

TUESDAY 6 DECEMBER 2005

Present

Bonham-Carter of Yarnbury, B
Fowler, L (Chairman)
Gibson of Market Rasen, B
Holme of Cheltenham, L
Howe of Idlicote, B
King of Bridgwater, L
Manchester, Bp
Maxton, L
O'Neill of Bengarve, B
Peston, L

Memorandum submitted by B Sky B

Examination of Witnesses

Witnesses: **Mr Mike Darcey**, Director of Strategy, **Mr Vic Wakeling**, Head of Sports, and **Mr Martin Le Jeune**, B Sky B, examined.

Q1024 Chairman: Welcome. Thank you very much indeed for coming. I think you know really what we are about. As you know, we have done our first report and there were a number of areas which we were conscious that we did not have time to do justice to and we are now trying to wrap those up in this second session, which looks as though will also be in time, the way things are going, for the Government's Green Paper which seems to be going backwards at the moment. Thank you very much for your submission, the memorandum, which I thought was very interesting. I wondered whether just very briefly Mr Wakeling or Mr Darcey would like to talk about how you have developed sports coverage over the years, because you have obviously done so in a very major way, and why you have done it.

Mr Wakeling: If I go first on this one, Sky Sports itself was actually launched in 1991, but Sky was covering sport before then. The first thing we covered in fact, though I was not there, so I say "we", but I was not there at the time, but the first thing we covered in fact was

the England cricket tour of the West Indies in the winter of 1989/90. At the same time, we were covering some, what we might call, “national league cricket” and some football which was from something called the “Zenith Data Systems Trophy”, which does not exist now, that competition. When the merger with BSB came along of course, Sky then inherited some extra sports rights, FA Cup rights, England international rights, some golf rights and a few other things. Sky at the time of course had Eurosport and then decided to launch Sky Sports in April of 1991. Because of the interest that had been shown in the sport that we transmitted over those two years prior to Sky Sports being launched, and we launched in 1991, we had the FA Cup football, we had some overseas cricket, there was more interest in overseas cricket coming in, and then of course over the years as the interest has grown and as more sports have become available to us from home and abroad, we have launched Sky Sports 2, Sky Sports 3, Sky Sports Extra, Sky Sports News, the whole five-channel package and we run those as subscription services. We also do some pay-per-view sport, football, boxing, wrestling and in fact we have done pay-per-view darts, a one-off. I think it was a response to the interest from those early days, and the huge interest in the first overseas England tour to have been seen in this country live from the West Indies, perfect times of course. The cricket we have covered since then, and in fact we have covered 96 Test matches from home and abroad over the last 15 years, the football has developed, the hours have developed and we are now showing something like 38,000 hours of sport per year. I think the output has gone up across other channels as well, by the way, over that same period because if you look pre-Sky to 1989, for example, there were on free-to-air TV, BBC, ITV and Channel 4 at the time 2,200 hours of sport and last year, 2004, across those three channels and Channel Five of course, there were 5,700 hours of sport. I think what has happened is that we have been part of a huge explosion of interest in the live sports broadcasting, we have played our part, but I think that the other

broadcasters, BBC, ITV, 4 and Five, have all come in and they have shown a terrific amount of sport as well and I think there is a marvellous choice out there.

Q1025 Chairman: So you have not so much created demand, but you have responded to an inherent demand, you think, from the public?

Mr Wakeling: I think we have looked at the various sports as they are and, if you look at football, for example, we show football at all levels. We show international football, we show premiership football, football league, and every one of the 92 clubs which feature in the premiership and the three divisions of the football league have all been seen on Sky in the time we have been covering the game and, in addition, another 30 non-league clubs, we cover conference football and we cover the FA Cup from the first round. No one was interested in the FA Cup from the first round, but we established that there was an interest. We have covered schoolboy football, every Shield series which has been running for many years since the days of Stanley Matthews and Duncan Edwards and these types of people playing this competition. No one was interested in showing that. The under-21 internationals, no one was interested in showing those. The FA Youth Cup Final we show, and women's football. I think it is digging down and discovering that there is interest in the various sports at all levels, and it is the same with cricket, for example. We cover everything that happens in English cricket, whether it be the national cricket league, the Twenty20 Cup, the C&G Cup, under-19 cricket and women's cricket, and we cover them live because there is the interest at various levels of course.

Q1026 Chairman: And one impact upon you devoting these resources to sport has been that the other channels have also responded.

Mr Wakeling: Correct.

Q1027 Chairman: Have you rather sharpened up the game of the BBC as far as sport is concerned?

Mr Wakeling: Well, I can only quote Peter Salmon, who was interviewed earlier this year, and he was Head of Sport at the BBC at the time and they have had four heads of sport and I am a veteran of the industry ----

Q1028 Chairman: You have been there how long?

Mr Wakeling: I have been there for 12 years and the BBC have had four heads of sport. Peter Salmon actually said that Sky Sports, with the technical developments that we helped pioneer in a lot of the sports, that we had actually given the rest a kick up the backside. It was very generous of Peter and I know exactly what he means because every now and then of course, if you look at something somebody else is doing, you respond because I think that in this day and age, apart from delivering live sport which we started in 1989, and I keep going back to the West Indies, I think people are aware that the technical developments, whether it be Super Slo-mo, whether it be the extra camera positions, the instant replays, the extra soundbites that we put in for most big events, et cetera, I think the public is aware and they expect it from us.

Mr Darcey: I was just going to comment on your earlier question, did we create the demand or did we respond to it. I think our overall view would be that the demand was there, it was latent, and in some way when Sky arrived on the scene, there were three major broadcasters with four channels, and they had chosen for whatever reason not particularly to respond to that. We did and I think it is just a general example that competition is a good thing and it has brought forth a great deal more broadcast sport and a lot of innovation.

Q1029 Chairman: And this question of competition, you say in your evidence to the Committee that unless there are overwhelming public interest reasons, both sport and the

public are best served by the holders of sports rights having unrestricted freedom to market their rights as they think best, and I think I would expect you to take that general view, but what I was interested in is “unless there are overwhelming public interest reasons”. What are those overwhelming public interest reasons which would prevent this market from operating?

Mr Darcey: Well, I guess really what we are talking about here is that the manifestation of this today is the listed events rules, that a degree of market intervention or a distortion in the market process that reflects a national view, I suppose, a governmental view that there are certain sports events which for some reason the country would prefer not to have the potential to fall into the hands of some broadcasters, that they should be made available to all on a free-to-air basis and that the construction of that is around events of national interest and that sort of thing.

Q1030 Chairman: We will come on to listed events, but in your heart of hearts do you really believe this or do you really think that it should be that all sports events should be open to competition and bidding?

Mr Darcey: I think that is what we believe, yes. Sorry, you say we will come back to the listed events as if to suggest that we might believe that there might be a set of events beyond the listed events.

Q1031 Chairman: No, I was going to ask Lord Holme to ask a question.

Mr Darcey: I think generally that is where we come from and I think that is the way Sky has grown up, and that is the culture of the company. That is genuinely what we believe, that competition and the market do a pretty good job and I think we are sceptical of the idea that something should be reserved and protected from competition. The listed events exist, we accept that ----

Mr Wakeling: And we have built to where we are today without access to any of the listed events. We have always said that actually it is a matter for the sports bodies themselves, that if we make them an offer for whichever set of rights, we have to pay a premium of course, but they should have the freedom to decide in the interests of the finance they need and where they invest it, and in the interests of their sponsors, et cetera, they should be able to look at an offer from the BBC and an offer from Sky and decide for themselves.

