

TUESDAY 13 DECEMBER 2005

---

Present

Bonham-Carter of Yarnbury, B.  
Fowler, L. (Chairman)  
Holme of Cheltenham, L.  
Howe of Idlicote, B.  
Kalms, L.  
King of Bridgwater, L.  
Maxton, L.  
O'Neill of Bengarve, B.  
Peston, L.

---

Witness: **Mr Mark McCafferty**, Chief Executive, Premier Rugby Ltd, examined.

**Q1239 Chairman:** Thank you very much for coming, Mr McCafferty. Perhaps I should explain that the Select Committee has done one report already and we are now looking at a number of areas which we really did not have time to do justice to. Sport is one, the World Service is another, religion is another, so rather a mixture of subjects, but today obviously we are doing sport and what we would like to understand is Premier Rugby League and its implications. Perhaps I should declare an interest straightaway in as much as I am Chairman of a company that sponsors Leicester Tigers which, as you know, is the leading rugby club in the country.

**Mr McCafferty:** Some people would take issue with you over that, Chairman, but I am sure we respect your opinion!

**Q1240 Chairman:** There we are. Can you just tell us the role of Premier Rugby in relation to the sale of broadcasting rights?

**Mr McCafferty:** Yes, there are 12 professional Rugby Union clubs in the Premiership and they own Premier Rugby Ltd, which is a company, and that is the company that I run executively on their behalf. One of the things that we are tasked by them with doing on their

behalf is to sell the broadcasting rights for the competitions in which they participate. There are three competitions: the Premiership itself, where we sell the broadcasting rights for that competition; there is the Powergen Cup which is sometimes referred to in shorthand as the Anglo-Welsh Cup, which is a new tournament for this year where we operate in selling the broadcasting rights with the Rugby Football Union and the Welsh Rugby Union; and then the third competition in which they participate is the European Cup competitions, and there our clubs are clubs from one of six countries and we play a role in contributing to the sale of these broadcasting rights, but they are sold by a separate organisation on behalf of all of the clubs in the six countries involved in Europe.

**Q1241 Chairman:** As far as the Premiership is concerned, you signed a five-year contract with Sky Sports in 2004?

**Mr McCafferty:** That is right, yes.

**Q1242 Chairman:** That is for all domestic television rights so it is an exclusive contract?

**Mr McCafferty:** Yes, the highlights from the Premiership are part of a package however alongside the autumn internationals of England which are sold to the BBC alongside the rights to cover the Powergen Cup, as I mentioned.

**Q1243 Chairman:** So it is rather like Premier Football to that extent that the live rights go to Sky but the BBC can use the highlights, which is really a recording of the games?

**Mr McCafferty:** Correct.

**Q1244 Chairman:** Do we know how much Sky paid for those rights?

**Mr McCafferty:** It is not a public number, however there are two ways of looking at it. As far as the revenues which are generated centrally on behalf of the 12 clubs by Premier Rugby, it is about one-third of the total revenues we generate there, and the other revenues come from

title sponsorship rights, such as currently with Guinness, and partner programmes which we develop around the competitions. Looked at a second way, if you take the collective turnover of the 12 clubs and you net out the transfers that go between us as their central organisation and the clubs, then the turnover of those clubs is probably in excess of £90 million.

**Q1245 Lord King of Bridgwater:** 90?

**Mr McCafferty:** £90 million, which makes it a larger collective organisation than the Rugby Football Union, but within that £90 million about 15 per cent or so would be from television rights.

**Q1246 Chairman:** I think I am still with you. The third is the what, is the cost of the ---?

**Mr McCafferty:** The organisation of Premier Rugby. The company Premier Rugby is at the centre. Of the revenues it generates, about a third comes from broadcasting.

**Q1247 Chairman:** What is the total of revenues it provides?

**Mr McCafferty:** It is between £35 and £40 million.

**Q1248 Chairman:** Then another way, do I add one to the other so to speak?

**Mr McCafferty:** Not quite. You have to take the revenue of the 12 clubs and then you net out the money that we transfer from the centre to them because effectively the monies that are generated at the centre, once costs are taken care of, are then distributed out to all clubs, so you have to net off to not double count.

**Q1249 Chairman:** Okay.

**Mr McCafferty:** Of the business of Premiership Rugby's clubs about 15 per cent of it is made up of broadcasting rights.

**Q1250 Chairman:** I am sure my economist friends around the Committee will have worked out the exact figure by now; why do you not just give it to us?

**Mr McCafferty:** It is in the region of £12 to £14 million.

**Q1251 Chairman:** Thank you very much. In getting that was there a great competition between the BBC and Sky?

**Mr McCafferty:** Yes, it is a package that goes out for competitive tender not only for the Premiership but also the other package of rights that I mentioned of the highlights and the Powergen Cup.

**Q1252 Chairman:** What are the audience figures for Premiership Rugby on BSkyB; do we know that?

**Mr McCafferty:** In terms of in-home figures it averages about 120,000 to 130,000. Then it would rise obviously as it goes through the season towards the end of season games and as we get towards the Premiership Final it would probably peak at around 200,000. That excludes any audience viewing within rugby clubs or pubs or any of that.

**Q1253 Chairman:** And Sky sell that on, do they, to pubs and clubs?

**Mr McCafferty:** Yes, but obviously we do not see the viewing figures that are captured from that. This is just the viewing figures from within homes.

**Q1254 Chairman:** Do you know how that compares with rugby on free-to-air television?

**Mr McCafferty:** Our latest experience is with the Powergen Cup and we have had so far this season three televised rounds of that, and of the games that were chosen for broadcasting I think the first two games were 1.3 million and the last game, which was a Leicester Tigers Northampton Saints game, which was a decisive game for qualification, was 1.9 million viewers.

**Q1255 Chairman:** Two million?

**Mr McCafferty:** So closing in on two million which is a very significant number obviously.

**Chairman:** I told you, yes! Lord Maxton?

**Q1256 Lord Maxton:** That is a very significant difference between free-to-air television and satellite, is it not?

**Mr McCafferty:** Yes.

**Q1257 Lord Maxton:** So surely the bigger audience encourages more people to actually take part in the game? Should you be looking more at not just the cash return but also the responsibility you have to the game at all its levels?

**Mr McCafferty:** I think we do. That is why from our point of view a balance between the satellite coverage of the Premiership and free-to-air coverage of highlights and live coverage of cup competition is quite effective in promoting the game as well as generating commercial returns for the organisation which has to sustain that game.

**Q1258 Lord Maxton:** What about the Heineken Cup; how do you sell that? Do you sell that in relationship to whom? You are part of it but only a segment?

**Mr McCafferty:** Correct, we are one of six countries involved in that.

**Q1259 Lord Maxton:** You form another company?

**Mr McCafferty:** There is a separate company called ERC. In fact, the shareholders in that company are the Unions themselves.

**Q1260 Lord Maxton:** The Unions, not you?

**Mr McCafferty:** Correct, however the participants in the competition are the clubs and in our case in England six of the clubs would be competing in the Heineken Cup and there is also a

secondary European competition beneath the Heineken Cup, so we have a say (and I personally am a board director of ERC) in how that process happens but we are one of six voices around the table.

**Q1261 Lord Maxton:** You have had some problems in your relationships with the Rugby Union because it is the clubs that contract the players and through the television pay the wages of those whereas in some of the other countries it is the union that contracts the players; is that right?

**Mr McCafferty:** That is correct.

**Q1262 Lord Maxton:** There have been some problems, and this presumably involves the broadcasting rights as well, over players going to play in games for the Rugby Union which the clubs do not actually think is worth the while of going to play in; is that right?

**Mr McCafferty:** It generally does not affect anything to do with broadcasting rights for international games as compared to broadcasting of club games.

**Q1263 Lord Maxton:** It does not?

**Mr McCafferty:** No, generally it does not. As regards international games that are played domestically in a season, there are three games played in the autumn by England, which is a schedule of games which has just been completed, and that has been in place for a number of years and the Premiership plays through those weekends and then when it comes round to the Six Nations where England obviously have five games and either two or three of those games will be at home, so we will typically play through the weekends when there is either not a game or where England are playing away from home.

**Q1264 Lord Maxton:** I know this maybe is not entirely to do with the BBC but does not that affect a club like Leicester Tigers or Sale who have got, say, six, seven or eight internationals

from different countries in their squads and then they have to play a game against another club that does not have anything like that? In other countries in Scotland and Wales, as far as I am aware, the professional clubs do not play on the weekend when the international team is playing.

**Mr McCafferty:** Generally that is true, yes.

**Q1265 Lord Maxton:** So is this because of your contract with Sky?

**Mr McCafferty:** No, it is to do with the fact that there are only a certain number of weeks in the year and the internationals are accounting for a number of those weekends and we have our competitions to fulfil as well and generally - and this is a difference between say Rugby Union and Football - because of the nature of the game we would not want to be playing more than one game a week because of the physical nature of the game, so it can put pressure on the scheduling of games and that is why, as an organisation, we would prefer there to be a defined limit as there has generally been on the number of internationals taking place during a season rather than an expanding number because as soon as it expands it then puts pressure on our business directly and that is where sometimes it can lead to issues and problems.

**Chairman:** I am going to go on to Lord Holme because we are straying a bit here. Lord Holme?

**Q1266 Lord Holme of Cheltenham:** Could I just explore why you think BSkyB are willing to pay more money for a smaller audience than the BBC are for a larger audience? Let me put it this way, if I understand the numbers you have given us (and I simplify them to help myself) roughly speaking, you are receiving £15 million income for an average audience starting at 120,000 and rising towards the end of the season, let's call it an average audience, to 150, 000, and BSkyB are paying £10 per season per viewer, if I have understood your numbers. That is quite a lot of money to pay unless of course you are using the passionate

interest that a relatively small number of people have in Rugby as a form of loss leader to lock people in to subscribe to your channel. I am not suggesting there is anything unethical about this. I am just trying to understand the business model concerned. Do you think there is any question that the sort of sums BSkyB are doing and asking, "It is costing us £10 for each of these people, on the other hand we can see a revenue stream over four or five years for each of them of £1,000 and therefore it is worth investing £100 to get this passionately interested minority who can get the rugby they want nowhere else; is it worth paying that?" It is trying to understand the business motivation of Sky in this?

