

# Nicky Morgan's speech on the future of media and broadcasting

One of the great pleasures of being Secretary of State at DCMS is having an insight into the remarkable and unprecedented change that is taking place within our media sector.

And there's one recent example that spells this out plainly.

When Netflix launched in 1997, Blockbuster was the heavyweight of video rentals, with almost 3,000 stores around the globe.

And although the Netflix mail order delivery model had some success, Blockbuster remained dominant.

And so three years later, when Netflix came to Blockbuster and proposed a 50 million dollar merger offer Blockbuster felt confident in turning them away.

Now Netflix is worth 65 billion dollars – 1,300 times the offer they made to Blockbuster at the start of the millennium.

And now Blockbuster has gone from thousands of stores to just one – a shop in Oregon which has remained open as a sort of museum for people who want to see what a video cassette looked like.

Now why did this happen? Netflix saw which way the wind was blowing and realised the potential of streaming content.

Within months Netflix went from the fastest-growing customer of the US Postal Service's first-class service...

To the largest source of evening Internet streaming traffic in North America.

Meanwhile, Blockbuster was too slow to move – until it was too late.

The pace of this change is fast, and it is only going to get faster.

And the broadcasters which do not remain relevant will find themselves left behind by viewers.

Public service broadcasting is too important to allow it to become a historical relic like Blockbuster.

Why? Because it has a unique ability to bring people together, to reflect our common values, and to showcase those values to the world.

As one of the founding fathers of public service broadcasting, Lord Reith, said upon the creation of the BBC: to reflect "all that is best in every department of human knowledge, endeavour and achievement".

And, let's not also forget, public service broadcasting plays a key role in

driving the success of our creative industries.

The creative industries are the fastest growing part of the UK economy, with employment growing at twice the national rate.

So, today I want to talk about the changing media landscape, and how to make sure that the BBC and the British broadcasting sector as a whole remains relevant.

To do so, we must consider where the sector needs reform, to ensure that it works for our society and our economy, and for those who fund it.

## **Importance of broadcasting sector, and role of BBC**

First, I wanted to outline the importance of the broadcasting sector, and the value that we as a Government place upon it.

The TV broadcasting sector employs 25,000 people, with a further 50,000 in the wider TV production sector.

And the broadcasting sector grew by 8 per cent last year, playing a key role in our thriving creative industries.

This economic success is in large part due to our vibrant and mixed broadcasting ecology, with the BBC and our public service broadcasting system at its heart.

Globally, the BBC is seen as a beacon of British values. It is one of the most recognised and trusted brands, reaching over 400 million people around the world every week.

And at home, the BBC can take risks that may not be possible for other, more commercial broadcasters.

In doing so, it can support the commercial sector with a pipeline of new talent and creativity, and open our eyes to issues and experiences we may not otherwise see.

It is worth recognising that in 2018, the BBC still spent over four times as much on original UK programming as Netflix, Amazon Prime and all of the other subscription streaming services put together.

These streaming services have had a tremendously positive impact in the UK, making major investments and providing incredible choice for millions of viewers.

But I truly believe that, no matter how well-funded the international streaming giants are, British broadcasters remain essential.

Universal availability means the BBC and other public service broadcasters can still create shared moments that bring the country together, be that through sports coverage, major events, great dramas or documentaries.

As the Prime Minister himself said last week, the BBC is a 'cherished British institution'.

Just look at the incredible public response to this year's Gavin and Stacey Christmas special, which was the most-watched TV comedy for 17 years.

On Christmas evening millions of us sat down to watch the same programme at the same time.

PSBs are best placed to create programming with British viewpoints and identities that meet British audiences' needs.

This sector also has an important part to play in this Government's agenda to spread opportunity all across the UK, and to transform areas that feel they haven't seen the benefits of positive change in recent years.

All of us – politicians, public bodies and broadcasters – need to be able to answer the question – what are you doing to deliver for the whole of the UK, not just those in the capital?

ITV currently has half of its staff outside London, while Channel 4 is setting up its new National HQ in Leeds along with new hubs in Bristol and Glasgow.

And around half the BBC's spending – and half of its teams – are outside London.

Salford has become a thriving broadcasting hub, and Bristol has become the global home of natural history film-making.

And so I was pleased to see the BBC's announcement that it will increase the proportion of its staff outside London from a half to two thirds by 2027.

And that the BBC is looking to extend its Local Democracy Reporting Service, which has recruited 150 journalists to cover what matters to local communities.

This will help embed the BBC more deeply in more communities around the country, and create programming that reflects and represents the views of all those who fund it.

In light of Lord Hall's announcement that he will be stepping down later this year, I would like to take this opportunity to thank him for his service at the helm of the BBC in recent years.

Now, it is not an original observation that the media likes nothing more than talking about the media.

And so it's no surprise that since Lord Hall announced his departure, the media has certainly enjoyed speculating on the challenges facing the new Director General.

And yes, I am sure there will be some thorny issues waiting for them in their

in-tray. But they have got some fantastic opportunities too.

The chance to guide one of our most significant organisations in a new decade, and transform the BBC to meet the demands and expectations of the changing media landscape.

