

WEDNESDAY 16 NOVEMBER 2005

Present

Armstrong of Ilminster, L
Bonham-Carter of Yarnbury, B
Fowler, L (in the Chair)
Gibson of Market Rasen, B
Holme of Cheltenham, L
Howe of Idlicote, B
Kalms, L
King of Bridgwater, L
Maxton, L
Peston, L

Witnesses: **Mr Paul Vaughan**, Chief Executive, Rugby Football Union, **Mr Allan Munro**, Chairman, Scottish Rugby, and **Mr David Moffett**, Chief Executive, Welsh Rugby Union, examined.

Q315 Chairman: Welcome. Thank you very much for coming. We have been looking at the BBC Charter renewal process. We have already produced one report and we have left to one side a number of issues which we thought deserved further consideration. One of those was sport. We are looking at the BBC's role in relation to sport. That is our remit. We are looking particularly at the agreement which flows out of the Charter between the Secretary of State and the BBC on what it should do, and we are looking at the moment, for example, at the Ofcom Review of Public Service Broadcasting which showed that sport was valued as the second highest area after news in all public service broadcasting. That places the importance of sport. The Green Paper states that the BBC has a role in bringing audiences together across the United Kingdom by broadcasting, for example, sport events, particularly of national importance. It is quite important that I tell you what our role is. We do not want to go all over the field but we are very much relating it to the BBC. Could I first of all ask, so that we

fully understand, what it is that the various rugby unions do. Would it be sensible to start with the Rugby Football Union?

Mr Vaughan: Certainly. What we do probably reflects across Scotland and Wales as well. As a governing body, we govern the game of rugby football union in England and therefore in Scotland and Wales. To an extent, it goes a lot further than that, in terms of the nurturing of the game and the development of it and the growth of it. Equally, we also run the national sides. So it is grassroots to the top-end professional game, with the exception in England that we do not run the professional clubs. They are run slightly separately from our point of view. That is broadly what we do.

Q316 Chairman: Would Wales or Scotland like to add to that?

Mr Moffett: Yes. In addition to promoting the community and the professional game, we see as a major role increasing participation at all levels of the game, not only playing but coaching, administering, refereeing. We see ourselves increasingly as helping the Assembly Government achieve one of its main aims, which is to improve the health of people in our society. We believe that rugby in Wales, where it is a national game – and it is not so in Scotland and England – has a vital role to play in that. We are currently working very closely with the Assembly in that regard. We see it a much greater obligation on us in Wales to play that wider role.

Q317 Chairman: Television and radio often play an important part in encouraging.

Mr Moffett: Absolutely. The importance of the BBC to Wales cannot be underestimated because we are a small country. We talk about the law of England and Wales. You can never lump England and Wales together in a rugby sense; however, we are often seen as an adjunct to England in terms of the commercial side of it. We do not have industry, like, for example, Scotland, who have banks and distilleries and things like that which become sponsors of the

Scottish and Rugby Union. We do not have that in Wales, so we are always struggling to balance our books. It is important for us, in developing this partnership with the BBC. I mean, I may stand corrected by Paul, who has major contracts with Sky, but I tend to think Sky would not see Wales as a particularly attractive proposition; whereas the BBC, especially in Wales, do. I think we work very well together in partnership. Unlike Sky, who are there for a very commercial reason, the BBC has a much wider role to play, as I have just outlined previously and it is about us offering the BBC value for money. We think we can do that by taking that wider role that I was mentioning before. We see the BBC as very critical in reaching that bigger audience. During this period that we are in at the moment, for example, we get our games on the network – when we play New Zealand, when we are playing South Africa – so that gives little Wales a much broader audience which we are able to tap into – so critical for us as a small country and a small rugby union. We have aspirations to be as good as England. We are not there yet by a long chalk – although we did beat them last year!

Q318 Chairman: Let me ask Mr Munro about Scotland?