**Mr McCafferty:** I am not sure I can comment on the business motivation of either the BBC or BSkyB.

**Q1267 Lord Holme of Cheltenham:** --- You must have a passionate interest in it because it affects how much money you get.

**Mr McCafferty:** --- How they generate their return on investment over the investment decisions they make when they are purchasing rights such as sport. Perhaps just to clarify though, when someone acquires the rights to the Premiership games and competitions they acquire all of those rights, so the number of games that they stage on any given weekend is essentially up to them. The fact that they stage one game for instance on a weekend and it generates a 120,000 viewing audience is a decision they make. They could televise more than that in terms of live coverage of games. Indeed, when they get to the end of the season ---

**Lord Holme of Cheltenham:** Just sticking to my calculation, which is £10 per season, it does not matter how many games there are.

**Q1268 Chairman:** These are the in-home ones?

**Mr McCafferty:** Correct.

**Chairman:** We are not counting in under that, are we, the pubs and the clubs?

**Q1269 Lord Holme of Cheltenham:** No, I am counting homes.

**Mr McCafferty:** How do they justify that? Is that your question?

**Q1270 Lord Holme of Cheltenham:** I am saying there are you, with two potential bidders; one will pay more for less viewers watching and the other will pay less for more viewers watching. You can quite rightly take the view that is up to them but I am interested as somebody trying to stoke up a good auction so you can maximise your income what you think the respective motivations are. I think we know what the BBC's is but what is the motivation of BSkyB and the issue I am pressing is whether in order to lock up people very committed to a sport they are prepared to pay over the odds as a form of loss leader in supermarket terms?

**Mr McCafferty:** Our job as an organisation is to market the rights as effectively as we can in order to generate a return in order that we can distribute that return.

**Q1271 Lord Holme of Cheltenham:** Would you agree that a good marketer is trying to assess the motivations of the purchaser?

**Mr McCafferty:** Yes. I think from that point of view one has got to remember that they have the rights to all of those games each weekend and indeed as they go through the season they would televise more of those as they got to the crucial stages of the season. When we talk, as we have mentioned, about 120,000 to 130,000 we should be clear it does not include the broad audience that would watch that within pubs and clubs and rugby clubs, et cetera. From our point of view, one has also got to remember as a broadcaster we really want to commit to a continuous coverage of our product so what we know when we enter into that kind of relationship that somebody is covering the product and competition week in week out. It is a 22-week competition followed by a semi-final, a play-off game and then a final game, so we have got 24 weekends during the year when at least one game, if not more, is being covered and promoted and shown to the audience so that continuity is also a factor, I think, and I

believe that the BBC may have more difficulty in committing to that kind of volume and level of coverage.

**Chairman:** I want to bring in Lord Kalms.

**Q1272 Lord Kalms:** Part of my question has already been asked. Is this £12 to £15 million paid evenly over five years?

**Mr McCafferty:** There is a small step up but it is not a significant one. Essentially it is fairly evenly spread.

**Q1273 Lord Kalms:** You talked about £14 million, you did not talk about the gross amount. Was that significant in itself?

**Mr McCafferty:** Can I just clarify that is per annum over those years and there is a slight step up over the course of five years.

**Q1274 Lord Kalms:** So it does include some formula?

**Mr McCafferty:** I am sorry?

**Q1275 Lord Kalms:** On some formula it does increase over the five years?

**Mr McCafferty:** It is slightly back end loaded, it is not a complex formula, and many contracts are structured like that.

**Q1276 Lord Kalms:** You mentioned £12 million, you did not mention £60 million. Is that significant in any way? The contract is a £60 million contract.

**Mr McCafferty:** No, I do not think it is significant. It is just the way we live from hand to mouth sometimes in sport one year to the next.

**Chairman:** Did you want to come back, Lord Maxton?

**Q1277 Lord Maxton:** The big difference of course from your point of view is presumably that Sky last weekend showed seven games plus a round-up programme.

**Mr McCafferty:** At the weekend just gone?

**Q1278 Lord Maxton:** Yes.

**Mr McCafferty:** That is a Heineken Cup weekend, remember, that is different from the Premiership.

**Q1279 Lord Maxton:** You will not get as much on that, will you?

**Mr McCafferty:** Correct, we would get a share within that but there tends to be an extensive coverage around the Heineken Cup because it is only a six-weekend tournament.

**Lord Maxton:** As a subscriber, I would not have to pay but I would not subscribe to Sky Sports if it did not carry rugby.

**Chairman:** We know that, Lord Maxton! Baroness Bonham-Carter?

**Q1280 Baroness Bonham-Carter of Yarnbury:** In an earlier question Lord Maxton which asked you, you responded by saying you think you get the balance between free to air and subscription coverage about right but previous evidence we had from David Moffett of the Welsh Rugby Union said they received considerable complaints from fans when the European Cup moved from BBC to Sky. Do you think you have assessed public opinion enough when deciding how much rugby is going to come off the free-to-air channels?

**Mr McCafferty:** We do a survey of our fans each year and that will comprise anywhere between 5,000 and 10,000 surveys that we put out and we ask fans for their views on a whole range of issues, so we do that and we obviously also monitor the postbag and what might come in in terms of any issues or complaints people have, and for our supporters generally it has not been a significant issue. Remember, we are dealing with club supporters generally

and people who are passionately involved in the club game and as they are pretty ardent sports fans they may be more inclined towards opportunities and so forth provided by satellite and the density of sports coverage which is provided, whether it is in your own home or whether it is in a club, but it has not been a strong issue from our point of view in terms of feedback either through that fans survey or through general correspondence.

**Q1281 Baroness Bonham-Carter of Yarnbury:** It does not worry you that you are not increasing the number of rugby fans? You say that you are in communication with the more ardent ones. Does it not worry you that there are people out there who do not have access to rugby who you could be bringing into the sport?

**Mr McCafferty:** I think the fans survey that we do is out to all the fans, a random cross-selection of fans and we do very deliberately split it between new fans and more established fans so that we try and poll the views of people coming in to watch a handful of games a year. Correspondence obviously by the nature of correspondence, it tends to be from people who are either passionately for or passionately against rather than the silent majority but we do not see any particular issues on that front. In terms of bringing people into the game, our attendances as a sport last year grew by 15 per cent over the prior year. This season we are tracking at about eight per cent per annum growth which I think in a very tough consumer environment is a pretty impressive number and overall there will be just over a million and a half supporters who will go to live games during the course of a season. On top of that we do a whole range of community programmes which are driven by the clubs in the local communities with a variety of organisations - schools, hospitals, health departments, et cetera - and the players themselves are heavily involved in that. I think the last number I saw was that something like 100,000 man-hours of player time was given last season into community work to try and get more and more people involved in the game. I am delighted to say also we have just been given a Business in the Community Award for investing five per cent of

our revenue into community sport. So I think as a sport we probably punch above our weight, if that is not a bad analogy to use in rugby!

**Q1282 Lord King of Bridgwater:** Can I just ask you a couple of quick questions. What percentage of the clubs' income - and you have talked about attendances improving - comes from gate money?

*Mr McCafferty:* At the club level, my estimate would be about two-thirds to three-quarters.

**Q1283 Lord King of Bridgwater:** Which is then topped up by a share in the television rights that you have given?

*Mr McCafferty:* Yes.

**Q1284 Lord King of Bridgwater:** Is your remit from the clubs just to get the best price you can for those television rights or is any consideration given to the point that has come out about what sort of audience you will get? Is there any sense of that at all or do people just do not think it matters?

*Mr McCafferty:* They do think it matters and the remit we generally have as well as to maximise financial returns is to promote the professional club game on their behalf. They will do it locally in their communities and catchment areas and they expect us to do on a national level.

**Q1285 Lord King of Bridgwater:** Let me ask you this: did the BBC get anywhere near Sky in their bidding? We have been through the cricket situation and the BBC did not even bid the last time round on this.

*Mr McCafferty:* I personally was not involved in that because I have joined the organisation since that time.

**Q1286 Lord King of Bridgwater:** Since this contract was awarded?

**Mr McCafferty:** Correct, but I understand that there was a clear distance between Sky and the BBC on that.

**Lord King of Bridgwater:** I think we are coming on to a question later about how the BBC bid.

**Chairman:** There is a series of questions on the BBC. I will come back to satellite and free-to-air exposure in a moment but let's go to the role of the BBC. Baroness Howe?

**Q1287 Baroness Howe of Idlicote:** I think you have answered some of this but there was a comment from one of the previous people who was giving evidence who said "BBC scheduling of *Rugby Special* was confused and could not guarantee a regular viewing slot" and he went on to say that he reckoned BBC "have gone away from wanting to show highlights packages at all." Against that sort of background we have heard a lot about the *Rugby Specials* and so on. From all aspects of why you are interested in it, from grass-roots, the coverage, and so on, are you content with the current level of live and highlights television that the BBC gives to rugby?

**Mr McCafferty:** I think at this point in time in general, yes. We are working a new competition this year that I mentioned, a Powergen Cup competition, which the BBC is carrying on free to air and our early experience of that has been good and those are the numbers I quoted to you earlier on. We are now moving into the semi-final stage of that game which is both semi-finals on the same day at the Millennium Stadium in Wales and then a final at Twickenham, so we will be expecting now to see quite an uplift and I would hope to be touching some quite significant numbers in terms of television coverage. I think if we did have an issue at this point in time it would be in the highlights area and I would echo the comments you referred to that I think have been made previously. In terms of promoting the game it would be nice from our point of view if two things were done: first of all, we had a

much more regular, predictable scheduling slot that people could become addicted to again. Secondly, I think in terms of style we would like maybe a more progressive approach to that, maybe some new ideas, some new formats, to test the boundaries of what people found attractive and acceptable in the way highlights packages are presented. Part of our remit is to try and push partners, broadcasters, title sponsors to develop new things and innovations in the area in the interest of promoting the game generally.