Q1032 Lord Holme of Cheltenham: I would like to ask about the listed events and your attitude to the A list and the B list, but perhaps I could just follow the question of the Chairman's first. Would it be fair to say, and there is absolutely nothing wrong with this, it is the way markets work, that BSkyB have consciously used sport as a way of driving subscription? If you look back over the 12 years, at the front end there must have been quite a considerable investment on the part of the channel in sport to get the level and competence of coverage which you offer. Has that been a conscious commercial strategy which, given the tastes of the British public, would drive subscription, after all, you are a subscription channel, by offering attractive sporting events and, if so, how successful has it been? Is there any literature on this and is there something we could read? Has somebody written up the success, which is what it seems to be, of the commercial strategy?

Mr Wakeling: The only book that has been written on it is by Matthew Horsman, I think, *Sky High*, who wrote the history of Sky.

Mr Darcey: He was an investment banker at the time.

Mr Wakeling: Yes, indeed. Was it a conscious decision at the outset? Well, actually I was not there at the outset, I joined about 13/14 years ago and took over as the Head of Sports 12 years ago. Needless to say, if you go back to the interest that was created by that early investment in overseas cricket and then again when you start to look at the various sports, you can see there are other rights here which are not being exploited. Sky inherited the rights

from BSB, for example, for the FA contract, I happened to join at around about that time, looked at the contract and said, “You’ve got the rights to under-21 football matches here and you are not exploiting them”, this was to BSB, and they said, “Well, we don’t think there’s any interest”, and I said, “Well, I think there is”. Again you start to look at those opportunities and it builds steadily from there. Of course we are always remembered, I suppose, for the first premiership contract in 1992 which has been renewed, but again if you look back to the last season of the old football league and ITV’s contract, where I think they did 18 live games from the old football league, there were five clubs in the first division in that time who had never been seen live on television. We went in, it was not our number of games, 60, that was the number of games that the Premier League put up in their tender document, but they talked to us in advance and we said, “We will show all clubs. You tell us the maximums and the minimums for each of these 22 clubs” at the time, and we did that and we were happy to do it. Again I think it is looking at the opportunities that were there which were not being used beforehand. If you look at racing, for example, the Grand National and the Derby are listed events, fair enough, but we have actually gone out and we have shown for a number of years now evening racing from various places around the country, Hexham, Towcester, we have moved around the country and shown those and they were never exploited in the past and there has been no interest since, although there are now two racing channels on the Sky platform where people can see more racing than they have ever done in the past.

Q1033 Lord Holme of Cheltenham: Well, I think both the depth and the width of the coverage is impressive, but the point I was trying to get at is how far that has been not, as was suggested earlier, responding to the demands of your subscribers, but using those popular sports, and, as I say, there is nothing wrong with it, and investing them ahead of the profile in order to build subscription, and I am really very curious whether that has been a commercially

successful strategy and whether you now look at it and whether you are finding the law of diminishing returns, for instance, because it has clearly worked extremely well for Sky in the early days and for their predecessor. Have you reached some sort of plateau in that in terms of diminishing returns for the investment you are making, and I am talking commercially, not about the benefit of the sporting enthusiasts sitting at home?

Mr Darcey: Well, I guess the first point I would like to make is that there was no grand plan back in 1989 or 1991 or at any point which I think anybody foresaw where this would end up, and it is tempting to sort of look back over 15 years and see how that all evolved and say, “Wasn’t it clever”. I do not think it really worked like that. I think the fundamental thing which was going on was that there was a four-channel world and suddenly there was a technology that was available to offer many, many more channels and the very nature of that technology says that suddenly you have a lot of capacity, a lot of opportunity to put lots of things on, so you run around and you look for things that are not being exploited where there might be some unmet demand, and there were many places to look for that. Sport is one obviously and it did do a good job for us, but it is far from the only one. Actually we were probably more known as a movies provider in the early years and we have offered a series of movie channels for a very long time and for many people that has been a very important part of the decision of subscription to Sky. Then the development that came after that was the explosion in choice in basic channels, general entertainment channels, documentary channels and so on. Nowadays, there are hundreds of such channels on the platform, some of them viewed more than others, but all of them have an audience of some kind, a group of people, however large, for whom they bring value. What has happened, I think, is that over the last 15 years perhaps the balance between those sets of channels has changed as regards what is important. Sport has played a major role. It is probably not as crucial today in acquiring the marginal subscriber as we are out there in the market today trying to hit eight million by the

end of the year, but it is still important. When we ask subscribers, as we do every month, why they have decided to subscribe to Sky, the most common reason is simply the breadth of choice in the general sense. Sport is clearly mentioned by them, but more common nowadays is now the sheer breadth of choice.

Q1034 Lord King of Bridgwater: The evidence you have given here strikes me as very wrong really because you said unless there are overwhelming public interest reasons for the market to operate, and you do not think there are actually.

Mr Darcey: Well, I think that was an allusion to the fact that we are not a great believer in the public interest reasons which have been put forward, but they have been put forward and the Government has accepted them. The listed events ----

Q1035 Lord King of Bridgwater: But you do not believe it. It is contrary to your philosophy, which is fair enough.

Mr Darcey: I do not think we see much need for it. I guess the other point I would make is that increasingly they are looking a little out of place, I suppose. You could see the role they played at one stage and perhaps the logic is starting to break down, or it might do ----

Q1036 Lord King of Bridgwater: Well, can I just ask this question: you are a very smart commercial organisation and you know exactly, from the surveys you have done which you have just referred to at the end, why people have decided to sign up to Sky, so, as to Lord Holme's question, you have got the answer to that question because what in the early days was the percentage of people who gave, as their reason for signing up to Sky, sport?

Mr Darcey: I do not know that surveys were being done in the early days. I can only tell you about the surveys which are being done now.

Q1037 Lord King of Bridgwater: With great respect, Mr Murdoch does not waste his money on fanciful dreams. He is an extremely shrewd man and if he decides to reinforce the investment in sport it is by knowing precisely what it would bring him in new subscribers, and you do this the whole time, do you not?

Mr Darcey: Well, I think we make estimates and we have to make commercial judgments. It would be nice to believe that you could do research and analysis and eliminate risk-taking and that sort of thing ----

Q1038 Lord King of Bridgwater: So your evidence to this Committee is that you have invested in sport and continue to invest in sport without knowing why or what it is doing in terms of the expansion of ----

Mr Darcey: I do not think so at all.

Q1039 Lord King of Bridgwater: Well, that is what you said. You obviously did surveys, it is known that you did surveys, so what was the percentage?

Mr Darcey: I do not know what the percentage is and I do not know that we did the surveys then that I am referring to today. What I am saying we do today is that after the fact, when customers come in to Sky, we ask them a series of questions. We ask them how was their install experience, things like that, and we ask them what they say is the reason, but I do not know when we started doing that precisely. In 1992, and I was not there in 1992, but when Sky formulated a bid for the Premier League rights, as they were then, I do not believe that bid was formulated on the basis of a survey and a detailed model to try and estimate what people would pay ----

Mr Wakeling: I was there at the time and, to my knowledge, there was no survey done at that point.

Mr Darcey: A commercial decision for five years to spend hundreds of millions of pounds was made and it was a judgment.

Q1040 Chairman: I want to bring in Lord Maxton in a moment, but let's get the listed events position absolutely straight. There are listed events at the moment, the Olympic Games, the Grand National, the Derby, the Rugby League and the Challenge Cup Final, but are you basically saying that the listed event system, if it was left to you, would be abolished?

Mr Darcey: I am not sure what that means really. It is not going to be left to us. I guess if there was a blank sheet of paper, we might not be calling for it.

Q1041 Chairman: Therefore, that is another way of saying, is it not, that you actually do not want it, that you would like to see it go?