Mr Munro: I would concur with everything that has been said so far, except that in Scotland football is the dominant sport. I am afraid that, as far as the BBC are concerned, it takes the bulk of their coverage – and I would not say football in general, it is Rangers and Celtic that dominate. As a consequence, there is no coverage of anything below international rugby whatsoever, whether it be on radio or television. That for us makes things particularly hard. Like Wales and obviously England, we have a similar role in trying to promote the game. It is nice now that the Government have come onside, as it were, because for many years we were almost fighting against the Government, who did not pay enough attention, in our view, to sport.

Q319 Chairman: Do you think the BBC could do more in Scotland?

Mr Munro: Yes.

Q320 Chairman: In what way would you want it to do that?

Mr Munro: Perhaps I could give you an example. Like Wales and England, we have three games in this autumn series. The only game that is going national is the New Zealand game. The Samoa game on Sunday and the Argentine game last Saturday were only covered on BBC Scotland. They had to bring in people who quite frankly were not used to covering sport and some elementary mistakes were made in the production.

Q321 Chairman: What does that mean?

Mr Munro: They were hiring in people from the outside to cover the game. For example, when the camera was going along each side before kick-off, with 15 mascots in front, the producer did not have the savvy to pull the camera back, and therefore all the grannies who were watching to see their grandson on the TV just did not see them. There were many other examples like that, where the coverage was not as great as it should be.

Q322 Chairman: Do I get the impression that Wales feels the same, that the BBC could do more? You have talked about how important it is.

Mr Moffett: I do not think we share that view. I think we have a very positive partnership with the BBC and we work very closely with them. If I could give you an example of how we do that, where our association with the BBC works outside of rugby. We have a very impressive stadium in the Millennium Stadium. The tsunami concert was put on in three weeks – which was pretty much of a world record – and we did that with the BBC. We raised £1.6 million for the Tsunami Appeal. That was just that one event which we organised but, as I said, we did it with the BBC, who were an existing partner. The other thing is that when we were playing for the Grand Slam against Ireland, on the Monday that I was leaving Scotland I

rang Keith Jones, the head of programming, and suggested that the BBC find a big screen to put in the square so that many more people could watch their game – we just did not have enough tickets. They organised that within a week. I do not think anybody else could have done that. Our experience with the BBC, if we go to them, is that they are very proactive, very responsive to our requests. Indeed, 25,000 people were watching that match on that big screen in the centre of Cardiff.

Q323 Chairman: What about England?

Mr Vaughan: Our relationship with the BBC is very good as well but we have a good relationship with all of our broadcasters. We have a split between Sky Sports and the BBC in terms of our coverage, so, for instance, our autumn internationals, the series of three that we are in at the moment, are broadcast live on Sky and then the BBC have rights to show it as a delayed game, which they are now showing on BBC Three and then the following day, on the Sunday, as a highlights package on Grand Slam on BBC Two. We have a relatively good balance of coverage and quality of coverage. In England, according to our research, we have over 9 million people who are interested in the game, so we have an interesting market from all the broadcasters in terms of what they want to show. The audiences that England's games drive are actually of great interest to both parties, therefore we are able to get into a competitive bid situation for our rights.

Q324 Chairman: There is no particular issue you have with the BBC.

Mr Vaughan: Only that they always cry foul when it comes to money, but you would expect that anyway.

Q325 Chairman: How do you mean?

Mr Vaughan: That there is never enough in the pot. Again, as with any organisation, you have to balance your resources in a way that suits your organisation. If they decide that only so much is devoted into sport and then only so much of that is devoted into rugby rather than football or anything else, that is the balance they have to make and that is the judgment call they have to take.

Q326 Lord Maxton: In Wales rugby is a national game.

Mr Moffett: Absolutely.

Q327 Lord Holme of Cheltenham: National religion.

Mr Moffett: Yes.

Q328 Lord Maxton: There are three Scottish professional teams who play against the Welsh in the Celtic league. As far as I understand it, when they are playing in Wales their games are shown on BBC Wales and S4C as well.