**Q1288 Lord King of Bridgwater:** Let me just ask you this; are you saying this particularly about the BBC or are you trying to encourage all broadcasters or do you think the BBC's quality and imagination is not as high as Sky's?

**Mr McCafferty:** I think on the highlights package we could improve with the BBC. We would like to do that and we will explore ideas of how to do that with them. I think as a general principle I am interested by virtue of the clubs to push continually the boundaries of innovation and new ideas.

**Q1289 Lord King of Bridgwater:** But you do not think the BBC are as good as Sky?

**Mr McCafferty:** No, I did not say that. I think the highlights package particularly we need to look at as a way of improving that. Market forces would tell you that if the BBC are not particularly interested in paying independently for a highlights package then it says something about their view on what the marketability of that is. My job is to find new ways of marketing that aggressively with an emerging popular interest.

**Q1290 Baroness Howe of Idlicote:** Just following up from my viewpoint, given that the BBC is there to make jolly certain that right across the board there is free access to some of the things that the vast majority of the population want to have access to, are you not from your viewpoint, by the way you have negotiated all these things, losing out on the potential to

get even more popular game by actually getting a wider coverage in the first instance, really very much Baroness Bonham-Carter's point?

**Mr McCafferty:** We are trying to strike a balance, that is the issue. We do not want to be entirely satellite or entirely free to air. We are trying to strike a balance that meets the objectives that you have just described as well as producing a good financial return that we can then invest back into the game. At any point in time when these rights are up for renewal and bidding that is the balance that we would look to strike. That is why we were particularly happy that the BBC did become involved in the Powergen Cup because it did give us what we loosely call a "terrestrial window" to promote the product. At this point we feel the balance is quite good. In a few years' time when those rights are up for rebid and renewal we have to reassess that and look at that at that point in time.

**Q1291 Chairman:** Are you saying the highlights used to have a regular scheduling spot?

**Mr McCafferty:** Yes they did.

**Q1292 Chairman:** What time was that?

**Mr McCafferty:** Sunday afternoon.

**Q1293 Chairman:** What is the position now?

**Mr McCafferty:** It moves around a bit and it is only on a certain number of weekends. I think they are committed to 12 weekends.

**Q1294 Lord King of Bridgwater:** Are you in competition with Rugby League?

**Mr McCafferty:** We do not think so, no.

**Q1295 Lord King of Bridgwater:** You do not think the BBC thinks, "We will get some people running around with a ball in their hand that keeps the viewers happy?"

**Mr McCafferty:** No, especially since Rugby League moved to being a summer competition. In fact, you may know one of our clubs in Leeds runs both the Leeds Rhinos Rugby League Club as well as Leeds Tykes and that is possible as a business model.

**Chairman:** We had better get back. Baroness O'Neill?

**Q1296 Baroness O'Neill of Bengarve:** Some sports bodies have seen merit in the idea of a dedicated free-to-air sports channel. If the BBC had such a channel would that make them more attractive as partners to you because they could perhaps give you a regular slot or more time?

**Mr McCafferty:** I think from our point of view competition is always to be encouraged because it creates more opportunities to increase the value of our rights. I think we would probably address one of the issues about the difficulties that can be had sometimes on scheduling and the amount of scheduling time there is available for sport generally and then a sport in particular, and that possibly would allow continuous coverage of the type that I mentioned earlier in response to a question, which is a key concern for us, that that competition is promoted continuously through the season.

**Q1297 Baroness O'Neill of Bengarve:** So that would in principle perhaps make it possible for you to get the exposure you want although the financial side would remain competitive bidding?

**Mr McCafferty:** I think it would, in principle. Then it would depend obviously and it is a decision for the BBC how well they could utilise that possibility.

**Q1298 Lord Kalms:** Concentrating basically on the BBC, I do not think you have yet yourself negotiated with them?

**Mr McCafferty:** Correct.

**Q1299 Lord Kalms:** So it is not useful to ask you questions about their negotiating stance and commitment or their outlook on purchasing your rights?

**Mr McCafferty:** I was not personally involved in that, no, so anything I have is second-hand from within our organisation, yes.

**Q1300 Lord Kalms:** Do you have any view on the BBC's role and how they have approached it before and how committed they are? Are you satisfied as an organisation that the BBC has the right outlook as far as the free-to-air facilities which is their objective?

**Mr McCafferty:** Are you asking me as consumer or as a sport?

**Q1301 Lord Kalms:** I am trying to get a view of how you think the BBC approaches something like your organisation. How competitive are they, for a start?

**Mr McCafferty:** I can tell you that when the highlights package was put together with the Powergen Cup and the autumn internationals highlights, that package was marketed and we approached ITV and I think Channel Four as well and the BBC came out on top of that, so in that sense they have free-to-air coverage of the game both at a club level and at an international level outside the Six Nations, as it were. So from that point of view you would have to say that they won that bid. The generally held view within the sport in recent years seems to be that they possibly should have been a bit more aggressive on the Heineken Cup and at that point should possibly have ---

**Q1302 Lord Kalms:** Taking your product as you have got it now, how do you think the BBC evaluates that? What do you think their criteria will be because you are going to come up against them in a few years' time? What are they really looking for from you for their audiences?

**Mr McCafferty:** I think the way that I see our job on that front is that we would be for the main Premiership competition back out into the market-place in about three years' time. Our job in the meantime is to make our product on the pitch as successful as possible and as attractive as possible to as many people as possible. That is a combination of live audiences and hopefully an indication is given to us in terms of growing live audiences that the product is becoming more and more attractive to a larger number of people. It could be a function also of the highlights package season in and season out. That is why I make the point that having that showcase product on there for people who perhaps do not want to watch a whole game from start to finish but are interested in watching the highlights we can perhaps draw them into the game. All of that put together in such a way as when we go back out to market in three years' time people will say, "Look, this is an even more attractive product than it was three years ago." In terms of those who are then willing and able to bid for those there is not a lot I can do to control that. That is a function of how other organisations operate and what the market-place looks like at that point in time. What I can control is that our product looks very attractive both from where it is today and where it is vis-à-vis other sports and that is the way we would look to evaluate each season, how are we doing, what does the product look like, how many people are watching us, how attractive it is, how do we deal with things like speed of play and disciplinary matters or areas like that.

**Q1303 Lord Kalms:** One more thing on this because if the BBC stopped bidding for you, you would be in a much weaker position vis-à-vis Sky. If the BBC decided for one reason or another they did not want your product, you would be in a much weaker position to negotiate a price, if the BBC came out and said, "We do not want your product of Rugby League." Would you envisage a scenario where the BBC had to make a bid for your product? In other words, do you think it ought to be a listed sporting event? Does it ever worry you that you might only have one buyer at some stage?

**Mr McCafferty:** It is not something we lose a lot of sleep over currently because we know that we have the next three or four years in which our main concentration is not the actual bidding of those rights but the process I described in terms of making the product more attractive. I think inevitably if you think your customers or the market-place is going to shrivel down to one potential purchaser then any business would be worried about that prospect. That is a natural conclusion. There are other channels there that have shown interest in sport. I think you have obviously had a discussion about cricket as one for instance. Clearly Channel Four did a very good job of moving cricket forward. I think our job in the next few years is to make our product as attractive as possible to as many different broadcasters as possible, and that is the only thing we can influence. I only worry about things I can influence; I do not worry about things I cannot.

**Q1304 Lord Peston:** I am going to ask about radio coverage but could I just check I have understood what you have said so far. You are involved with 12 professional rugby clubs and therefore on a typical weekend there would be six matches?

**Mr McCafferty:** Covered on television?

**Q1305 Lord Peston:** No, I mean that they play between the 12?

**Mr McCafferty:** Correct.

**Q1306 Lord Peston:** So the 12 play each other and there will be six matches. Do they play each other twice a season or four times a season?

**Mr McCafferty:** Twice a season.

**Q1307 Lord Peston:** If we take the six matches what is the average gate at those six matches?

**Mr McCafferty:** We would average about 10,000 in the ground per game.

**Q1308 Lord Peston:** So only 60,000 people watch real rugby in that sense?

**Mr McCafferty:** Correct.

**Q1309 Lord Peston:** That is the perspective I wanted, 60,000 people would be at the matches. That is the background to the radio coverage. The obvious question first of all is if only 60,000 people are interested in going is there anybody who wants to listen to it on the radio at all?

**Mr McCafferty:** I think I maybe take issue with the statement that only 60, 000 people are interested in going.

**Q1310 Lord Peston:** There are more than that at Manchester United in one game?

**Mr McCafferty:** It is a function also of what ground capacity you have.

**Q1311 Lord Peston:** Okay?

**Mr McCafferty:** We have nine of those 12 clubs operating at over 75 per cent capacity and six of them are operating at over 90 per cent capacity.

**Q1312 Lord Peston:** It is not a question of the share, what is the radio audience?

**Mr McCafferty:** May I just finish on that point though. One of the reasons why the financial side is the balance we have to strike and why it is important to us is because it is crucial that we invest back into that game. It is public knowledge if you take a club like Leicester they are sold out each week at just under 17,000 so they have to move that stadium up now to try and create a capacity of 25,000. This is a professional sport which relatively speaking is in its infancy and needs to move on from there. That is why the financial side is more important because we are not a mature business, we are a growing business.

**Q1313 Lord Peston:** I understand that but if the BBC does have some radio coverage.

**Mr McCafferty:** Yes, very good local radio coverage.

**Q1314 Lord Peston:** But do you know who is listening?

**Mr McCafferty:** In what sense?

**Lord Peston:** In the sense when I am talking here there is no-one listening. I do not mean in the Committee; I mean in the House of Lords. What I am saying is the BBC broadcast ---

**Chairman:** It is not true there either.

**Q1315 Lord Peston:** How many people are listening?

**Mr McCafferty:** I do not know off the top of my head whether we have those figures to hand about the audience figures. What I would say is in profiling the sport it is very clear to us that there are certain parts of the country particularly that might be called rugby heartlands and within those communities we think it is a vital part of our marketing mix that we do have local radio coverage and that is part of promoting the game into that broader community. So to turn your questions on their head in one sense, it is not necessarily in the case of radio just a function of how many people are listening but the kind of promotion that that gives to the game within the local communities.