Mr Darcey: No, I do not think that is quite the same thing. It is not something that exercises our minds day to day. We do not cast our eyes down that set of events and think, "Gosh, we really must tear down this edifice so that we can bid for the Derby". It is just not what we do. I think, as a matter of principle, it is something which just does not sit that comfortably with us, but we do not sit around all day, thinking, "We must bring this to an end".

Q1042 Chairman: So you are totally relaxed about it?

Mr Darcey: I think we are pretty relaxed, yes.

Q1043 Lord Peston: Before we give up on this, I am really very disturbed by what you are saying. The classic case for listed events and other controls on bodies like yours is that the 'owners' have monopolies and it is absolutely standard in our country and our economy that if you have a monopoly, like the Premier League, or whoever owns the rights to the Derby, we do not allow you to exploit that monopoly to get as much out of it as you can. The argument of exploiting monopolies is against the national interest. I find it amazing that you, a

reputable public firm, are saying, “Yes, we think these monopolies ought to have the opportunity to maximise the revenue from their monopoly”. I just find it unbelievable that you are putting that view to us because that is the case for listed events and for other controls on what people ----

Mr Darcey: I am a little perplexed as to what you think is the economic market within which the Derby has a monopoly. Is that the market ----

Q1044 Lord Peston: The market is the controller of the Derby. You see, you cannot come up and say, “Well, there is that Derby and now I’ve got this Derby, and now that I’ve got this Derby they can all compete against each other”. It is not like selling baked beans. The Derby is a unique event and it is a monopoly. I am not saying you should change your mind, but I am just amazed that you adopt this view as reputable businessmen because, on the whole, the philosophy on which our society is based is that monopoly is bad and where you cannot get an alternative, it needs to be controlled, and that is the listed events position. I am just staggered at the view you are taking. To put it differently, you must have a better argument.

Mr Darcey: I am trying! Competition law exists to address concerns that arise from monopoly and market power more generally in relevant economic markets. I am not aware that any competition body anywhere in the world has defined the market so narrowly as to be one horse race. Now, if ----

Q1045 Lord Peston: So we are the only place in the world that has listed events?

Mr Darcey: That is not what I said either. If you were to adopt that rule that said a horse race is a market because it is unique because there is only one Derby, you could adopt that approach and apply it to every single television programme in the United Kingdom. There is only one *Simpsons*, there is only one *Coronation Street*, there is only one *Hill Street Blues*,

there is only one individual football game and I think you need an approach that distinguishes-----

Lord Peston: There is clearly no point in discussing it further. You clearly do not understand the economics of any of this.

Q1046 Lord Maxton: As far as I am concerned, and not the Derby or the Grand National I would accept, but one of the reasons why government policy wants listed events or wants sport on the terrestrial channels at the moment, and I would accept it is at the moment, is of course to get the widest possible audience to encourage participation in that sport, and there are some governing bodies who will take the same view presumably. Let me just ask you, therefore, about the comparative figures, and we will take my sport, if you like. Last Saturday, the PowerGen Cup in rugby was being shown on BBC2. This Saturday, the Heineken Cup will be shown on Sky Sports 1, 2 or 3, I am not sure which one. Can you give us any idea of comparative viewing figures to give us some idea as to whether or not the argument I am making makes any sense in terms of encouraging people to participate in sport by having bigger figures?

Mr Wakeling: I think it is very important and it goes to answering Lord Holme's question as well, that we do not think we have plateaued, but we think we have a duty actually to encourage more people to play sport, we want them to be involved. I think in our written submission we talk about the younger audience for multi-channel TV and we also run programmes which encourage young people to get involved in sport. We have something very good going on in schools, Living for Sport, into which about £1 million a year is invested. The answer to your question of course is that I do not know the PowerGen Cup figures, I am sorry, for the BBC. Over this weekend, I think we will show seven live matches from the Heineken Cup, plus the Sunday night round-up which shows everything from everywhere and of course ----

Q1047 Lord Maxton: I will be watching it!

Mr Wakeling: Thank you very much!

Q1048 Lord Maxton: Or some of it.

Mr Wakeling: Well, there is too much of course.

Mr Darcey: Seven matches.

Mr Wakeling: Yes, seven matches and then you spread it across. I need to come back after the weekend and I will provide you with match averages, I will give you match peaks, I will give you total reach over the three days because we are live on Friday night, Saturday afternoon, one teatime game on Saturday and I think there are two or three games on Sunday. I think this is one of our busiest weekends and I can provide that information for you next week when we have all of those figures.

Lord Maxton: That would be extremely helpful, thank you.

Q1049 Lord Holme of Cheltenham: I am curious about one point which is: do you make any distinction between A list and B list? Even in the construct you have got of preparing an open, competitive basis for everyone, would you recognise that those great national occasions, which the A list is supposed to represent, where the maximum number of people would want to experience it live as an act of, I do not know, national solidarity where we are all interested, would you make a distinction between the A list and the B list in your wish to open up the market, and in your terms, not Lord Peston's terms? Would you make a distinction?

Mr Darcey: I am not entirely sure what the question is. I think we understand the idea that there are certain sports events that are deemed to have a very broad national interest and that is why they are on the list. I think we understand why that concept has been extended to include a B list as well where things which are regarded as perhaps not quite of the standing

as would get them on to the A list, nonetheless, some secondary coverage would be desirable. I think we understand that, yes.

Q1050 Baroness Bonham-Carter of Yarnbury: I want to ask about the Ashes of last summer. The whole event became so popular that screens were set up in public parks and people were able to watch it there who were not able to get tickets for the event. Would that happen now that Sky has the rights to cricket coverage?

Mr Wakeling: Sorry, would it happen that big screens would be set up?

Q1051 Baroness Bonham-Carter of Yarnbury: Yes.

Mr Wakeling: I do not see why not if the success of the Ashes was repeated. In four years' time Australia may be back here. Let us hope that we are still competitive. We have not done too well in the past couple of weeks in Pakistan. What happened there was quite unique in British sport. If you look at Channel 4's experiences over the six years that they have been covering Test cricket, for example, in the summer of 2004 when Sri Lanka and West Indies were here, the average audience for Test matches was 1.13 million on Channel 4 and for the Ashes the average was 2.16 million. We have all heard of the 7.7 million peak on the fifth day of a Test match after tea as everyone is getting in. I think we have committed to working with the ECB again to reach young people and to work with young people. We are looking at various ways we can invest beyond that money that has been paid for the rights to encourage young people to play. I think that cricket has done a marvellous job before the Ashes. If you look at the success of the Twenty20 competition which, bar one game on Channel 4, has been shown for the past two years only on Sky - and I am talking about people paying to watch, not sitting at home watching it, young families going along to watch it and the same with the national Cricket league as well, with floodlit cricket and the One Day Internationals - I think that the ECB has done a marvellous job of encouraging more young people to go and watch

the game. Mind you, I do not know how they get from being Twenty20 fans to watching Test matches. I think you are only going to get a small percentage going up. Test matches are popular in this country but not so popular elsewhere in the world. The answer to your question is that we would love to do that sort of thing.

Q1052 Chairman: I know this issue does not keep you awake at night because you have said so. The logic of having the Wimbledon tennis finals in Group A and cricket Test matches in Group B does, on face of it, seem pretty difficult to argue I would have thought.