Mr Moffett: Yes.

Q329 Lord Maxton: Whereas they are not of course being shown in Scotland at all.

Mr Munro: No.

Q330 Lord Maxton: That must be very hard on the professional team

Mr Munro: It is, yes.

Mr Moffett: It also raises the other question which might be anathema to discussion about the BBC: the importance of being on terrestrial television in terms of our sponsors, because obviously our sponsors get much greater recognition in a passive way. Obviously the BBC cannot advertise, but that plays an important part in our deliberations as to where we want to go. The Six Nations, I would argue, is now a better competition than the World Cup because

of what it gives you every year rather than once every four years. I was on the negotiating panel last time when the rights came up for extension with the BBC, and the BBC ended up paying us substantially more than we were on because that was the value that was placed on this particular competition – which the BBC had also helped build, there is no doubt about that. But when you start to think that perhaps England versus Wales next year, the opening game of the Six Nations, could attract 8 million viewers, then that is some serious viewership and you cannot get that on pay TV. It just would not happen. We think that is terribly important. There is a balance to be had. We are a small country not likely to be as attractive to pay TV as England or our SANZAR in the southern hemisphere, where I was involved in doing the deal with Rupert Murdoch, which was very obviously pay TV. We are in a different world in Wales.

Q331 Lord Maxton: Of course there were problems between the various unions when England signed a deal with Sky. How did that affect the audience's viewing of home games on television from Twickenham? When they were being shown exclusively on Sky, did that drop in comparison with the BBC?

Mr Vaughan: Sky had the right for England home games at Twickenham for the Six Nations from 1997 to 2001. In a reciprocal deal, they also took England away games in France (because there was a barter deal between Sky and the French broadcasters). In real terms, there were two and maybe three games per year every other year across that period of five years. The distribution of Sky at that time was obviously a lot less than it is now, therefore it was restricted to that distribution of homes. All the numbers you ever see tend to measure in-home viewing only and not out-of-home viewing, so all the clubs or pubs that happen to have a screen never count those numbers in, which is always slightly odd, particularly in our game, as Rugby clubs tend to have gatherings of people to watch internationals after they have played in the morning or earlier in the afternoon. If we move up to the present day, Sky have

distribution in over 10 million homes and very large distribution through pubs and clubs, so therefore it does reach a broader audience. If you compare the terrestrial coverage of the BBC to Sky, the BBC is inevitably going to be much higher in terms of absolute numbers. For instance, if you looked at the Six Nations this year, the average on the BBC was just a tad under 4 million per game. If you take the England games, 5.3 million was the average. If you look at Sky number for this autumn series, it is probably around one million all told. It does have a distinct advantage on the BBC in terms of breadth of coverage, but we have to balance our needs for revenue as well as our coverage. That is why we have a mixed package with the BBC. For last year – and we have not obviously seen the figures for this year – if you take the Sky broadcast of about one million, the delayed-as-live rights on the BBC brought it up to about 4 million. Broadly speaking we had the reach we wanted, in terms of reaching the audience, and we also had the revenues as well, which then invest back into the game. It is probably also worth mentioning the type of people who view, the types of audiences that the BBC can drive versus the ones that Sky can drive. Sky obviously drive a dedicated audience that want to watch the game, because it is an appointment to view. With the BBC, it is an appointment to view still, and they grow it and market it very well – certainly for the last couple of years with the Six Nations they have done fantastically well – and they have helped us market the game broadly speaking. They do drive a big audience but it tends to be a slightly older audience who do not have Sky or will not get Sky and it tends to be slightly down the scale socio-economically rather than the Sky audience.

Q332 Chairman: Is the crucial thing revenue, when it comes to it?