**Q1316 Lord Peston:** I am not against that. Nothing I am saying is the opposite of what you are saying on that. I can see why you want radio coverage. What I want to know is why the BBC wants to cover it. We are talking about almost minorities of minorities.

**Mr McCafferty:** I think in the context of local radio, and I am putting words in their mouth, I would imagine that it is quite an important part of their local sport. If you take a city like Worcester which does not have a Premiership football side and does not even have a professional League football side, it has Worcester Rugby League club which is in the top half of the Premiership table and that is where you go to in Worcester or listen to on the radio

to get top-quality, professional sport in your city. The way in which that club has been built up in the local community is a testament to that.

**Q1317 Lord Peston:** I can understand all that and I think we are being unfair to you because the people we ought to ask what is the audience size is the BBC themselves and we will be having them back and they can explain it. What troubles me, and it goes back to Lord Holme's question, is why Sky are bidding for any of this. We are talking about very few people in terms of who are interested in rugby.

**Mr McCafferty:** Everybody accepts that football is in a different league in terms of scale to any other sport but I think in terms of the other sports beneath that we are talking in the case of Rugby Union about quite a large scale sport within that second tier within England, and we would be competing against other sports for a share of voice and eventually getting people to part with their hard-earned money to come and watch the games or to participate in the sport.

**Q1318 Lord Peston:** But to summarise your view, would I be right in saying you see the BBC's radio coverage as very much coverage that would be helpful to you in promoting Rugby Union Football in this country? That is your vision of it?

**Mr McCafferty:** It is certainly a very important part of our marketing mix, yes.

**Q1319 Chairman:** Just going back on one of those figures, do I not also remember you saying that for one of the games (this is top of the table) you had two million people watching.

**Mr McCafferty:** For a Premiership game, in other words as part of the Sky package we would expect about 200,000 for an end of season game.

**Chairman:** 200,000? I beg your pardon, I got that wrong. Lord Holme?

**Q1320 Lord Holme of Cheltenham:** I would like to ask a question about the BBC's grass-roots activity but could I just revert to the question Lord Kalms was asking about bidding. Let us assume in the next round you will be doing it and that you do market to Channel Four, ITV, BBC and Sky. I do not want you to betray any commercial confidentiality but do you do that by a process of on-going bargaining or is it a sealed bid? How does that work? Are you able to play bidders off against each other in a commercial way?

**Mr McCafferty:** It would be a normal bidding process. We would describe the rights; we would then invite responses to those rights; it would then be narrowed down to a short list. There would be a selection committee and then a decision would be made and in the final throes of that decision there would be some negotiating going on.

**Q1321 Lord Holme of Cheltenham:** Once you got to the shortlist you could say, "A is willing to pay more than you, you had better up your bid." You could do that?

**Mr McCafferty:** We would negotiate in the final stages.

**Q1322 Lord Holme of Cheltenham:** I just wanted to understand how that worked. My question was about the BBC. Do you think that the BBC with both its coverage of Rugby Football Union and some of the big listed events and its general interest in rugby should be doing more as grass roots promoters of rugby?

**Mr McCafferty:** We are always looking for partners to work with in terms of grass-roots so I would like to see as many broadcasters or other types of partner involved in that.

**Q1323 Lord Holme of Cheltenham:** Are they good partners at the moment in that respect?

**Mr McCafferty:** They are pretty good. There is more that we can do but I always anticipate there is more we could do. I could give you one statistic. In our fans survey that I referred to earlier on, some 40 per cent of those fans, which I thought was an extraordinarily high

number, will go to the BBC Sports web site for information. Within that fans survey over 80 per cent of our fans have Internet access and are active users of the Internet. So I think there are whole areas within emerging channels of communication and broadcast that somebody like the BBC is well-placed to work with us to explore not only covering the professional game but covering work that we do in the community with local clubs and schools and so forth, as I mentioned earlier.

**Q1324 Lord Holme of Cheltenham:** When you say they are pretty good, you feel they could do more, particularly in respect of the Internet?

**Mr McCafferty:** I always feel they could do more. We look for and expect to be challenged ourselves with being creative because we are competing in a pretty active market-place for sports, not only in terms of grass-roots - children's, boys', girls' - interest in the sport but also at the top-end professional area in terms of sponsorship money, et cetera. I am always looking within the organisation and the partners that we work with for creativity, innovation and new channels to market, et cetera. Once you get bogged down in only looking at one business model of the way in which a sport is promoted and developed and covered then that is the day that you start to become complacent and you go backwards. I personally come from a background in consumer businesses so I approach it first and foremost as a sport I love, yes, but also as a consumer business, and how do you speak to an audience and how do you build a brand over a period of time. I think in some of those emergent channels for information and coverage, if you look at what has happened in the film industry where people are able to make films at a much lower budget off the high-tech equipment, should we be looking at broadcasting in a more creative way and doing that type of thing as well.

**Chairman:** We have got a whole series of questions and I am just going to come back to you Lord Kalms?

**Q1325 Lord Kalms:** Just coming back to a point you made before, our role is to understand the BBC's commitment to broadcasting sport. You said before that the BBC was substantially outbid by Sky on the last bidding round. Firstly, I do not understand how you can be substantially outbid on the process unless it is an absolutely blind bid and you in your discussions might have marginally indicated (and I will not tell you how to negotiate) a little whopper as sometimes happens, but you said the BBC was 'substantially' outbid. Do you think the BBC really was upset at not getting this? How committed was the BBC? One of the great dangers we see, and how I come to this question explores that aspect from our point of view, is if the BBC can always be number two and still make a respectable bid but making sure it never wins, but from your point of view, how was it that they were substantially outbid, and do you think they were disappointed?

**Mr McCafferty:** First of all, they bid and won on the Powergen Cup. I am putting words in the BBC's mouth, I do not know this for a fact, but looking at the business model from their perspective they have the coverage of the Six Nations. As a result of winning the Powergen they now have three games of ours covered and could do more in the window between the start of the season in September and Christmas, and they also have coverage in the semi-final and finals. In terms of the coverage of Rugby Union as a sport during the season that is quite a neat progression, as it were, from Powergen coverage, into Six Nations, they can use the highlights as they want from the autumn internationals and from our Premiership and then they are into a semi-final of Powergen and into the final of Powergen, and that would happen in April. So I imagine that one of the ways in which they look at it is they have got a whole series of sports to cover, how much Rugby Union do they want and how does it fit into their scheduling when they do not have a dedicated sports channel.

**Q1326 Lord Kalms:** Why do they bother to bid at all?

**Mr McCafferty:** That is a question you will have to ask them to answer.

**Q1327 Lord Kalms:** That is a rhetorical question. Nevertheless, if it went right to the end and at some stage there were the two of them eye-balling and yet the other side paid substantially more for something for which they did not get right the information regarding the BBC's bid, and the BBC still bid despite having this big package. So I am trying to get the logic of the whole process of bidding. I do not think you can give me the answers.

**Mr McCafferty:** On that level of detail I would need to come back to you because I did not have direct experience of what they were like in the final stages. I cannot give a qualitative answer to your question about how they approached that.

**Q1328 Lord Kalms:** When you told the BBC they did not get the last bid were there tears in the eyes of the man who put the tender in?

**Mr McCafferty:** I do not know.

**Q1329 Lord Kalms:** You were not there.

**Mr McCafferty:** I was not there, I cannot speak for his emotions.

**Q1330 Chairman:** Just to get it again on the record. I was rather concerned about Premier League Rugby being written off as a minority interest.

**Mr McCafferty:** Not so much as I was, Chairman!

**Q1331 Chairman:** But I just wanted to get that figure on the record. It was 1.9 million, shall we say 2 million people looked into the Powergen final on the BBC free to air. Is that the figure you are giving us?

**Mr McCafferty:** The last pool game of the Powergen, just to divert for a second, the way that competition works is there are 12 English clubs and four Welsh clubs in groups of four and then in the case of the game that I am referring to, Leicester versus Northampton, that was the final game of three rounds in a pool which would decide whoever won that game is the side

that would progress from that group with three other group winners into the semi-final stage. That is BBC free to air and it was a 1.9 million audience.

**Q1332 Chairman:** Which by any measure is a pretty big audience?

**Mr McCafferty:** It is and I think it demonstrates the strength of the club game and it demonstrates what a high stakes match can generate in terms of interest. I think one would have to say, as you well know, they are two pretty passionate rugby communities.

**Chairman:** Lord Maxton?

**Q1333 Lord Maxton:** Skill, passion and violence. Can I in a sense come back to the Internet question. As you quite rightly say, your audience is likely to be more broadband literate and have computers and use them. How do you divide out your rights in terms of them? Do you separate them out or does Sky get all those rights as well, or do individual clubs get them?

**Mr McCafferty:** We do seek to separate them and Sky have a window of elapsed time - I do not know what that is, it might be 24 hours - and then after that there is a greater ability to exploit those.

**Q1334 Lord Maxton:** But the individual clubs presumably are all contracted to you for all their broadcasting rights? You have the right to sell them for them?

**Mr McCafferty:** Yes.

**Q1335 Lord Maxton:** Do they retain any? Could BBC North East do a contract to show Sale's home games?

**Mr McCafferty:** No, they are contracting into the centre in the area of broadcasting. In the area of local advertising and ground advertising that is not something we do on their behalf.

**Q1336 Lord Maxton:** And each individual club, which presumably has its own web site, can show its own games live on that, or not?

**Mr McCafferty:** After the delay, it is part of that contract there is, that is the window.

**Q1337 Lord Maxton:** So they cannot show it live?

**Mr McCafferty:** That is correct.

**Q1338 Lord Maxton:** They cannot show it live.

**Mr McCafferty:** That is correct but they can on a delayed basis once they are outside the window.

**Q1339 Lord Maxton:** Do you have a web site yourself and do you show highlights?

**Mr McCafferty:** Yes we do and no we do not.

**Q1340 Lord Maxton:** I know what you mean. The SRU are now doing that. In fact, the only way you can watch club rugby in Scotland is on the SRU web site. It is not very good, it is pretty limited, but if you have an interest you watch it, but you are not doing that?