This appointment is a decision for the BBC Board, not for politicians. And I am looking forward to hearing what that decision is later in the year.

## **Changing landscape**

As I said earlier, the media landscape is changing.

The way we find content is changing...

The way we choose content is changing...

And the way we consume content is changing.

In fact the only constant is DCMS Secretaries of State giving speeches about how much the media is changing...

Netflix has nearly 170 million subscribers worldwide....

Disney Plus is launching in the UK next month...

And platforms like Amazon, Android and Apple are looking to become the gatekeepers to this proliferating range of services.

It's clear that viewers are enjoying the greater choice of services and content that is on offer.

Many audiences, particularly the young, would not think to turn on the TV to watch live, scheduled programming.

The drop in linear viewing from 2017 to 2018 was so steep that an additional 34 series of Bodyguard – the most watched drama in the UK that year – would need to have been broadcast to sustain 2017 viewing figures.

And in terms of streaming, traditional broadcasters no longer have their traditional dominance.

On average, a UK viewer watches around 8 minutes of broadcasters' on demand services, like iPlayer or All4, each day.

This is less than a third of the 26 minutes spent watching subscription video on demand services, like Netflix.

And in one of the most eye-catching findings from Ofcom's recent research, more children recognise the names Netflix and YouTube than they do the BBC – this should be an eye opener for the BBC.

Quite simply, the world in which the BBC was created, and the licence fee was established, has changed beyond recognition.

So we need to think carefully about what we all want the BBC – and indeed public service broadcasting more generally – to deliver for the years ahead.

The BBC's role is not just to meet the demands of today, but to be ready to meet those of the future.

## **Decriminalisation**

And as we move into an increasingly digital age, where there are more and more channels to watch and platforms to choose from, it is clear that many people consider it an anachronism that you can be imprisoned effectively for not paying for your TV Licence.

Criminal penalties are an important part of the justice system.

However, in a just and democratic society it is essential that these penalties are appropriate and are perceived as a fair punishment for the crime committed.

The Government is aware that there can be some confusion over which activities require a TV licence, while enforcement approaches can appear heavy-handed.

This may cause considerable stress and anxiety, in particular to the most vulnerable in society.

Decriminalisation of TV licence evasion was previously looked at by David Perry QC, and he concluded that the criminal penalty remained appropriate under the current licence fee model.

However, it has now been five years since the Perry Review.

And as I've said already the broadcasting landscape has changed significantly, not least because five years ago a TV licence wasn't required to watch or download content on BBC iPlayer.

And after the BBC's decision on the future of the over 75 licence fee concession, from June of this year some vulnerable people in the UK will become liable to face TV licensing enforcement procedures – some for the first time since 1999.

The Government has been clear that it is disappointed with the BBC's decision to restrict the over 75 licence fee concession to only those in receipt of Pension Credit.

And we recognise the value of free TV licences for over 75s and believe they should be funded by the BBC.

TV and radio are important for people of all ages, but particularly for older people who often value them as a way to stay connected with the world.

So we want to ensure a proportionate approach to licence fee penalties and payments, that protects the most vulnerable in our society.

So I am pleased to announce today that the government will shortly lay secondary legislation to turn the trial of the Simple Payment Plan into a permanent feature.

This Plan is open to vulnerable people who may struggle to pay the licence fee, including those over 75, and it allows customers to spread out payments for their TV licence more evenly.

But even with this help from the government, there remain legitimate concerns that the criminal sanction for TV licence fee evasion is unfair and disproportionate.

So we believe that it is right to look again at whether the criminal sanction is still appropriate.

We are therefore launching today an eight-week public consultation on whether to decriminalise TV licence fee evasion.

This consultation will seek views on whether the Government should replace the criminal sanction with an alternative civil enforcement scheme.

In deciding whether to decriminalise evasion, and considering how this could happen, the Government's objectives and determining factors will look at these questions:

Would an alternative, non-criminal enforcement scheme be fairer and more proportionate?

What the cost is and how difficult it would be to implement any alternative scheme?

What is the potential impact on licence fee payers, particularly the most vulnerable?

And what is the overall impact on licence fee collection?

## **Licence fee settlement**

Decriminalisation of TV licence fee evasion would almost certainly have an impact on BBC funding.

So if we decide to take this forward, it is right to consider that impact in the context of the overall licence fee settlement. We will begin negotiations on that later this year.

The settlement, and any move to decriminalise licence fee evasion, will not enter into effect until April 2022.

This new settlement is one of the ways in which the Government will ensure the BBC delivers value for money for licence fee payers in the coming years.

Transparency and accountability to licence fee payers must be at the heart of the BBC's funding model.

That is why the Government ensured that the current Charter required pay transparency for staff earning over 150,000 pounds per year, which has shone a light on overall costs as well as equal pay concerns at the BBC.

It is also why, in the 2016 BBC White Paper, the Government recognised the importance of greater transparency in the licence fee-setting process.

And that scrutiny of the BBC's finances should be carried out in an open and accountable way.

The Government will work with the BBC on this process, and we will set out more detail on the approach to the next settlement shortly.