Mr Vaughan: Absolutely. From the point of view of all three unions, in order to develop and grow the game we need the revenue. We have a duty to that. If you take the RFU's point of view, our revenues last year were around £85 million, of which we distribute about £10

million to the professional clubs and the rest is about development of the grassroots, support of the grassroots, and the cost of doing it. It is a huge business.

Q333 Chairman: What percentage of that would come from television rights?

Mr Vaughan: From an England point of view, last year our total revenue in England was £16 million, which is about 20 per cent. We have purposefully gone away from a reliance on television revenues. Unlike cricket, for instance, where 80 per cent of its revenue is TV, we have purposefully gone the other way. We are now developing a hotel and trying to generate other revenue streams that would give us a 365-day revenue rather than relying on only six or seven games a year.

Q334 Lord Peston: To go back to the Chairman's opening remark, could you tell us in each case what your legal status is. Are you companies or do you have charters or what?

Mr Vaughan: We are a provident society.

Mr Moffett: We are a company.

Mr Munro: We are another company.

Q335 Lord Peston: Excuse my ignorance, but does that mean that the two of you who are companies have shareholders?

Mr Moffett: Our shareholders are our clubs.

Mr Munro: It is the same for us.

Q336 Lord Peston: You are essentially companies set up by the clubs.

Mr Moffett: Yes.

Mr Vaughan: It is the same for us, basically.

Q337 Chairman: Actually there is not much difference, is there, between a provident society and a club.

Mr Moffett: No.

Mr Vaughan: No.

Chairman: It tends to be the same.

Q338 Lord Peston: But you are not any old company, in each case you are a rugby union company, so somewhere in whatever you have that sets you up, it says that your business is rugby union. Is that right?

Mr Vaughan: Yes.

Q339 Lord Peston: Within that, does the legal specification of what you are include in it what you do?

Mr Moffett: Yes.

Q340 Lord Peston: To take an obvious example, each of you is involved in the international game, which is worth money. In a sense, it is an asset, is it not? Is that written into how you are set up? Excuse my ignorance about these things.

Mr Moffett: It is written in our constitution that we will foster the game – and I cannot remember the exact wording of it – right across the game, from community game all the way up to professional game, and that we exist to promote and foster rugby as a sport.

Q341 Lord Peston: That is in – if I may use the expression – your “terms of reference”.

Mr Moffett: Yes. Absolutely.

Q342 Lord Peston: Does that apply to the English game as well?

Mr Vaughan: Yes.

Q343 Lord Peston: It is on that basis that you retain the right to sell to the television industry, is it?

Mr Moffett: Yes.

Mr Vaughan: Yes. I think it is also worth pointing out, certainly within the English game, that we have just short of 2,000 clubs and only 12 of them have any interest to television.

Q344 Lord Peston: That is really what I was leading towards.

Mr Vaughan: And the national game, the international game.

Q345 Lord Peston: The ones which have an interest to television nonetheless do not get the total amount of revenue flowing.

Mr Moffett: But even within our similarity in the way we are set up there is a huge difference. For example, England has an ongoing problem with its clubs in the governance of the game – which I know they are addressing. It is very difficult. Scotland centrally contracts their players and that is a big argument at the moment in rugby as a whole. I was running New Zealand rugby as the chief executive when the game went professional and we put in centrally the contracting of players. It is the single reason why the All Blacks, I think, are doing so well at the moment, because they have had much more control of where they are going. But, to get that control, you also have to have money, and you have to have assured sources of income. I do not know what the premier league division of television income to other sources of income is, but I would say pretty high. In our case, it is round about 33 per cent, and our other main sources of income are sponsorship and also ticket money and hospitality. These guys do a much, much better job than we can, because there is a different market. We do try to compete with each other but there are huge differences between us in the underlying way in which the game is governed and run in our countries.

Q346 Lord Armstrong of Iminster: In so far as there is a decreasing amount of rugby union football on free-to-air television, I wonder whether you are assessing the state of public opinion about this or whether you have complaints from the public saying, “Can we not have more?”