**Mr McCafferty:** We are not doing that currently, no. In that case, apart from the window that I mentioned of exclusivity in terms of delayed coverage but reasonably live as it were, that is more a function of us just learning how to exploit that market and what the level of interest might be in that market, but personally I think it is a great opportunity for the future, I really do. I come from most immediately two industries in the form of travel and I also sit on the board of HMV Group which is involved in digital downloading of music, et cetera, and I have seen businesses that can embrace the changes in the distribution channels and I think live sport has to be one that opens its mind to that.

**Q1341 Lord Maxton:** How would a club sell except by some form of encryption which allows those who pay for it to watch it to sell their own rights, which presumably will happen eventually?

**Mr McCafferty:** It is one of the business models that could work. You mean how will it technically work?

**Q1342 Lord Maxton:** Not so much technically; how will it make money out of it?

**Mr McCafferty:** Like everything else, it needs to have a sufficient number of customers willing to pay a sufficient amount of money to avail themselves of that service, and that is classically the thing in this area that we have to learn as a business and as a sport. We do work, for instance, with O2, one of our sponsors, on what is called an active service where people can subscribe to delayed highlights of tries and so forth on their mobile phones. That is very much in its infancy but we have to find how big that market is going to be and what price point people are willing to pay to do that.

**Lord Maxton:** It will be interesting whether the House of Lords are prepared to do that with their now phones.

**Q1343 Chairman:** You have been very patient, Mr McCafferty, thank you very much. Can I just ask one last question. I do not want to put words in your mouth but I assume that you are content with the present position where there are no controls on Premier Rugby in who you sell your television rights to? You want a free-market position?

**Mr McCafferty:** Yes we do and I should be clear, obviously the remit is to talk about the BBC, and aside from any monetary issues Sky have worked extremely well with us in this period in promoting the game and we would want the freedom and we would want to strike the right balance between satellite and free to air at any point in the sport's development. We think we have that broadly at the moment. It may change in three or four years' time.

**Q1344 Chairman:** You want to be the person in the driving seat making decisions on it?

**Mr McCafferty:** Yes.

**Q1345 Chairman:** Without any outside interference?

**Mr McCafferty:** I think our obligation and our mandate from our clubs is to generate returns and promote the game. We think we do a pretty good job for them and they will always hold us to account if we are not doing a good enough job for them. I think at this stage from the position we are in it is a good looking profile that we have got over the next few years.

**Chairman:** The Committee will obviously have to decide whether that is right or wrong, but I think we have got your views absolutely straight. Thank you very much. If there are any other points we have perhaps we can come back to you in writing. Thank you very much.

Witness: **Mr Richard Scudamore**, Chief Executive, Premier League, examined.

**Q1346 Chairman:** Mr Scudamore, welcome and thank you very much for coming. The Select Committee has produced one report on a range of issues but we were conscious of the fact that there were other issues which we had not done total justice to, one of which is broadcasting of sport, and hence our additional inquiry that we are carrying out. I wonder if I could ask you then as far as Premier League Football is concerned could you just outline the history of Premier League Football on television and your relationship with BSkyB.

**Mr Scudamore:** In the history of Premier League Football on television, 1992-93 was the first season of the Premier League. It is worth just making reference to the six or seven years before 1992 because it is only 20 years ago this year, 1985, when football had no television deal at all, so in the year of Heysel, in the year of the Bradford fire, in the year of Margaret Thatcher's attempts to introduce membership schemes, somewhat in relationship to those particular issues, attendances were literally at an all-time low, so clearly it is not that long ago, in most of our memories anyway, that football reached its low point, and it had no television deal at all going into 1985-86. The BBC and ITV together semi-seriously took some live football out of the top division of English football, never more than 18 matches a season, basically because between the two of them they were able to in some ways exact some form of duopoly in negotiations with football and also because of the scheduling time and their commitment to scheduling time. In 1992-93 having had various attempts at working out how top division football might be broadcast live on television the top 20 clubs got together and formed the Premier League not by way of breaking away (although that is what it is sometimes referred to as) but in fact it was the opposite, it was a restructuring of English football under the auspices and the sanction of the Football Association in this country and that was when it was formed. That took it into a new era in terms of then there were matches broadcast live on television. Then all of a sudden it went to 60 matches being broadcast live

and then all of a sudden clearly the income stream increased significantly. But just as importantly, I have to say, as the move to pay television for live matches was the continued commitment of the BBC through the iconic programme that is *Match of the Day*. That is as important in terms of the evolution of television and the promotion of the Premier League at that time because clearly the free-to-air experience of a lot of people was, by most people's argument, quite a strong promoter of Sky's pay television service. In other words, people saw a very nice, attractive highlights programme and then thought, "I will buy some more of that", and therefore subscribed to the live offering. I think generally people were very impressed by the range and depth of commitment to live broadcasting that Sky brought, not just in terms of live matches and promotion but everything that went with it. The quality of the programmes and the production values that they brought to sport were recognised as being different and recognised as being an improvement. That situation pretty much existed until the next major shift in terms of Premier League broadcasting came five years ago when for the first time we moved up to 66 matches live and then we moved to 40 games on pay per view so we suddenly moved to 106 live matches out of the 380 matches that are played. That was the television deal that ended some 15 months ago. We have now just finished our first season and are almost halfway through our second season of the latest television deal which sees 138 matches live on television. Through all that time there has been a free-to-air highlights package which has been with the BBC for all but the three-year period 2002-2004.

**Q1347 Chairman:** And you sell these packages separately?

**Mr Scudamore:** Absolutely separately but we have always subscribed to the principle that there will be a free-to-air highlights package that is only purchasable by a free-to-air broadcaster.

**Q1348 Chairman:** Is there any reason to believe that you will ever change that policy?

**Mr Scudamore:** I cannot see there is any reason at all why we will change that policy. There is something very significant that we did introduce 18 months ago in response to the regulatory challenge from Brussels and the European Commission which was this near live package, which is neither live nor highlights, it is extended highlights, so now you have a regime where 138 matches are broadcast live, the remaining 242 are available in long form before midnight on the day the games are played (so on a Saturday night that will be six or seven matches on the Saturday night) plus we have got the free-to-air highlights in addition to that, so I think now there is extensive exposure of all matches.

**Q1349 Chairman:** Remind us how much the rights were sold to BSkyB for in 2004?

**Mr Scudamore:** In 2004 the live rights were sold for 1024, which is £1,24,000,000 for the UK only. The near live rights figure is not in the public domain.

**Q1350 Lord Kalms:** That is five years?

**Mr Scudamore:** Three years, 1024.

**Q1351 Lord Kalms:** Over three years?

**Mr Scudamore:** Yes. But the near live rights are significantly less valuable than the live rights. The free-to-air highlights BBC number is in the public domain and that is £105 million.

**Q1352 Chairman:** So the highlights are £105 million. Everyone quotes your rights generally as being one and a half billion.

**Mr Scudamore:** Generally they do quote about that number, you are correct.

**Chairman:** Okay. Lord Peston?

**Q1353 Lord Peston:** I am going to ask you about the European Commission and restrictive practice. Before that could you clarify one thing that probably everybody knows but me. When we were talking before about Premier Rugby they are owned by the 12 premier clubs. Can you tell us who owns the Premier League?

**Mr Scudamore:** Yes, it is owned by the 20 shareholder member clubs, exactly the members.

**Q1354 Lord Peston:** That is the bit I did not understand. Is it the original 20 or do you become a shareholder when you get promoted?

**Mr Scudamore:** It is very clinical. You become a shareholder the minute the season ends and the new season starts. It is usually around the AGM.

**Q1355 Lord Peston:** So on midnight the new ones come in and the old ones leave?

**Mr Scudamore:** On midnight at the AGM we grab back three shareholders' certificates and we reissue them to the three promoted clubs.

**Q1356 Lord Peston:** That is absolutely fascinating. I take it your main criterion is to maximise income?

**Mr Scudamore:** I think it is a little more complicated than that. There are qualitative criteria, there are exposure criteria and there are production criteria. We go through a process of vetting potential owners of our rights in terms of how they are going to promote them, how they are going to broadcast them, and clearly there are criteria, but one of the interesting evolutions of the regulatory interventions is that it is almost reducing itself to being whoever bids the most has to win them because they are in the regulatory environment and they are under sealed bid and open tendering processes and everything else. It is pretty difficult to attach any other attributes other than value.

**Q1357 Lord Peston:** But you would have other criteria in mind? In other words, if you felt that the top bidder was in some broader sense unsatisfactory, would you be in a position to say we would rather lose a bit of money and have someone we felt was the “right sort”?

**Mr Scudamore:** We have an overriding criteria which is financial security.

**Q1358 Lord Peston:** Is it overriding to the extent that no other criteria ever come into it?

**Mr Scudamore:** No, there are other criteria. Clearly if an organisation came along and we did not think it could produce the matches and more importantly we did not think it was financially secure and would not be able to make the guaranteed payments that our contract provides for then we would not contract them.

**Q1359 Lord Peston:** So that is very unlikely, thank you, I did not know that. Turning to the European Commission, when they were waxing very strongly, it was all about restrictive practices in the classical sense. Were you surprised by the outcome when it occurred of this business of the six packages and the restriction to ---?