Mr Wakeling: That was the recommendation of Lord Gordon's Committee in 1997/98 and I think it was the result of a plea from the ECB who were stuck at the time with only one terrestrial broadcaster interested in the rights. I think it is on the record that they did not think they were getting a fair deal. They had nowhere else to go. I appeared in front of that committee and at the time I said we were quite happy with what we had got, but beyond the next negotiation which was coming up I could not say that we would not bid for all Test matches at some stage in the future, which is what we did in November last year. The BBC was certainly surprised when Channel 4 came in and took the rights away from them and I suppose I was surprised this time round that the BBC did not bid for anything with English cricket, anything live, any highlights, any part of it, whether it be Test matches, Twenty20, One Day Internationals, nothing whatsoever. Why was it relegated to the B list? Again it was Lord Gordon's committee recommendation. I appeared there and I suppose I said that I understood the ECB position, they had nowhere else to go, they needed money for investment and the same thing has happened this time round and that was the recommendation. We appeared, we gave evidence, but it was not our decision.

Chairman: Let us move on then to the questions concerning the European Commission and the issues there.

Q1053 Lord Maxton: The Premier League has been the star of your programming. How do you respond to this European dimension? Are you responding? Do you welcome it? Do you think it is a bad thing?

Mr Wakeling: I rather think that at the moment you know as much about it as we do. We were not party to any negotiations between the Premier League and the Commission at all. We have seen the statements that have been made and we have read the speculation. At some stage in 2006 I assume that the Premier League will issue a tender document. I am assuming the six packages of 23 games, which is what has been reported, is correct.

Q1054 Lord Maxton: Of which you could buy five.

Mr Wakeling: Of which one broadcaster can buy five. Again I assume what has been published is correct.

Mr Darcey: I think the press release only says six packages.

Q1055 Lord Maxton: But no one can buy all six.

Mr Darcey: That was in the press release, yes.

Mr Wakeling: How do we react to it? When we see the ITT - because all of you know as much as we do about what is going to happen with this next time round - then we will probably have a view on how it will work. If you look at the present packages of four games, there is a lot of detail in there on maximums. We cannot just do Manchester United, Chelsea and Arsenal every week, we have got to cover each club a certain number of times. There is a maximum in each of the four packages at the moment. The 138 games that are shown now has got nothing to do with Sky. I do not think the Premier League in the last round of negotiations with the Commission was very keen on that. Perhaps there is too much disruption to the traditional three o'clock Saturday kick-off. That was agreed with Brussels. The time slots of Saturday lunchtime and Saturday teatime, which we take a lot of criticism

for in terms of disruption, have nothing to do with us, that is in the tender document and that is the way it is. In terms of the rights fee that we would pay, if we could have enjoyed the degree of exclusivity we have enjoyed so far we would probably pay the same amount of money for fewer matches, but it is now going to change and we will respond when we see the ITT.

Q1056 Lord Maxton: There was a threat yesterday of another major player coming into the field, which is NTL in combination with Virgin. Do you see that as a genuine threat?

Mr Wakeling: I think there have always been other bidders. ITV was the big bidder in 1992.

Mr Darcey: In 2000 NTL initially bid four in one for what was at the time described as the pay-per-view package of 40 matches. They then failed to agree a long form agreement with the Premier League and they ended up handing it back and the Premier League subsequently went out and sold the rights to those matches on a platform by platform basis. So Sky bought the rights to show those matches on satellite, NTL bought the rights to show them on the NTL platform, Telewest for their platform and on digital at the time for their platform. NTL has been a broadcaster of the Premier League, although that seems to have been written out of history in some of the press articles.

Q1057 Lord Maxton: The one thing that did not appear in almost anything you said there was the BBC. Are you telling us that the BBC has really not been competing at all?

Mr Darcey: No. You were asking about a new competitor. I think we are saying they will be there and they have always been there.

Q1058 Chairman: You say that the negotiations were between the Premier League and the Commission and you had no part in it whatsoever. Could you not have a view at all? What did you think of it? What did you think of the idea of packaging up?

Mr Darcey: We have a view, many people have a view, but fundamentally the nature of the conversation was between the Premier League and the European Commission and the reason is that the Premier League is an organisation that sells its rights collectively. That is an arrangement for which they need clearance from the European Commission. The European Commission expressed some concerns about whether that was or was not legal and effectively said to the Premier League, “We think it could be legal subject to us getting comfortable with the way in which the rights that flow from this collective sale will in fact be sold”, so it was a discussion between those two parties as to what was necessary to get clearance.

Q1059 Chairman: At no stage did you in any way seek to influence those discussions, did you?

Mr Darcey: Several years ago the Commission issued a statement of objections against the Premier League and we were a party to that and I think the BBC probably was as well at the time, and we were invited to make a submission in response to that statement of objections and it was a fairly thorough submission at the time.

Mr Wakeling: We were not invited this time round to make any submissions at all.

Q1060 Chairman: I am asking whether you made any kind of approach so that your view was known to the Commission or to the Premier League.

Mr Darcey: The last extensive dealings we had with the Commission were in respect of our contract for the current deal, the one to one we are in the middle of at the moment. The debate between the Premier League and the Commission at the moment is in respect of the next deal. When we concluded our agreement with the Premier League last time the Commission wanted to have a look at that and there followed about a nine month period in which we had various discussions with the Premier League and I think we discussed most aspects of televised football during that period. That culminated in a set of agreements

between us and the Commission in respect of that contract and the way in which we bid and what would happen to the rights.

Q1061 Chairman: If I was you, given your position, I would be pretty irritated if it was all going to get changed. I certainly would make it my business to make my views known. You seem a bit coy about this.

Mr Darcey: I think everybody is entirely clear on our views. I am not sure there is much more to say. We have had regulators looking at the nexus between football, Sky and the Premier League and television since around 1996. I think it started in the restrictive trade practices court in the UK. We have had months and months and months of debate with the Premier League. I do not think there is anybody left in the country that is in any doubt of our views that on balance we would like an open market and we would like to be able to bid and that we value exclusivity and that is the nature of the pay broadcaster. I am not sure there is more we can say.

Q1062 Chairman: There are reports in a number of newspapers that government ministers went in to bat basically on behalf of the kind of lack of restrictions that you would prefer.

Mr Wakeling: I do not know anything about that.

Q1063 Lord King of Bridgwater: You are very coy on lots of things. I am not quite sure what you are defending because I think you have a perfectly respectable commercial approach and there is nothing to be ashamed of in that. To what extent is the Premier League a UK market, to what extent is it a European market for you in that way, and do you on-sell to Fox and Star or is that something that is done direct by the Premier League?

Mr Wakeling: It is done direct by the Premier League. We have no rights whatsoever outside our territory of the UK and the Republic of Ireland. They do their own deals territory

by territory worldwide. What we provide is our signal. So our coverage goes to wherever they have sold it, into the US, around Europe, Asia, Australia or wherever. We have nothing to do with the sale of those rights whatsoever, nor do we get any return. They have the right to our signal, to our commentary, et cetera. We simply make that signal available to whoever they tell us to.

Q1064 Lord King of Bridgwater: Free of charge?

Mr Wakeling: Yes.

Q1065 Lord Maxton: And it is included in the original price.

Mr Wakeling: We have made the bid for the rights, we have committed to cover a certain number of games to certain levels and then, of course, the Premier League sells them.

Q1066 Lord Peston: I understood the bit that you bid for the Premier League stuff and then that gets included in the package that I buy, for example, which in fact compared with going to a game is still incredibly cheap. Because my son is using my ticket at Highbury tomorrow it costs me £55 to watch the game, which is the same as I pay for the 60 games that I get in the special package. What I am interested in beyond that is who do you negotiate with when you are showing your European games?

Mr Wakeling: The Champions League games that we are showing tonight and tomorrow we negotiate with an agency called Team Marketing on and they represent the rights for UEFA worldwide and they negotiate territory by territory.

Q1067 Lord Peston: Do you bid or do you negotiate?

Mr Wakeling: We bid.