Mr Moffett: We had some complaints when Sky won the European Cup rights from the BBC. Our fans, once again, are slightly different demographically. We are a game that is fundamentally a game for everybody – you know, it is a working man’s game in Wales – and they felt that was going to be too much money. However – having been on the RC at the time – it is also about money, and the Sky offer was an offer that was too good to refuse. I think, in hindsight, the BBC might have wanted to be a little bit more aggressive because they do recognise that it was a very valuable property to have. We do live in a competitive world and competition is a good thing. It would be terrible if the BBC, for example, were to pull out of that and not to provide sport at that level.

Q347 Chairman: How much were they outbid by at that time?

Mr Moffett: That is not on the public record, but it was significant enough to make a change.

Q348 Lord Maxton: Could the BBC have done it? Sky do six games plus on the European Cup weekends. The BBC, unless they had a dedicated sports channel – which is another matter – could simply not have put those programmes – except in Wales maybe.

Mr Moffett: Yes, I think in Wales it would be different.

Q349 Lord Maxton: Certainly in Scotland and England they could not have done it.

Mr Moffett: No. But I think you have hit on a very good point there about a dedicated sports channel. I think there has to be some debate about the BBC having a dedicated sports channel at some point in time. Perhaps I could give you an example of that. When you see rugby on

Sky, you know that you are going to get a replay fairly soon afterwards. That is pretty valuable: the BBC pay for those rights with the RFU. After the Ireland game, I said to Keith Jones, “Is there any chance that you could replay the Ireland game, because all you want to do is go back and watch it?” Normally you would not get a replay because the BBC has so much else to do. In Wales, network comes in and out, so programmes, like, for example, our magazine programme, are affected by network – by them having to take the network programmes – so you never know when it is on. On Sunday it could be on at 5.30 or 10.30 at night, and that makes for ineffective viewing. It is like going to the rugby, you need to know: I turn the television on at this time of the day and I would like to be able to see that programme. But whether the BBC can afford a dedicated channel or not, I do not know. That is for others to say, but it would be ideal.

Q350 Lord Armstrong of Iminster: There are obviously national differences in this field. I wonder whether the Rugby Football Union have any evidence about public opinion on the declining amount of rugby available.

Mr Vaughan: Yes, is the answer. If you go back in time, the BBC used to do *Rugby Special*, a weekly magazine and highlights programme. At one stage their scheduling got a little bit confused and it was always: spot the *Rugby Special*, because they could never guarantee the slot it was going to go in – which is not very good from a regular viewing point of view. If you come into the present day, they have gone away from wanting to show highlight packages at all. The BBC in our game in England are unable to show 22 weeks of professional club rugby as a live sport. I do not think they can schedule that in because it is difficult to do. I guess that is probably one of the arguments about live cricket, because they just cannot schedule in the volume that is there. Our solution is always: “What about highlights? Can you not package it up on a Sunday, as you used to do?” Their view is very much: “We do not like highlights – and actually we are not prepared to pay for that any more either.” Now they

are contracted to do eight, I think it is, this season – eight *Rugby Special* programmes – which is terribly disappointing from a consumer point of view. We do tend to get quite a lot of correspondence from disgruntled people who do not have Sky/will not have Sky and actually wish to watch it.

Q351 Lord Armstrong of Ilminster: Is it the same for Scotland?

Mr Munro: I think it comes back to what I stated earlier: apart from the internationals, there is no coverage whatsoever. Sport on the radio is 100 per cent football: Rangers and Celtic.

Q352 Lord Armstrong of Ilminster: Do you get a public reaction to that?

Mr Munro: Yes. I think it is fairly well known that every other sport in Scotland has an outcry about the coverage, or lack of coverage of their sport, to the coverage given to football.

Q353 Lord Maxton: Particularly when they call it *Sports Scene*.

Mr Munro: Yes.

Q354 Chairman: And radio is the same, is it?