**Mr Scudamore:** The most recent one?

**Q1360 Lord Peston:** Yes.

**Mr Scudamore:** I have got to be very careful what I say about that because clearly we have only reached a provisional political agreement with the Commissioner herself and the Head of DG Competition and it is yet to go through the Advisory Committee and it is yet to be signed off by the College of Commissioners, but certainly we have been fighting the case, as you know, for four years in terms of our case against the European Commission, and it comes philosophically from a very different view of what our competition is. It ostensibly starts from this idea that we are some form of cartel. That is their view; clearly it is not ours. In our view, when team A plays team B it is only in the context of the competition, so whilst Arsenal

can play West Ham United on a cold Tuesday night as a friendly some time in June the media rights value are worth nothing as a friendly but in the context of the Premier League competition, with three points or otherwise being extremely important, we believe that the value of those rights is held at least jointly by the competition if not jointly by the clubs in the competition, and therefore we start from a different place in that we do not see collective selling as being a restrictive activity. The analogy we use is that you would not take the windscreen wiper manufacturer and the car door manufacturer and say because they come together to produce a car that is a cartel activity. You need both components before you get the finished product which is in the context of the competition and therefore that is the thrust of it. If you start from those two different positions, you can see why it is quite hard to reach agreement in the middle.

**Q1361 Lord Peston:** I have always approached it from the view that you have just put forward, that the product is the Premier League, the product is not the individual game, and that makes good sense to me. That means however it is not a cartel; it does not mean it is not a monopoly. An economist would describe the Premier League as a natural monopoly.

**Mr Scudamore:** How can it be a monopoly?

**Q1362 Lord Peston:** Because you cannot have two premier leagues, one of them is premier and that is by definition.

**Mr Scudamore:** I presume this inquiry is interested in its broadcasting implication. Our arguments in our submission are that there is an awful lot more content that is of interest to the broadcasters, far more interest than our Premier League football.

**Q1363 Lord Peston:** Nobody is arguing with you. It is just trying to get the nature of the product in order to understand the position of the European Commission. Did you say that because of what is going on you are not happy to comment on the outcome?

**Mr Scudamore:** I will take each question as it comes.

**Q1364 Lord Peston:** My question, which you sidetracked me away from, was whether you were happy with the outcome?

**Mr Scudamore:** I have to say I do not know if it is yet an outcome.

**Q1365 Lord Peston:** So you are not happy to answer the question.

**Mr Scudamore:** If the agreement we have reached with the Commissioner and with the Director-General sees its way through the formal consultation processes and is signed off we (by definition the Premier League) are in the scheme of things satisfied with that agreement. As with all compromises both sides sometimes have had to agree to things we would not ordinarily have agreed with so your word "happy" I would translate into my word "satisfied".

**Q1366 Chairman:** How long has the debate now been going on between you and the Commission?

**Mr Scudamore:** It is about four years.

**Q1367 Lord Peston:** My other question which is really what we have to focus on, and we are not investigating the Premier League ---

**Mr Scudamore:** Thank goodness!

**Chairman:** That is our next inquiry!

**Q1368 Lord Peston:** --- We are investigating the BBC but do you interpret the putative deal as one that would give a chance to free-to-air terrestrial broadcasters?

**Mr Scudamore:** Every time we have tendered our rights free-to-air broadcasters have had a chance.

**Q1369 Lord Peston:** No-one is going to find a billion quid, it is not a chance.

**Mr Scudamore:** Let me just explain. Our rights have always been separated out into packages. Last time our rights were put into four packages, two times 38 matches and two times 31, and therefore if you work on the basis that the fourth package was fourth pick, even if you did simple maths and divide a billion into four, £250 million, producing a fourth package was only worth £150 million, for example in the old rights, so you are talking about having to find £150 million. Now that is a lot of money but it is not out of the realms of the sorts of money that any broadcaster in the UK could pay for rights. Clearly in the way we have tendered the rights we have never stopped anybody from bidding for them. We welcome all bidders, as you would imagine, because it creates a competitive market and in our view the winners will be the winners.

**Q1370 Chairman:** Out of this £1 billion that is spent some of that they will have the right to sell on the rights to clubs or pubs or people of that kind, will they not?

**Mr Scudamore:** Yes, basically they have the wholesale rights for those packages and then they distribute them as they see fit. Clearly in a free-to-air environment that sell-on right is really non-existent because by definition it is free to air and available to everyone anyway. It is only in a pay environment that you would introduce that notion of selling on wholesale.

**Q1371 Lord Peston:** One last technical point, one thing I do not fully understand is I buy the Sky package and I watch the Sky games and clearly since I am not broke it is incredibly good value compared with the cost of going to an actual match. One of the things that puzzles me is that other games are being shown all over Europe and I have never been very

clear. Sometimes my mobile phone goes and it is someone I know in Slovakia who says, “Do you know Arsenal have just scored a goal?” The answer is I have got Teletext on at the same time so I do, but that is by the way. What I do not understand is whether you are selling rights other than to Sky to, say, the rest of Europe?

**Mr Scudamore:** Yes, we only sell Sky the UK rights. The international rights are sold separately.

**Q1372 Lord Peston:** You do sell the international rights?

**Mr Scudamore:** We sell to 195 countries outside the UK.

**Q1373 Lord Maxton:** Separately?

**Mr Scudamore:** 54 different contractors. In our major markets we sell directly to the broadcasters so to Japan, to Asia, to the US we sell to individual countries.

**Q1374 Lord King of Bridgwater:** Malaysia.

**Mr Scudamore:** In Eastern Europe we sell to a small agency based in the Cotswolds who go round Eastern Europe and do all that.

**Q1375 Lord Peston:** All this peculiar stuff people keep telling me about there is a pub you can go to somewhere in East Finchley and you can watch a match that is broadcast by Sky. I have never been clear whether that is legal.

**Mr Scudamore:** That is a different issue, that is illegal.

**Lord Peston:** I keep saying I cannot go.

**Chairman:** Lord Maxton?

**Q1376 Lord Maxton:** What about Sky Sports in a hotel in Spain?

**Mr Scudamore:** Sky Sports in a hotel.

**Q1377 Lord Maxton:** Let me ask you the question. Sky contract out to be shown not just in this country but elsewhere in Europe in particular and in the world for that matter. Can they therefore not show your games on those services?

**Mr Scudamore:** It depends, it is not a question of whether Sky can show them or not, it is a question of who owns the cards, so if you have paid for your card and you have paid legitimately for that card.

**Q1378 Lord Maxton:** Anywhere?

**Mr Scudamore:** Anywhere, and if that card, depending on the technology as I understand, is transportable, then that card may well work elsewhere in Europe, but strictly under the encryption rules and with encryption getting tighter that happens less and less and less and you will have to have subscribed to whoever the owner of those rights is in Spain to get that particular service Sky do distribute Sky Sports News and other channels throughout Europe on to other European broadcast platforms.

**Q1379 Lord Maxton:** That is how they do it, right. I have a question about separate club channels. Manchester United, Chelsea and Arsenal, no I do not think Arsenal do but Manchester United and Chelsea ---

**Mr Scudamore:** Middlesbrough certainly do and Arsenal do in a broadband environment though not in a television environment.

**Q1380 Lord Maxton:** The other two do it in television, right, on a Sky platform, so you can get those two channels. How do they operate? Do they not use live games?

**Mr Scudamore:** It was remiss of me in giving an explanation of how we sell our rights at the start not to say that live is sold collectively, near live is sold collectively and free to air highlights are sold collectively. That leaves space on a delayed basis for clubs to have their

Deleted: is

own rights that revert after a certain window, so generally midnight the day of the match the clubs are allowed then to exploit the rights on their own channels. If you like, it is part of the windowing and we have had that now for some time.

**Q1381 Chairman:** Take that in stages, I am not quite sure I understood that. When am I as a viewer, if I am looking at the Manchester United Channel, able to view that?

**Mr Scudamore:** To be absolutely precise, and you are testing my memory, for a Saturday match if it is played on a Saturday, by Sunday midnight you would be able to see that match on a club channel. If that game was played Sunday, Monday, Tuesday, Wednesday, Thursday, Friday, you could see it midnight the day of the match. It is only the Saturday games that have got midnight the day after and every other day is midnight on the day. However, in a broadband environment if you are on the Internet and clubs can prove to us that they can geo-block and therefore they are only capable of being watched in the UK (and the technology exists to do that) you can have your own club rights on a broadband Internet system at midnight on the day of the match so Saturday night midnight. That is what Arsenal do and Liverpool do and various others do in a broadband environment.

Deleted: are you not,

**Q1382 Chairman:** In that situation Manchester pays you nothing; is that right or not?

**Mr Scudamore:** They do not pay me anything because they are their rights and all 20 clubs have those rights and all 20 clubs do have moving image on their web sites.

**Q1383 Lord Maxton:** They are all subscriber channels, are they not, you have to pay to watch the Manchester United Channel?

**Mr Scudamore:** Some do. That is a subscriber channel. Other people use their moving image content in a more promotional environment.

**Q1384 Lord Kalms:** When the BBC bids for one of your programmes as a public sector broadcaster, is it inhibited because of the disciplines of promotions and advertising, or lack of advertising? Is it a level playing field for the BBC when it is up against an organisation like Sky?

**Mr Scudamore:** I can only speak for the Premier League clearly and it is an entirely level playing field. We would make that decision pretty much on a value basis only, we would not go through any permutations as to what the value of exposure or lack of exposure or lack of commercial imaging or commercial messaging would make. We would not make any calculation on that historically. I cannot see that would change either.

**Q1385 Lord Kalms:** What is the BBC's view about getting the rights of football broadcasting? How high a priority has it got? It seems to me they can never win a big battle. It always has to buy the smaller package, does it not?

**Mr Scudamore:** Again it is hard for me to say what the BBC's strategy is in terms of any content. Clearly the BBC and ITV to some extent are not the same broadcasters as they were three years ago, five years ago and seven years ago, and in a digital environment they clearly are not just single channel or two channel analogue terrestrial broadcasters. They do have more content, they have more capacity, they have more channels, and in a digital environment they have a different way and they are clearly evolving into being digital content providers just like many others. I think that they take a very sensible approach to it. They know what they are good at and they know what they are supposed to be doing. They have public service obligations clearly but they also have some iconic programming that competes very well with Premier League football. Quite frankly, they have other programming which it does better than Premier League football whether that be in the live environment or other environments, so if you have got *Eastenders* or if you have got *Strictly Come Dancing*, we sit here understanding that it would be very hard for Premier League football to compete and generate

those sorts of audiences at those sorts of times of night, and they have a scheduling issue and they have to weigh up the value of our rights versus what they can do with other programming, and in that sense whilst they are not supposed to be commercial, it is an entirely business-like approach, it seems to me.