## **Future BBC milestones**

After the negotiations for the next licence fee settlement, the mid-term Charter review will take place between 2022 and 2024. This will look at the BBC's governance and regulatory arrangements.

And ahead of the next Charter Review process we will undertake a detailed look at the future of the TV licence model itself.

The licence fee will remain in place for this Charter period, which ends in December 2027. However, we must all be open minded about the future of the licence fee beyond this point.

This thinking began with the current Charter, which enabled the BBC to consider how alternative funding models, like subscription, could supplement licence fee income.

The Charter also enabled the creation of a three-year pilot contestable fund, using up to 60 million pounds of funding from the previous licence fee settlement to create new opportunities for others to provide UK public service content.

This pilot fund is in two parts – the Young Audiences Content Fund, making children's TV programming, and the Audio Content Fund, for public service radio content.

These funds launched in April 2019, and are performing well.

Indeed today the Audio Content Fund announced that it has made 25 awards in its first year, with over a quarter for regional programmes.

This delivers on the objective set out by the Government for the funding to support regional voices.

These ideas and reforms will help build up the evidence base for future funding models, ahead of the next Charter Review.

These are not easy issues and they will require some honest, and at times, difficult conversations.

But there is a George Orwell quote etched onto the wall of BBC Broadcasting House that says “If liberty means anything at all, it means the right to tell people what they do not want to hear”.

I am confident that we will reach common ground on these issues.

After all, we all have an interest in getting this right. And seeing a BBC that succeeds and thrives, along with the public service broadcasting system as a whole.

## **PSB system**

Because the PSB system – including ITV, Channel 4, Channel 5, as well as STV in Scotland and S4C in Wales – provides a wide range of benefits to the UK, to our cultural offer and to our democracy.

We would be much less informed and inspired as a society if we didn’t have a healthy, pluralistic and universally available PSB system.

And it is by far the largest driver of the UK production sector, each year investing around 2.6 billion pounds on original programming – of which around a billion pounds is spent outside London.

PSBs remain popular with audiences. But PSB business models, including the BBC’s, must adapt.

The PSB system as a whole must reach audiences wherever they now are...

It must support creative industries around the country...

And it must provide for viewers of all ages if it is to remain relevant.

This will require commercial and technological innovation from the PSBs. And as the world around us changes, our laws and regulations must change too.

All across my department’s portfolio, we are making sure that the regulatory systems we have in place reflect the changing ways people work, live, and interact.

As the volume of data online increases exponentially, we’re making sure we have the right frameworks in place so people can have control over their data too.

As online advertising plays an increasing part in our online experience, we are working to make sure it is fair, accountable and ethical...

And our ground-breaking Centre for Data Ethics and Innovation is looking at complex emerging policy issues, as diverse as facial recognition technology, deep fakes or bias in algorithms.

So it is time for the legislative underpinning of our PSB system to be looked at, too.



But many of the key pillars of the PSB system were established in their current form in the 2003 Communications Act.

When we look back on 2003, an era of flip phones and dial-up internet, where Facebook and YouTube hadn't even been founded yet, it doesn't take long to recognise that the media landscape has moved on.

So in this age of apps and on-demand streaming services, our concept of 'public service broadcasting' should extend beyond just linear TV channels.

And, just as is the case when thinking about BBC funding, we must take a fresh and forward-facing look at what we need the PSB system to provide in the future.

The first stage of this is Ofcom's PSB Review, on which Ofcom will publish an update in the coming weeks.

Ofcom has stated that "public service broadcasting is now at a crucial juncture".

And that it believes "the time is now right for Government, Parliament, regulators and industry to consider the need for a new framework for public service media." I share this view.

My officials are working closely with Ofcom to consider the major questions facing the future of the sector. And we will carefully consider the recommendations from the Review.

In one area, strengthening the digital prominence and discoverability of PSBs, the government has already committed to acting on Ofcom's recommendations.

As services proliferate and programme guides become more complex, we need to make sure regulation supports the prominence of PSBs.

This will help our PSBs compete, and enable audiences to continue to find high-quality UK public service programming.

We will look at the potential for legislation to deliver this reform to PSB prominence, and any wider reform emanating from Ofcom's PSB Review.

A fundamental appraisal of the PSB system will not only help our PSBs compete in this fast-changing market.

But a sustainable and vibrant PSB system will also help drive our wider screen sector and creative industries.

In 2019, the UK saw double the amount of spending on high-end TV show productions as there was in 2015.

We need the PSB system, with a modern and appropriately funded BBC at its heart, to help us take advantage of this opportunity.

And to safeguard and strengthen the UK's world-leading television industry.

## **Conclusion**

Our broadcasters offer a window into the heart and soul of our nation.

And our thriving media in the UK shows our creativity, our ingenuity and our commitment to the truth.

Our mission as a Government is to encourage a varied and diverse media, which is well equipped to meet the challenges of a digital age.

And the best way to do this is to make sure that the BBC, and our PSBs, remain relevant, accountable and offer the best possible value and content.

And so we make no apology for being bold and ambitious about how we make this happen.

Because at times of unprecedented change, as Blockbuster demonstrated, the question of relevance is the most important question of all. Thank you for listening.