Mr Munro: Radio is the same. On Saturday afternoon, from one o'clock through to six o'clock is football.

Q355 Lord Maxton: Except for BBC Radio Borders.

Mr Munro: The Radio Borders. I do beg your pardon, you are right.

Q356 Chairman: What about radio as far as England and Wales are concerned?

Mr Vaughan: We separate our radio rights away from our television rights and offer those separately. We do have an arrangement with the BBC for those rights. They tend only to broadcast international games, but they also do the club game on a local radio basis, and they

also allow the clubs to use that broadcast on their own websites, which generates quite a lot of audience of people who are not anywhere near wherever that domestic game is.

Mr Moffett: We do not have much problem at all getting BBC to do radio rugby in Wales. Whilst I might be sounding as though I am very much in favour of the BBC, it is a fact of life that the two of us work very closely together where we are a national sport, and it makes things an awful lot easier at one level.

Q357 Baroness Bonham-Carter of Yarnbury: Both Mr Moffett and Mr Vaughan have said they think the BBC have helped the market for the Six Nations. In their submission to the Independent Panel on Charter Review, the BBC characterised the Six Nations as a “championship once in decline” until they came in. Do you think that is a statement that is slightly excessive or would you agree that the Six Nations has really needed the BBC?

Mr Vaughan: If I could come back to what I said earlier, it was a five-year period that they had missing from the Six Nations or Five Nations championship, two to three games per year for five years only. The BBC had had the Six Nations since the year dot (and still has it now) so there was obviously a decline setting in before that period of 1997. But, I have to say, they have refocused on it and they have done a fantastic job in the last few years – and long may it continue.

Mr Moffett: I would agree with that. I have only been in Welsh rugby for three years. It has coincided with that resurgence, I guess, so I would have no complaints about what is happening. There is a debate at the moment about the structure of the season in the northern hemisphere. There is a view that we should have more product to get more money, whereas, with television rights and sponsorship, outside of the Rugby World Cup the most valuable rugby competition in the world is the Six Nations.

Q358 Baroness Bonham-Carter of Yarnbury: So you would wish to continue having BBC coverage for the Six Nations.

Mr Moffett: As long as it is done on a financial basis; that is, that you are going to get the right figure for the property. I think that is important as well. But I think we have so far felt that we are getting the right amount of money for it.

Q359 Baroness Bonham-Carter of Yarnbury: If you did not get the right figure, you could compensate -----

Mr Moffett: I do not know. You see, with the BBC it is a little bit more than just money; it is whatever else they can give you in terms of helping you grow the game. I think that is something that should not be understated because – especially from our point of view in Wales – it is such an important issue. There would have to be a significant premium, I think, to pay, for Wales to take the view that that particular competition should be off the BBC and perhaps onto pay television. Obviously there are other competitions, but that particular competition is, I think, the jewel in the rugby club world crown.

Mr Vaughan: We are tending to ignore the other four terrestrial broadcasters here as well. I mean, ITV do a great job every four years, but they do not really have any match practice in between. That is the small problem – except for the IRB Sevens, which they tend to put onto the digital platform. But it is also worth making the point that, whenever our rights come up for offer, we do tend to take them to the market and offer them, so we do not actually do a sweetheart deal with any one particular broadcaster.

Q360 Chairman: Would it be fair to say that the spur of competition did not do the BBC any harm in terms of competition?

Mr Vaughan: Absolutely. At the end of the day, if they want the rights, they ought to earn the rights rather than just expect to be given them – which I think was probably the problem

pre-1997, if you take the Six Nations, where complacency can set in. There is no challenge to them. In fact, the quality of the production and coverage has dramatically improved since Sky came onto the scene. I think that covers all sport, not just rugby.

Q361 Lord Holme of Cheltenham: It is difficult for the rugby enthusiast to understand why the Six Nations is a group B listed event, when, for instance, the Rugby League Challenge Cup Final is a group A listed event. What would be your attitude if, in the aftermath of the World Cup and the much higher levels of interest and enthusiasm about rugby, the Six Nations became a group A event?