**Q1386 Chairman:** Correct me if I am wrong, it is also quite difficult for them to compete in any event financially because, as you have said before I think, BSkyB sell on rights to clubs, pubs and people like that? For your free-to-air broadcaster there is not a great deal of point in doing that, it is impossible to do that because they are free to air in any event. If for the sake of argument BSkyB pay £1 billion and get back three-quarters of a billion pounds in the rights they sell on, for the sake of argument ---

**Mr Scudamore:** --- A compelling one!

**Q1387 Chairman:** --- Then that is quite a good deal as far as BSkyB are concerned.

**Mr Scudamore:** Let's go back to whether they can compete. The reality is that the BBC, particularly with an income that they know because it is a fixed income by way of the licence fee, could if they chose to compete purchase Premier League rights. It is for them and them only and not for me (and maybe it is for you and your Committee) to have a view as to what proportion of that licence fee is justifiable to put towards sports rights. It is not for me to say. It is not true they cannot compete; it is just a question of how much do they want to compete, because they certainly have the money.

**Q1388 Lord Kalms:** Has the BBC ever expressed to you their mission statement regarding public sector broadcasting football? Have they expressed to you what their philosophy is or is it just a tender that goes in at a certain stage? Do you understand their thinking?

**Mr Scudamore:** In fairness to the BBC, we understand their thinking. We look at their annual reports and we look at their mission statements generally. The Director-General has always taken a keen interest in sport and also the Heads of Sport at the BBC meet with us and they take us through their philosophies and mission statements. We understand where they come from in terms of sport but we are not, as much as we are very proud of our competition, so presumptuous as to say everybody should have a huge interest in buying all of it. Clearly we open up a tender process. Lots of people come along and talk to us and those that bid, bid and those that do not, do not and those that win, win; and that is the way I think it should be.

**Q1389 Lord King of Bridgwater:** We have heard lots of comments that the BBC are skilful negotiators and very imaginative in the way that they might approach this to try and create different packages on things that maybe you had not originally suggested. Do you have any comments on that?

**Mr Scudamore:** No, not really. I think the BBC, quite rightly, play to their strengths in any negotiation or any promotion of what they do in terms of the equity that comes with having your programming broadcast on the BBC. I think it relates back to the previous question about are they disadvantaged in terms of not being able to commercialise some of their exposure. The balance is that in a sense any negativity, and there is not much of that, which is attached to that is more than made up for by clearly the very, very credible nature of being on the BBC platform. No sports rights' owner underestimates how significant it is to be seen to be on the BBC platform. In a sense they work very hard at marketing even though you might not necessarily think of them as a commercial organisation. Clearly if you look at their promotional work, their promotional trailers, the way they cross-promote, they clearly have some hugely impressive marketing people who do a very good job in my view of promoting the BBC offering.

**Q1390 Chairman:** We say it is a three-year contract. We talk about a billion pounds, so do we roughly say that that is just over £300 million a year?

**Mr Scudamore:** Yes.

**Q1391 Chairman:** Just to go back to the point, it would mean the BBC, to compete with that, using a very big percentage of their annual income?

**Mr Scudamore:** But that is for the whole 138 games.

**Q1392 Chairman:** I realise that. I am not arguing whether it is up to them or not. I am just commenting that that is the case.

**Mr Scudamore:** Yes, it is a true comment, but if you break it down into its component parts, it is £330 million a year for 138 matches. It is about £2.7 million a match which, in terms of 90 minutes of compelling, unscripted drama, ----

**Q1393 Chairman:** That is looking at it one way, but if you are looking at your income going down the other way, it amounts to over a tenth of the income of the BBC spent on Premier League football.

**Mr Scudamore:** If it were to buy it all.

**Q1394 Lord Maxton:** Your clubs, of course, play in other competitions which are shown on the BBC?

**Mr Scudamore:** Yes.

**Q1395 Lord Maxton:** Have you any idea what the BBC pay, for instance, for the FA Cup, and also some of the European competitions are shown on the BBC, are they not?

**Mr Scudamore:** I do not know because it is a joint deal between the BBC and BSkyB that shows the FA Cup matches and I do not know what the split of the money is within that class.

It is not my business. There are some UEFA Cup matches which the clubs own themselves which sometimes are shown on the BBC but not too many of those, and the Champions League clearly is currently on ITV and Sky.

**Q1396 Lord Maxton:** The Scottish clubs seem to have a deal whereby they are shown on BBC.

**Mr Scudamore:** As I understand it, most of the Scottish club matches are in a pay-per-view environment with the Sentanta organisation on the pay platform and there are a handful of matches that are exposed on a free-to-air basis in Scotland.

**Q1397 Baroness Howe of Idlicote:** You have said quite a lot about your view of the expertise and negotiating skills of the BBC but, looking at it the other way round, when you are looking at who to choose, as it were, what sort of financial judgments do you make between the revenue and the exposure when evaluating a TV rights bid from the BBC? I am thinking particularly, of course, of the importance of it to your growth; I know you are very popular, but nevertheless the continued growth of football grass roots, so exposure versus finance.

**Mr Scudamore:** We are cognisant of it but I have to say in all honesty that we do not attach much significance to it because we are extremely popular anyway and, whereas many sports would give their right or left arm (if it did not stop them performing the sport) for free-to-air exposure, we are not in that position. We do not need that exposure for a number of reasons. Remember, a lot of our economics are driven by attendance. If you look at a club's economic basis it is usually about a third, a third, a third: a third from central television, a third from match day revenue and a third from other commercialisation such as sponsorships and other kinds of exploitation. If you go back to the history of the Premier League, one of the reasons it has been successful in our view is that the virtuous circle from day one was large income

from a pay television service where the numbers of viewers were not in the first years huge. Combine that with free-to-air exposure promotion through *Match of the Day* on BBC and it led to this rather virtuous circle where we managed to keep attendances rising extremely fast. If we had gone on day one to full free-to-air exposure one wonders whether the attendances would have suffered, or not risen as highly as they did rise, because a lot of that money in the early days, as you know, in the early nineties, was invested in stadia, so improved stadia with live matches to a relatively small audience when the Sky platform was in its infancy together with the promotional value of free-to-air highlights made for quite an interesting virtuous circle. We recognise the fact that right now the old dynamics of 138 live matches with the sort of penetration that pay television has are altering and there is now an effect on attendance when games are broadcast live, even in a pay TV environment. Certainly when games are broadcast live in an FA Cup environment or a UEFA Cup environment on free-to-air television you see a marked impact on attendance. Therefore, whilst we do not really do a calculation about media exposure, we do an overall look at the effect of media exposure vis-à-vis attendance because we still are, I am glad to say, first and foremost a competition that is in a spectator sport and the secondary consideration, although it is a big financial consideration, is the broadcasting.

**Q1398 Lord King of Bridgwater:** When the test match was getting rather exciting football attendances were seen to slump quite a bit and there was some unfavourable comparison about unsporting behaviour on the football field as against a very much more sporting contest on the cricket field and people were then supposed to be very worried about what was happening to attendances. Have they now come back? What is the overall attendance now that you have got pay TV even more pervasive? What is happening overall to attendances compared to five years ago?

**Mr Scudamore:** Attendances are very strong. They have grown consistently since we started. We have pretty much reached our plateau level in the last two or three years mainly because the occupancy rates are over and above 90 per cent, and now the only alteration you will see in our attendances is according to which teams are in the league or not. If a big stadia club comes up or a big stadia club gets relegated, that is the only effect you will see on our attendances. It is interesting that we are here today because mathematically, as of tomorrow night when Everton and Manchester United catch up and play two home games that were displaced from August, I predict that the league average by Thursday morning will be back past where it was last season, and therefore all you have every year is an August effect. There is an August effect every season where at the start of the season in the first five weeks the average is less than for the whole season. Football comes into its own when the clocks get altered and it becomes dark and grey outside and that is when attendances peak, round about Boxing Day, or Christmas and New Year, to be precise, and therefore we are back past last year's attendances.

**Q1399 Baroness Howe of Idlicote:** Funnily enough, I was about to ask that sort of question but, thinking about whether the BBC was interested, say, on the cricket side, it clearly at some stage dropped its interest. It did not think it was getting the same coverage et cetera. Are you saying, because this is what I have picked up, that if the BBC suddenly completely lost interest (for whatever reason) in covering any of your football, it would have no effect at all because you have got so much Sky and other forms of coverage?

**Mr Scudamore:** No. I think we have achieved a very good balance up till now where the cocktail that is live matches in the pay TV environment and highlights in the free-to-air environment has actually worked; they have helped each other.

**Q1400 Baroness Howe of Idlicote:** That was not quite what I was asking.

**Mr Scudamore:** In answer to an earlier question, I cannot envisage where we will not have some sort of free-to-air exposure of our football in a highlights form. Whether that is the BBC, ITV, Channel 4, Five or any other free-to-air broadcaster, I am not wedded to any particular broadcaster. As you have probably gathered, we are more wedded to extracting the value of our intellectual property than we are to any particular broadcaster.

**Q1401 Chairman:** Your concern is that there should be some competition?

**Mr Scudamore:** Yes.

**Q1402 Baroness Bonham-Carter of Yarnbury:** I have one question in response to your answer to the Chairman's question about whether the BBC should bid more. You said it would cost £2.7 million for 90 minutes. That is before production costs?

**Mr Scudamore:** Yes, and they are not huge, as you can probably imagine.

**Q1403 Baroness Bonham-Carter of Yarnbury:** There are a lot of people involved.

**Mr Scudamore:** Yes, but in the scheme of programming costs they are not huge. These are all at the moment, shall we say, last year's prices, of course. That is the current deal. Who knows what the future competitive environment may hold?