Q1068 Lord Peston: Do you say to them that you would like to buy it and you are offering this or is it that they say who is offering us the best bid for these games?

Mr Wakeling: There is a written tender document that comes out with the various packages identified and we put a price against those packages.

Q1069 Lord Peston: So as a market it is quite complicated because, for example, Chelsea versus Liverpool will be on tonight on ITV. Do they then bid for a game whereas you bid for a whole group of games? This incredibly complicated market has never made any sense to me.

Mr Wakeling: It has worked quite well, of course.

Mr Darcey: I think there were 17 packages.

Mr Wakeling: When you look at the various packages, there is something like first choice Wednesday, second choice Wednesday, first choice Tuesday and so on and they are all itemised. ITV really only want the two games at the moment. I should think they will probably want more next time around as they develop their services. They were quite happy to take first choice Tuesday, second choice Tuesday and we said we will take Wednesday nights and the other games that are being played tonight, ie AC Milan versus whoever, I cannot remember. It does have a limited market because, of course, as you probably know, we show all games on the Red button and there will be eight live games tomorrow night. If you go back to the very first broadcast we did for the Champions League, we had something like Dynamo Kiev versus somebody else on screen eight and 10,000 people watched it. I do not know where they came from. It is about widening the appeal of Sky Sports.

Q1070 Lord Peston: I understand that because I buy all the packages. You would be amazed at what I watch. In my judgment the best football you show is the Spanish football for quality. Is that a separate deal altogether with *La League*?

Mr Wakeling: Yes.

Q1071 Lord Peston: Is it a bid or a negotiation?

Mr Wakeling: That one was a negotiation with agents representing the Spanish League. We did not negotiate. They have hired an agency to represent them worldwide. I do not know how they did their domestic deal. I do not know if they did it direct with the broadcaster. They hired an agency to represent their deals worldwide. That agency went to every territory, France, Germany, the UK, etcetera and we negotiated the price.

Q1072 Lord Peston: So as you understand it the BBC could have made an offer for Spanish football on Sky.

Mr Wakeling: Yes.

Q1073 Lord Peston: There was nothing to stop them at all. They simply had to come up with a penny more than you offered, did they not?

Mr Wakeling: Yes, and the Champions League and the Italian League.

Q1074 Baroness O'Neill of Bengarve: Do you think there is any case for requiring rights holders to sell on rights to free-to-air broadcasters to show highlights or would that seem to be unreasonable?

Mr Darcey: I suppose it is on the B list and there is a set of sporting events for which that degree of intervention is deemed warranted.

Q1075 Baroness O'Neill of Bengarve: And beyond that?

Mr Darcey: I suppose if it is not on that list then I do not really see why that would be the case. As we were saying earlier, the rights holder has a lot of things that they are trying to balance. They are very keen on wide coverage of their sport, they are normally very keen on

participation and all these things and they would all love to be on the BBC, they would all love to be on BBC One, but not everybody can fit on BBC One. They are interested in that but they are interested in a number of other things as well. They are interested in the funding that comes from the television rights and that is another means by which they can try to foster participation in sport and the money might help develop the quality of the national team which itself might help foster participation in sport if the national team is successful. They are trying to balance a series of things. The key issue to understand about a pay television broadcaster, which is fundamentally what we are, is that exclusivity is valuable. We cannot sell people a subscription to something that is otherwise available for free.

Q1076 Baroness O'Neill of Bengarve: I am talking only about highlights at the moment.

Mr Darcey: There is a continuum that full exclusively, where no coverage whatsoever is available by any other means, is the most powerful and the more you chip away at that the more value to Sky or any other subscription broadcaster declines. Highlights can in principle chip away at that a great deal if the highlights were very extensive, if they were for all matches, if they were full coverage and if, for example, they started straight after the live match was over. That sort of highlights would undermine the value of the live rights to a pay broadcaster like Sky a great deal. Lesser highlights would have a lesser impact. The rights holder is trying to strike a balance between how much Sky is willing to pay for the exclusivity that it feels it would have, what a free-to-air broadcaster might be willing to pay for the highlights that might be offered to it and the overall money situation they face and the overall degree of exposure they are looking for on television. It is a complex judgment. I think we tend to believe the rights owner who has the best interests of the sport at heart is the right entity to make that judgment in the end.

Q1077 Baroness O'Neill of Bengarve: Would you consider selling on highlights so that people can watch them on their mobiles?

Mr Wakeling: There is a hold back on mobile rights at the moment. You can watch, for example, Premiership football goals at half-time and on the final whistle.

Mr Darcey: That contract this time round was won by a joint bid from Vodafone and 3. We bid for that and we were not successful and 3 and Vodafone have that contract and they show clips.

Mr Wakeling: I think the same is true going forward with the new ECB Test cricket, that highlights packages are available now. I do not know if they have done a deal with Vodafone since it is them who sponsor the England team. Again you will be able to watch Test match highlights at lunch, tea and close of play.

Q1078 Baroness O'Neill of Bengarve: Commercially speaking, you would sooner have clear, complete exclusivity than highlights being available by other media or other channels, would you?

Mr Wakeling: I am not quite sure that I would include mobile rights in that.

Q1079 Baroness O'Neill of Bengarve: They are different from highlights on free-to-air.

Mr Wakeling: As Mike has explained, a lot depends on timing, for example, in that the semis and matches involving England are on the B list. We were aware when we did that deal that there was a highlights window there for a terrestrial broadcaster and I believe that was offered around and the BBC is showing highlights, but because it is coming from the West Indies and because of the time difference they are not going to be showing those highlights until ten or eleven o'clock at night. We have shown it live in prime time. There was an allowance in the bid. We made two bids. There was a bid for exclusivity and there was a bid for live and free-

to-air highlights and they accepted the second one. It was their choice. We looked at that and made that business judgment.

Mr Darcey: I would like to go back to the mobile point. On mobile clips and highlights, again in principle it has the effect of chipping away the exclusivity available. At the moment you would probably say that has a lesser effect than if it were on prime time on the BBC because fewer people have a video enabled phone and subscribe to such services, but I think that is going to grow through time and that is part of the consideration, particularly going forward with contracts that are going to last a number of years. We are starting to talk about contracts running to 2010. By that time everybody will have to take a view as to how many people will be watching highlights on a phone and the extent to which that might chip away at the value of exclusivity.

Q1080 Lord Maxton: I can see with a World Championship boxing fight which you are showing live, probably on pay-per-view at three o'clock in the morning because it is coming from Los Angeles or somewhere in the middle of the States, you do not want highlights being shown at eight o'clock in the morning, would I be right, because that would be the first time most people would see it?

Mr Wakeling: That is a very good example. We would not want highlights being shown.

Q1081 Lord Maxton: So you would insist on exclusivity on that, would you?

Mr Wakeling: If it was pay-per-view, certainly. With pay-per-view boxing from the US we insist on a seven-day window.

Q1082 Lord Maxton: So nobody can show that fight on anything at all.

Mr Wakeling: Under the code of agreement on user access people do tend to show the knockout.

Q1083 Lord Maxton: This leads me to a question where I think mobile phones is only one of the new technologies, the other will be streaming down on broadband the internet services. Where do you stand on that? It is very difficult to insist on exclusive rights. If someone is sitting in the audience with a video camera and a mobile phone and is beaming it straight down onto his computer and then out to anybody who wants to pick it up, how do you stop that? You cannot.

Mr Darcey: I do not think there is much we can do about that.

Q1084 Lord Maxton: I presume so far it has not happened.

Mr Darcey: It may have happened but it has not been so prevalent that we have had cause to worry about it a great deal. On streaming, I think the way the sports rights market is moving is towards a general understanding that it is not particularly meaningful to define live rights differentiating by technology.