Mr Vaughan: Our view is very much that if you list and protect events, the broadcaster has to be given the right funds to be able to buy them at a relatively economic price. Otherwise, it just cuts away the lifeblood, in terms of the investment that we need to make, because we would have no revenue, because there would be no need to bid any relative sum of money.

Mr Moffett: I do not think we would have a problem with the Six Nations being an A-listed event, provided that they pay the market rate for what it is. It happens in Australia. In Australia, they have anti-siphoning laws (as they call them there) where they have lots of events that are listed, but the sports that are listed get paid substantial sums of money still by free-to-air television. It is really more the view, I think, that if you can get more people to watch the event then that is a good thing, but they still have to bear the market price for that event. I think what you are then protecting is the ability for as many people as possible to watch an event that they want to watch. As long as it is not seen as some way of getting something for nothing or at a very reduced rate, I cannot see us having a problem with that. It is just that still market forces have to prevail.

Q362 Lord King of Bridgwater: You have talked about the Six Nations and then we have this autumn series which is happening. I am not quite clear who runs that. Who runs these other areas? Is it the International Rugby Football Union?

Mr Moffett: Yes. They do not run it. They have a fixture schedule which comes out, archaically, about once every 12 years. Everybody agrees who they are going to play in the autumn, and who we are going to play down in the southern hemisphere in their autumn, our spring. Those games are scheduled, as I have said, up to 12 years in advance, so this is part of the scheduling. We run, own and control all that. The actual scheduling of it is done through the IRB.

Q363 Lord King of Bridgwater: That is my question. They do not have the negotiating rights.

Mr Moffett: No.

Q364 Lord King of Bridgwater: If you were to play Australia, it would be for Australia to negotiate their broadcasting rights and Wales would get a cut of it.

Mr Moffett: No, we do not. They keep their broadcasting rights and all their gate money and then we keep ours.

Q365 Lord King of Bridgwater: One hundred per cent.

Mr Moffett: Yes.

Q366 Lord Maxton: I am interested in this idea of the commercial rate and balancing what you can get from television rights against having a broadcaster which gives you exposure, and therefore – which concerns someone like myself most – getting people to play the game or join clubs and take part in club activities. Because I think it is worthwhile remembering that, although you get all this income, each club itself has to generate income as well, and that is

part and parcel of what happens in rugby. How do you do that? Your income is almost entirely from the Six Nations, is it not, in broadcast terms?

Mr Munro: No. Gate receipts ----

Q367 Lord Maxton: I meant in broadcasting terms.

Mr Munro: In terms of broadcasting, yes, entirely from that. It is no real surprise that we have been going through a tough time over the last few years. We are on the road to recovery but it is going to be a long haul to get us out of the mire. Inevitably one of the things that has suffered has been the amount that we have been able to distribute down through into the club game. Many clubs like my own, still involved in the club game, have to go about earning money the way most clubs do anyway, through subscriptions from the players and former players and so on, through gate receipts – which, quite frankly, are not great – and sponsorship and other functions like fund-raising dinners and so forth. But quite often you find that these functions tend to bring the community closer together.

Q368 Lord Maxton: For some time you did have a deal where they sold the club game to ITV/STV.

Mr Munro: Yes – and also to the BBC before that.

Q369 Lord Maxton: The BBC you do not even try.

Mr Munro: We no longer have that.

Q370 Lord Maxton: They are not interested or you are not interested.

Mr Munro: No, they are not interested.

Q371 Chairman: If rugby had more exposure on the BBC in Scotland, would that have an impact on the game?

Mr Munro: I believe so, yes.

Q372 Chairman: In the quality and the whole thing coming through?

Mr Munro: I think it gives those people playing the club game a lot more interest in watching themselves, if you like, or their direct opponents playing. It generates income lower down, because not everyone can play international rugby.

