, and this organisation has taken that long. It is not about defending it. It is not pro versus against; it is about recognising that the cultural war, and dare I say ideological war, is

extremely dangerous. It can ruin an organisation. It can also make it become very defensive, which also makes it tame, and it does not then have that catalytic role.

It can also end up haemorrhaging talent. One of the things that the BBC has done, and continues to do, which so many public organisations within and outside of broadcasting do not do, is attract the top young graduates. That itself has been successful, because it makes those inward investments. It has had its own R&D. It is seen as an investor and a market leader. But as soon as you are just there as a public actor fixing market failures, of course it is more interesting to work in Google, Goldman Sachs and McKinsey. This is really innovative, attracting the top talent.

My biggest fear is that the needed intelligent debate that we are having here does not often happen outside, where it becomes a punching bag. If you have dedicated your life to issues of public purpose and value, you might think, "You know what? It's not worth doing that inside the BBC where it is just a constant cultural and ideological war. Let me do it elsewhere".

That is really just a warning sign, yet the BBC continues, for now at least, to be incredibly successful. It is reaching over 460 million people globally every week. It is one of Britain's strongest and best-known brands with soft power serving local, national and global audiences at the same time. That additionality, that multiplicative effect and that catalytic effect are incredibly interesting, but, as we have been saying, it needs to continue doing that. It needs to do more of that and the crowding in, while having debates about public value and public purpose, and holding itself accountable while not just defending itself, or having others defending it.

That is why this debate is so important. I would love it if at least some of the headlines of what we talked about could be published in other places that are not just the House of Lords proceedings, because the debate out there is not of the kind that puts up the big heading, "Be careful". Organisations do not come and go. We have an amazing soft-power brand with this reach, which is not just about the numbers. It is that market-shaping reach, and this current cultural and ideological war can kill it. It will be really hard to rebuild it once we have a massive haemorrhaging of talent and it just turns into a badly funded, underfunded organisation.

**The Chair:** Thank you very much, all four of you, for joining us. It has been incredibly helpful and very informative. Just to pick up on the last point that Professor Mazzucato made, which came through those answers, critically, we are looking at ensuring that there is a BBC in the future that serves a purpose and is valued by the people who are paying for it. We are looking at making sure that that is clear, and therefore the way in which it is funded is one that would meet and match that expectation.

I was going to ask one question, if any of you feel moved to drop us a line after we have already taken up so much of your time today. One of

the things that unites most of the people who have spoken to us so far is that they have talked about the BBC being a national glue, which was not something that any of you really touched on. I do not want to delay you today and extend this debate, but if you feel moved to drop us a line I would be quite interested to know your views on whether the BBC has a role of being a national glue in the future and how important you think that is to informing the kind of funding mechanism that might form part of its future. On that note, thank you very much.