**Q1404 Baroness Bonham-Carter of Yarnbury:** You talked earlier when you gave us a history of football about 1985 being an all-time low and it has built up since then and the importance of *Match of the Day*. What effect do you think the lack of premiership football on free-to-air platforms has on the game? Are you concerned that there is a danger that young people are not being drawn into the game in the way that they were through the late eighties and nineties?

**Mr Scudamore:** No, because there was never very much football live on television anyway.

The maximum it ever got to was 18 in the season. They did not schedule anything in August

Deleted: 0

and September. We always got the FA Cup, we always got the World Cups and the European championships and people thought they were watching Premier League football when they were not. With the uptake now of pay television generally with the consistency that *Match of the Day* has brought to that highlights environment and the advent of the Sunday morning programme, the earlier programme which has been re-engineered and re-edited for the audience and includes a special section on community involvement with young people and is edited with less analysis and more action, deliberately aimed at the younger market, I think we are probably as well served now as we have ever been, whether it be young people or any group. For those who have not got access to satellite platforms, usually everybody knows somebody who has and there is always for older audiences the pub environment which is an extremely attractive environment for a lot of young adults to watch football, so in terms of access we are as good now as we have ever been.

**Q1405 Baroness Bonham-Carter of Yarnbury:** And you were saying earlier about the whole broadband capability.

**Mr Scudamore:** Yes, and that is all to come.

**Q1406 Baroness Bonham-Carter of Yarnbury:** Moving on to the question of listed events, what is your attitude to the existence of listed events and do you think that it makes it more difficult for the BBC to bid for premiership games because they are not on the list?

**Mr Scudamore:** I would rather come at this the other way. Clearly there is a place for listed events. They are the iconic, more single match or condensed series of matches such as the FA Cup, such as the World Cup, but 380 games, ten of which are played every weekend for nine months, do not lend themselves in my view to anything like a listed event environment.

**Q1407 Chairman:** That is quite interesting. You do not actually contest the concept of listed events?

**Mr Scudamore:** No, I do not contest the concept. I contest the practicality of its applicability to something like the competition that I run because it just would not work for us.

**Q1408 Chairman:** Can we just go back to Lord Peston's point about the European Commission? We have now got this rather curious position where, providing it goes through all the stages that you have said, no-one is going to be allowed to buy all six packages but someone would be allowed to buy five of the six, so there is this one sixth thing. It does not sound to me on the face of it one of the world's most attractive packages. What is your view on that?

**Mr Scudamore:** I will come at it the other way. Nobody is guaranteed to buy anything. The whole point is, now that those rights are in six packages, now those rights have a balance, we have guaranteed what we call the top five club matches. Other people want to call them top quality matches (and, of course, we have quality matches at all our matches). Anybody involved in the top five clubs, those matches will be spread throughout the packages. Everybody is concentrating on this five/one concept but that is rather a negative construct. The fact is that anybody can step up to the plate and buy one package, two packages, three packages, four packages, and I think it is certainly not a foregone conclusion that we will end up in a five/one environment. If the market is prepared to step up to the plate and take part I think we have got a very good chance of a very vague outcome, sitting here today.

Deleted: not allowed

Deleted: blade

Deleted: blade

**Q1409 Chairman:** So you could have a three/three, for example?

**Mr Scudamore:** Yes, easily.

**Q1410 Chairman:** Who, apart from B Sky B and the BBC, would be in the bidding?

**Mr Scudamore:** Again, in the nature of things it is anybody and everybody; all UK broadcasters. I am sure there will be some foreign broadcast interest. We would not rule out, subject to them having some definitive plans by the right time, venture capital interests. It is impossible to say, sitting here. We will, as we always do, advertise in the correct trade press and some time in the new year we will go to market. The ITT will be issued to everybody that shows an interest and we will hopefully have interest from everybody.

**Q1411 Chairman:** So, rather than being a defeat, it sounds as though it is a plus for you?

**Mr Scudamore:** But that is how we have always done it. There are some differences now, there are some technical differences; we are being forced to sell at least one package to somebody else but, as I say, that is the agreement we made with the Commission in December 2003.

**Q1412 Chairman:** So we have taken two years, have we, to get to the final bit?

**Mr Scudamore:** To get to the definition around what a balanced package is and what that would look like in qualitative terms.

**Q1413 Lord Kalms:** You said a foreign broadcaster might buy it. Do you think a foreign broadcaster might buy it and then try and sell it back to a UK broadcaster or that they would broadcast into the UK or what?

**Mr Scudamore:** No. I should have said owners of foreign broadcast channels. Clearly, there are other people who have ownership interests in channels that are distributed in UK television.

**Q1414 Lord Kalms:** For the UK?

**Mr Scudamore:** If you were to run yourself down the EPG currently on your satellite system or on your cable system you would see a whole lot of channels that are not owned by UK broadcasters, sports channels included.

**Q1415 Chairman:** I think Sky have said, have they not, that they would be happy to pay the same amount as they currently do for five packages, so it sounds as if you have come out of this rather well?

**Mr Scudamore:** Do not believe everything you read in the press but my recollection was that they would be prepared to pay the same amount as they pay for the current level of exclusivity, which is a different point.

**Q1416 Lord Peston:** Your model is that you are Premier league and you have a package and it is bid for. Is there also La Liga and Serie A? Is their stuff also always pay-per-view?

Deleted: Seria

**Mr Scudamore:** That is entirely different. Serie have a club rights model where the government passed a law that said that said collective selling was not legal, and the individual clubs sell there which clearly leads to a huge disparity in incomes between the top club, Juventus, and the smallest clubs. There is a ratio of something like 17 or 18 to one in terms of television income.

Deleted: Seria

Deleted: Uventus

**Q1417 Lord Peston:** Just to interrupt you on that one, when I watch Inter against Milan on Bravo, Bravo would have bought that from either Inter or Milan in order to show it to me?

**Mr Scudamore:** Yes, that is quite difficult because that is the international distribution. It depends on which matches have been put into that package. A group of clubs have got together and pooled their rights for the purposes of selling them internationally. In Italy they have sold them individually.

**Q1418 Lord Peston:** So if were an Italian I would have to -----

**Mr Scudamore:** You would have to buy the matches; you can buy them individually because clubs sell them individually.

**Q1419 Lord Peston:** I was asking you about La Liga. Is that yet another?

**Mr Scudamore:** La Liga again is individual but when I last checked, which was a couple of weeks ago, Sogecable have bought every single club's individual rights, so they have got themselves back to a collective position, having bought them all individually.

**Q1420 Lord Peston:** Is there also pay-per-view in Turkey?

**Mr Scudamore:** Yes.

**Q1421 Chairman:** We have more or less come to the end. Again, I will ask the question we asked our previous witness. I assume that you, irrespective of what the European Commission have done, want the minimum of interference in your freedom?

**Mr Scudamore:** Only because I think we have acted quite responsibly. I think we have let more and more content into the market. We have managed it in such a way that we are not over-exposed and therefore attendances have held and attendances have grown some 67 per cent since we started, and we have created this virtuous circle that says, "Here is the best football competition in the world"; we use that interest, we generate the income and we distribute it. There is grass-roots investment. Five per cent of all our TV money goes into the Football Foundation. There is a whole virtuous circle that says you sell collectively, you generate the value through your intellectual property, you redistribute the money to keep the league very competitive by reinvesting it in stadia, by reinvesting it in the best playing talent in the world, you meet your corporate social responsibility requirements by redistributing money to grass roots and you keep this virtuous circle going. We have managed to do that

without too much regulation and interference and in our view we should be allowed to continue.

**Q1422 Chairman:** When you were doing the negotiation with the European Commission presumably you lobbied pretty fiercely, did you not?

**Mr Scudamore:** We have always within the political circles, certainly at Westminster and Brussels, had huge support for the idea that we are intellectual property rights owners who should be allowed in a responsible way to sell our intellectual properties to the highest bidder, and ultimately that is the bit that wins you through.

**Q1423 Chairman:** I am not sure if that was a yes or a no.

**Mr Scudamore:** I would not say we lobby. We talk to a lot of people whom we find it very easy to get support from for this particular topic. Whether that is a heavy lobby --- I do not particularly see that it is.

**Q1424 Chairman:** Did you manage to get the Government to help you as well in putting your case?

**Mr Scudamore:** I think the Government were very supportive, yes.

**Q1425 Chairman:** So the Government were putting your case in Brussels?

**Mr Scudamore:** I do not think they necessarily were directly putting our case. They were certainly very supportive of collective selling and very supportive of the way the Premier League redistributes its money for the benefit of grass roots in this country. Because of that I think they are very supportive and they are also very wary of the alternative, which is the Italian model or the Spanish model, which is individual selling, which only means that the richer clubs get richer and the poorer clubs get poorer.

**Q1426 Chairman:** You said a number of times that what you foresee as the future is live games on pay TV and the highlights on free-to-air. Is that right?

**Mr Scudamore:** No. I do not see the future as anything other than that the bidders that bid will win, and if that is free-to-air that is fine. If that is pay, that is fine. We are technology neutral now. If a broadband operator wishes to put it out into a controlled broadband environment, that is also fine.

Deleted: that is

Deleted: which

**Q1427 Chairman:** I must have misunderstood in that case. Did I not hear you say that you envisaged a position where the highlights would always be on free-to-air?

**Mr Scudamore:** That is free-to-air highlights.

**Q1428 Chairman:** Yes.

**Mr Scudamore:** I think the difference between highlights and live -----

**Q1429 Chairman:** Yes, that is what I am talking about.

**Mr Scudamore:** Because we are technology neutral, whether that is free-to-air, pay, broadband, we are completely neutral as to where those end up. I cannot envisage a position where we would not in any circumstances, no matter what happens to live, have free-to-air highlights.

**Chairman:** That was the point I was getting at.

**Q1430 Lord Kalms:** You described your organisation several times as a virtuous circle, which is quite an interesting comment. As a market economy man, would you mind if I suggested that it is also a golden circle that you have created? Virtuous and golden – it is a unique combination.

**Mr Scudamore:** It is.

**Chairman:** You have been very patient. Thank you very much indeed. There may be one or two other points that we would like to raise, so perhaps we could write to you on that. Thank you for your time.