Q1085 Lord Maxton: The English Rugby Union witnesses last week were quite clear that that is what they were doing.

Mr Darcey: I am saying that the general trend is to think about there being a live right and not to worry so much about what is the nature of the distribution technology and the nature of the screen upon which it would be displayed. Very few people today sell satellite rights distinct from cable rights distinct from DTT rights.

Q1086 Chairman: What you are saying is that, if you take football as a simple example, it is really up to the league or whatever football body it happens to be whether they sell you exclusive rights or whether in their judgment they think it is better (for which they would not get such a high price) for them to sell you live rights and then the BBC could have *Match of the Day* in the evening, are you not?

Mr Darcey: Yes. We do not particularly insist on anything. Very common would be, as Vic has said, two bids. If they want to weigh things up then we would say, “This is the amount we would pay if we had total exclusivity. We understand you might want to sell some highlights. This is the amount we would pay for just the live rights,” with the highlights being elsewhere and the decision is left to them.

Mr Wakeling: As far as all football contracts in this territory are concerned, with the Scottish FA, the English FA, the Premier League and the football league, they have all said there will be a highlights window.

Q1087 Chairman: But that is their decision.

Mr Wakeling: Yes.

Q1088 Baroness Howe of Idlicote: Mr Wakeling, you gave a slight indication of surprise at something the BBC had done by way of bidding. Put yourself for a moment in the BBC’s shoes, how would you evaluate your own way of bidding given that they have certain rights which mean people overwrite yours?

Mr Wakeling: I think I said the BBC was surprised when they lost the cricket rights to Channel 4 six years ago. I think I said I was surprised that they had chosen not to bid for live matches and highlights this time round. I have been in business a long time as you can tell, but I am not sure I can put myself in the BBC’s shoes because I do not know how they work. I have worked before Sky within commercial broadcasting. I do not know how they put a value on anything. I do know that they went public in advance of the last round of cricket bidding. Peter Salmon, who was head of sport at the time, gave an interview to the *Guardian* and said that - this was in advance of the ECB bidding - they envisaged having problems with the scheduling of cricket, and it is difficult. I make no criticism of the BBC whatsoever. It is extremely difficult to schedule cricket. You are never quite sure when it is going to finish or

when they are going to play either. I have a lot of sympathy with them, but I am not quite sure how they can put a value on the rights.

Mr Darcey: This is a general issue for all of the commercial broadcasters. We are all reasonably straightforward in the commercial world in that we are all trying to make a buck in a sense and we think about the amount we would bid for a set of rights according to the value we think it can add to the business. When we think about ITV and what we might have to bid to outbid them, we are reasonably comfortable that we can analyse their business, estimate how many viewers they will get, how much they would sell the advertising for and so on and reach a view, but when it comes to the BBC all that rather breaks down because they have quite a very complex set of objectives that they are trying to meet. We find it much harder to be able to predict what value they might end up putting on a particular event. I suppose that must lead to many commercial broadcasters sometimes being surprised at what they choose to bid, either high or low, but in a sense we are saying relative to the value a commercial broadcaster would put on that that is a bit odd, but I do not think it means it is wrong, it just means that they are applying a very different thought experiment to the whole equation.

Q1089 Baroness Howe of Idlicote: Given that they have a duty to provide coverage for the licence fee payer, I think what one is trying to find out from you is whether the priority they give to sport is as high as it should be given that overall duty because there certainly was some criticism of their rather low bid under those circumstances.

Mr Darcey: I think it is very hard for us to put ourselves in their shoes. They have a very complex set of things they are trying to achieve and different objectives. They have an extra one that we do not ever really have to think about that much and that is, if they want to assign some money to one idea, because they have a fixed income they really have to work out where the money is going to come from, so they have to work out what is going to lose out or what else they might have done and they are not going to do, whereas a commercial

broadcaster tends to think of things incrementally. The Charter will set down what are the objectives that they should pursue and then I tend to think it is for the management of the BBC to think how they will allocate their money to deliver those objectives.

Q1090 Baroness Howe of Idlicote: Let us put it the other way round. Supposing by your standards they bid ridiculously high with public money, do you think there ought to be some sort of independent review of how they go about their bidding processes?

Mr Darcey: No, not particularly.

Q1091 Baroness Howe of Idlicote: You mean you have never felt cross at the thought that they had bid far too high?

Mr Wakeling: You might be disappointed to miss out on something but I do not think that necessarily means you are asking for an intervention. The Charter is really the period when people have a debate about what the BBC is for, what it should do, what are its priorities and then a licence fee settlement is reached, and they are given a degree of funding and then the management choose how to allocate that money to meet those objectives and I guess that is just part of the background of operating in the UK.

Q1092 Chairman: You do not want them to put any more priority into sport, do you, otherwise they are going to end up outbidding you in a number of areas?

Mr Darcey: Possibly, but that would probably leave some gaps somewhere else.

Q1093 Baroness Bonham-Carter of Yarnbury: You talked earlier about ITV developing sports services. What would your response be to a BBC channel that was dedicated to sport?

Mr Darcey: I suppose that would probably depend on what sort of sports channel it was. Are you thinking this is a channel that is going to make a £1.2 billion bid for the Premier League or are you thinking it is going to show regional volleyball? There is quite a spectrum.

Q1094 Baroness Bonham-Carter of Yarnbury: I would imagine it would be a channel that would cover the areas that you cover. What would its likely market impact be?

Mr Darcey: I think we have a channel that covers the areas we cover; it is called BBC One and BBC Two. I am not clear how you think this would differ from the sports that they currently cover.

Q1095 Baroness Bonham-Carter of Yarnbury: It would only show sport.

Mr Darcey: Are you thinking sport is going to transfer from BBC One and BBC Two or is it just going to do more?

Q1096 Baroness Bonham-Carter of Yarnbury: Both, I suspect. We are talking about the future where there is the opportunity for a BBC digital channel that dedicates the channel to sport. What is the likely effect that would have on your services?

Mr Darcey: I would go back to my previous answer and say that we have a Charter that will say what the BBC is for, what it is trying to achieve, it will have an allocation of money and it will decide how best to allocate that money to deliver the objectives. If the management decides that the one thing they should do is bring forth a new channel then I am sure they will do that. I suppose all we would really say is, as for other new services that the BBC might propose, it would go through a market impact assessment and, as we have said in our earlier evidence, we would urge that that would be carried out by Ofcom, so there would be an independent review of the impact on them, but if it then passed through that and operated according to a tightly defined licence then that too would become part of the backdrop of operating in the UK.

Q1097 Baroness Gibson of Market Rasen: I want to be absolutely sure what you are saying because I am finding it very, very strange. You are actually saying to us that it is only

at the time when the BBC Charter is under review that you are thinking about the possibility of the BBC having a dedicated sports channel, are you? It is not part and parcel of your marketing of Sky because Sky is associated with sport. You are giving me the impression that you do not think the BBC would do it but, in any case, you only think about it at the time the BBC Charter is being considered.

Mr Darcey: No, I do not think that is quite what I am saying. I am saying that the main point at which we have a major debate about what is the general scope of what the BBC should do is at Charter time and then in the meantime they tend to discharge that. I tend to think it is for the management to take a decision day-to-day on how to spend the money and discharge their obligations and meet their objectives. There are provisions for what should happen if the BBC want to propose the introduction of a new service and that would have to have a service licence. We think it should have a market impact assessment and we think that should be carried out by Ofcom. It should then have a very tightly defined service licence and it should stick to that, but a proposal, whether it be for sport or whatever, passes those tests so I guess that is part of the framework.

Q1098 Lord Peston: In the end you provide very good sports channels and certainly people with my type of income could not remotely call them expensive. Whether you are talking about Test cricket in the last couple of weeks and our ludicrous performance or some of the other things, it did not cost very much for me to suffer! Could you not argue that it should not be the BBC's highest priority, being a public service broadcaster by definition, if you are doing a reasonably good job, to be doing your job? We are not pressing you too strongly. Although one would like to see more sport on the BBC, no one could say you are not doing a fair job.

Mr Darcey: In the scenario we are talking about here that would come in in a market impact assessment and I think part of that would be what public value would be created by such a

channel given the framework and the background of what other people are doing and a view would be reached as to that and a view would then be taken as to the impact on the rest of the market and whether there were negatives there that might flow from that. I think we would like it to be Ofcom who would weigh those up and decide whether that should go ahead. Within that process we would make our views known and we would make observations about whether such a service was wanted and whether it would deliver public value given what was already available and so on. I would distinguish that from just a decision day-to-day of the BBC as to what to spend on particular sports rights to put on BBC One.

Q1099 Lord Peston: I want to take us on to what you call minor sports and we have called minority sports, which I think is the wrong expression because I am pretty sure every sport is a minority sport in the sense that no one has ever had more than half the population to watch anything. I think your term minor sports and what you include are right. You say 30 per cent of your coverage is dedicated to minor sports. I take it that means time rather than audience.

Mr Wakeling: I am never comfortable with minor or minority because if you are a badminton player it is a very important sport to you. Badminton is one of those sports that the BBC walked away from in the All England Championships which they covered for years and that are now on Sky and we cover it live wall to wall for three or four days. In our submission we say it is something like 100 minor sports in the year. A lot of those we are covering live but others will be in sports magazine programmes which are scheduled. I think there is some sailing on tonight and some powerboat racing on tomorrow morning, half-hour programmes and half-hour signals. You will then get various other hour programmes, for example Transworld Sport, which is also on Channel 4, which will have reports of various sports around the world. You will have features on sportsmen and on taking part whether it be in BMX or croquet. We actually cover bridge. Last year we did six one-hour recorded programmes covering a bridge tournament. I am not quite sure if you can classify bridge a

sport. There are people who are interested in it as a past time and we thought in the middle of the afternoon or in the morning - because we repeated it three times in a 24-hour window - there would be people interested in that. We do try and cover as many sports as possible because there is huge interest.

Q1100 Lord Maxton: What were your viewing figures?

Mr Wakeling: Not very good!

Q1101 Lord Peston: Mr Darcey has constantly reminded us, quite rightly, that you are a commercial operation. Are you covering these sports that we are currently talking about because they are commercially viable or because it is part of a broader package and a broader image that you want to create as to what you are doing? I am not saying you are wrong to do it, but it is not obvious to me what the commercial advantage is.

Mr Wakeling: I think the answer is the latter in that we think there are small pockets of people out there, whether it be bridge or whatever, who might subscribe to Sky Sports if we give that broader appeal. They will find something on our channel once a day or once a week that will interest them. If you look at the terms of hours that we do on football, golf, cricket, tennis, Rugby League, Rugby Union, they are our main sports in terms of hours. Let me give you two examples in equestrian sport, the Horse of the Year Show and Hickstead. Years ago they were on the BBC and were a major event on the BBC. Now, for whatever reason, I do not know, the BBC has dropped them. We have gone in in the past 12 months and done three-year contracts to cover both. The audiences were 60,000 to 80,000 over the three days of the event, not huge, but we are catering for 60,000 to 80,000 people who wanted to watch Hickstead and the Horse of the Year Show from the NEC in Birmingham.

Q1102 Lord Holme of Cheltenham: The business model behind that would be, as a result of you doing that, X thousand horsy people would now subscribe to Sky and be able to watch their favourite sport.

Mr Wakeling: That is exactly the business model, yes.

Mr Darcey: It may be that there is one person in the home and they might be male, I do not want to be stereotyped here, that is a strong fan of football, but the decision to subscribe or to continue subscribing to Sky will typically be a household decision. It may be that the wife is interested in horsy-type things.

Q1103 Lord Holme of Cheltenham: And the daughter has a pony.

Mr Wakeling: Yes. Part of the commercial model is appealing to all members of the household.

Chairman: We have got the point now. I want to change gear entirely. We are not doing only sports, we are doing a whole range of other things and one of the very important things we are doing is religious broadcasting.

Q1104 Bishop of Manchester: In your written evidence you said 40 per cent of 15-25 year olds have Sky, 82 per cent of 4-15 year olds and 75 per cent of 16-34 year olds live in multi-channel homes. That is a significant connection with an age group which includes people who are forming their views, acquiring knowledge and so on. During the evidence you have given this afternoon it was said that people are attracted to BSkyB subscription because of the breadth of choice available and I think at that moment we were not only thinking of sport but films were mentioned and the news channels. What about religious broadcasting and religious programming, where does that fit into BSkyB?

Mr Le Jeune: We offer on Sky One a religious programme which runs for an hour early on a Sunday morning.

Q1105 Bishop of Manchester: What are the viewing figures for that?

Mr Le Jeune: I do not know, but I would be very happy to find those out for you and let the Committee know. I looked at the very interesting evidence sessions you had with the BBC and other broadcasters and also with the members of faith groups before coming here and then as a consequence of that I took a look at the electronic programme guide which is available to subscribers to the digital satellite platform. There is something of the order - I would not swear these figures are absolutely correct - of ten Christian television channels free-to-air on the platform, two Muslim channels, one Hindu channel, nine Christian radio stations, one Sikh radio station and one station which describes itself as “a multi-faith Asian radio channel”. It is interesting to carry out that study in a sense because the discussions you had with the faith groups and with the other broadcasters were focussed on a fairly narrowly defined aspect of public service broadcasting which they were required to carry out. The channels we are talking about here are on the digital satellite platform. We are required by law to give channels that have a licence fair, reasonable and non-discriminatory access to the platform. We do not exercise any control over them or their content. There is clearly a demand out there for dedicated religious broadcasting both on television and radio which I think puts into perspective some of the discussion you had with the terrestrial broadcasters.

Q1106 Bishop of Manchester: Do you allow a discounted rate?

Mr Le Jeune: We do. That is a discounted rate that applies to charitable organisations organising channels. We do not discriminate between religious and other charities.

Q1107 Bishop of Manchester: What sort of discount is it?

Mr Le Jeune: It is of the order of 40 per cent, so it is substantial.

Q1108 Lord Maxton: That would be to the other community channels as well, would it?

Mr Le Jeune: Yes, to all channels that are charitable.

Q1109 Lord Maxton: If one of the American more right-wing religious channels came to you and said they wanted to broadcast on your platform would you say, “That’s fine, you are licensed and you are allowed to do it”?

Mr Le Jeune: The decision is taken out of our hands. By law we must offer fair, reasonable and non-discriminatory access to the platform. Making valued judgments of that kind is not a thing for us.

Mr Darcey: They have a licence from Ofcom.

Mr Le Jeune: Ofcom must make that decision.

Q1110 Bishop of Manchester: Like it or not, religion is big news in the world today and therefore it is very important when it is referred to in accordance with what may be happening in various parts of the world that there is some expertise, that people are given a reasonably intelligent background to why something may have happened. What facilities do you have in forming the news bulletins to access the kind of informed opinion that something as serious as religion, belief or non-belief requires?

Mr Le Jeune: On that I think I would have to plead ignorance and ask if I might write to the Committee. I think it is true that Sky News has a very high reputation for the quality and the unbiased nature of its reporting, but I am afraid I do not know if it has a specifically religious expertise in that way.

Q1111 Bishop of Manchester: If there was some scientific point which was being reported on the news it would be likely that you would be going to somebody whose expertise in that was accepted. There can be a tendency when dealing with religious matters for it to be done in a slightly amateur way. I am not saying Sky News does do that, but I would be grateful if

what you have just offered the Chairman could be followed up and we could receive that in writing.

Mr Le Jeune: Indeed. As a keen watcher of Sky News I cannot say I have detected any of the possible amateurishness that you have spoken of when dealing with religious matters in which I am personally interested. I will ask the question and write to the Chairman about that.

Bishop of Manchester: That may prove that you have got the knowledge and expertise available, but it would be interesting to see how it is made up. Thank you very much.

Chairman: Can I change gear yet again at this point? We are also looking at regional broadcasting and broadcasting around the country. We have been to a number of places including Manchester.

Q1112 Baroness Gibson of Market Rasen: I am sure that you have been thinking about the BBC's proposals for a shared production hub in Manchester. What are your views on this?

Mr Le Jeune: We have a blank sheet of paper on this!

Mr Wakeling: A few years ago I did go to Manchester where there was a small television studio and I did make a recommendation that perhaps more could be happening there, but the communications at the time and the costs of getting everything up there ruled it out. I am not quite sure that we have a view on where the BBC should base itself. In broadcast terms nowadays it does not matter. I am talking about 15 years ago when I was trying to set up another operation within ITV and the communications in and out of Manchester were not at the same level as now. We could be in London, we could be in Birmingham, Newcastle, wherever. As to basing yourself there, I am not quite sure.

Q1113 Lord King of Bridgwater: Do you not have a big sports unit in Manchester?

Mr Wakeling: We do not. We have a small sports news unit based in Manchester, another one in Harrogate, another one in Newcastle and one in Scotland. We have small Sky Sports news units based around the country.

Q1114 Chairman: Would there be any objection to having a shared production hub with someone like the BBC?

Mr Wakeling: In using their studios?

Q1115 Chairman: In using joint studios.

Mr Wakeling: No, there would be no objection at all. In fact, in the past we have used OB trucks from the BBC because we have put everything out to tender, we do not own any of our own facilities. The BBC has tendered in the past and they did win a contract. They did not win it the second time round. We hire facilities from companies in Birmingham and Manchester and various other parts of the country as well.

Q1116 Lord Maxton: Have you ever considered moving much more into regional broadcasting so that you were doing maybe regional news and regional sport and you might show Scottish football in Scotland but you would maybe show the Newcastle against Sunderland game and make it exclusive to your viewers in the North-East?

Mr Darcey: Twice in my time at Sky the question has been posed as to whether we should develop regional news services of some kind, setting news or whatever you might want to call it and both times we have looked at it we have found it commercially unattractive. Essentially the challenge has been the news gathering costs and we struggle to work out how we will make that up. I tend to wonder whether that might change going forward in a broadband world and whether the economics might improve, but in terms of television, it is pretty challenging for a commercial operator like Sky.

Q1117 Baroness Bonham-Carter of Yarnbury: Which means that it has got to be the BBC is what you are saying.

Mr Darcey: If you are going to do news coverage in the traditional way with the traditional news gathering model. The reason I referred to things like broadband is because we are starting to see the emergence of behaviour on the internet in which the citizen is becoming a journalist in one sense. If you extrapolate some of that behaviour and you have large portions of the population armed with video cameras which masquerade as mobile phones or something like that and they are sending information in, you can perhaps see a business model that evolves around fostering that activity and trying to coordinate it. If that were possible you might overcome some of those regional news gathering costs. I do not know yet but I sense that there is something changing there.

Mr Wakeling: As far as regional sport is concerned and Newcastle United versus Sunderland, I think there are Geordies living everywhere who want to watch that and it is the same thing with Scottish football as well. The Scottish Cup Final is listed in Scotland but we do get decent figures in the rest of the territory and the same is true for Scottish football internationals and Welsh football internationals, etcetera.

Q1118 Lord Maxton: But you do not bid for the Scottish Premier League.

Mr Wakeling: We did put a bid on the table but we did not succeed.

Q1119 Baroness Howe of Idlicote: My question really goes back both to your previous evidence and a little comment you make in your latest update paper on high definition television which is due to roll out in 2006. I just wondered whether your assessment of the number of television sets that could be available to put over high definition is the same as it was a few months ago. I only mention this because of the very high cost of high definition television.

Mr Darcey: I do not know what the numbers were that we put over.

Mr Le Jeune: I am not familiar with that figure either.

Q1120 Baroness Howe of Idlicote: In terms of new sets, industry research says there are going to be over a million high definition capable television sets sold this year, that was on the previous occasion and you are saying you are rolling it out. There have been stories of the higher cost of high definition to other forms and I just wondered whether this has made any difference to your assessment and the speed at which this is going to be rolled out and the preferred choice. I can see the value. We have seen some of the ways it can be used clearly for sport but also for wildlife films.

Mr Darcey: I do not know about the exact numbers, but I would say that as we have moved through 2005 I think we have probably become more confident that high definition is going to make a substantial impact and usher in quite a substantial change in the television market in the UK.

Q1121 Baroness Howe of Idlicote: Are you going to be the leaders in this or are the BBC competitive?

Mr Darcey: I think Sky will have a major role to play in getting HD set-top boxes out into the marketplace, but I think we will be one of many broadcasters who will broadcast in HD channels that can be received by those set-top boxes and I think that the BBC will be a major player in that space as a broadcaster. The DTT platform is limited in its ability to offer HD services, but I think you will see the BBC doing things in HD that are receivable by people who have bought a satellite HD box.

Q1122 Chairman: Perhaps if there is anything you want to add to that you might drop us a note. Just one very last question. You may have noticed the Committee's first report where

we recommended the cost of digital switchover should be met by the Government basically through taxation rather than by the BBC through the licence fee. I do not know if you have any views on that or not?

Mr Darcey: We have a few views on digital switchover. In terms of who pays, I guess our starting principle would be to ask who benefits and to try and match the two up. It strikes me that there are two broad categories of cost. One is derived from the decision to convert to digital all 1,154 terrestrial masts. That is going to cost a great deal of money. The beneficiaries of that appear to be the terrestrial broadcasters themselves and their shareholders. The reason for that and the reason they are interested in this happening is that they have a strong preference for as many people as possible to be able to choose a digital terrestrial means of converting. The reason is that they strongly prefer the more constrained environment in which they find that their viewing share is not diluted as much as if somebody chooses another platform. They have an incentive for DTT to be rolled out as far as it possibly can. It strikes me that they and their shareholders are the beneficiaries of that, where they are commercially owned, and it does seem odd to ask the licence fee payer to pay for that. The second category of cost I would put down as the marketing costs, the disruption that will be faced by people who are forced to convert, the assistance to the vulnerable and that category of costs. They largely come about because of a decision or a desire to be able to switch off the analogue signal and then to be able to sell on the spectrum that is released from that. It strikes me that at least in the first instance the beneficiary of that is the Treasury and it might then be sold on from there. Again it seems perhaps slightly odd to ask for the licence fee payer to bear the costs associated with delivering that benefit to the Treasury.

Q1123 Chairman: I think we regard that as a rather useful view. It happens to coincide with our own view.

Mr Darcey: They are always the best!

Q1124 Chairman: Thank you very much indeed. You have been very patient. We have been going for over an hour and a half and now you have answered our questions extremely well. Perhaps if there are any other points we could put them to you and you could write. Thank you very much for coming.

Mr Wakeling: We will come back to you on the various bits of information you have asked for. Thank you very much.