Q373 Chairman: I was looking at the Green Paper, and, although it is obviously not a minority sport in a whole-UK way, it sounds as though it is veering into a minority sport in Scotland.

Mr Munro: Its numbers have been declining in Scotland for some time. Our biggest challenge, quite frankly, apart from the financial problems that we have, is to grow the numbers of people we have playing the game.

Mr Moffett: I think there are some issues that underline some of the significant differences between us, especially with a very powerful union like the RFU. We have a particular player development policy in Wales, in that we want to bring our own players through. We actually would like to see a time when we do not have any foreign players playing for our professional teams, because in Wales we are about three things: Wales, Wales and Wales. We need to have enough cash and enough money to be able to do that if we are going to do it successfully. It is how you use your money. I am very critical of football in this country, because the Premier League is a league played in England, it is not an English premier league. I think that is something that we are definitely trying to guard against. I know that in the RFU – although you can speak for yourself – from discussions I have had with Francis Baron and with Paul over the times, there is an issue to address there. If they are going to do that and we are going to do that, it is going to take money, to be able not only just to play the existing players at that level but also to bring up all the other players that you want to bring up through

the academies. To do that, you need money. I did spend nine months in Sport England. Sport England provides the RFU with quite a lot of money for their academies, but we in Wales do not get much support at all, so we have to get it somewhere else. For us, because of the nature of our small country and what-have-you, it is largely BBC sponsorship and gate money.

Q374 Lord King of Bridgwater: One of the interesting points is to do with devolution. One of the arguments for it was that things like sport would tend to do rather better in devolved administrations than they do under a national government, but you are saying it is not happening well. You do not have to answer that! It is a complete aside. One of the interesting things that came out of your evidence is that the broadcasting revenue you get does not represent quite such a disproportionate part of the income as it does in cricket. Was it 26 per cent?

Mr Vaughan: Twenty per cent in England.

Q375 Lord King of Bridgwater: Is that the sort of figure otherwise?

Mr Moffett: About 33 per cent.

Q376 Lord King of Bridgwater: Talking just about how the BBC approach their negotiating on this, they presumably have one ticket in their advantage, which is that they can make it possible for you to get higher sponsorship income than would come under the satellite range because they deliver to a bigger audience and therefore the sponsor is prepared to pay more for it.

Mr Moffett: I do not think that is true for us. Certainly an ability to get a sponsor is enhanced by being on the BBC, because, as I said earlier in my evidence, we suffer from not

having large companies in Wales that we can actually get into. We are competing with these guys for their sponsors, because we have to come into England to get a sponsor.

Mr Vaughan: Certainly terrestrial coverage does enhance the value to a sponsor, but it is the relative value. That is where we are at the moment. If you take Guinness, who have come into the premiership – which is purely on Sky television currently – most of their value is derived through the written word and newsprint. That is quite interesting in terms of how you look at the relative value, because everywhere you look in terms of the papers it is always “the Guinness Premiership”. It is on Sky, where they probably have an average of, say, 100,000 people watching per game, every live game, but there is a lot of it. If we were to take the Guinness premiership and put it on terrestrial television, I am pretty sure that the value of sponsorship that Guinness actually give to the premiership currently will not increase dramatically.

Q377 Lord King of Bridgwater: We are getting a bit of a flavour here as to whether the BBC, in the bidding process and knowing what they really want to go for and how to go about it against competition, are finding that they have one or two problems. Are you prepared to talk about their impressions of their abilities and whether there needs to be some review? I am talking about television but radio as well, in which it is said that the people ought to review the ways in which the BBC goes about its bidding.

Mr Moffett: From our point of view, radio does not really represent large sums of money. We just add it on to our total broadcasting contract. I think that there are lessons that the BBC have to learn about negotiating. That was never more evidenced than in the negotiations for the European Cup, when there was a deal to be done at one stage and there was perhaps a less than aggressive attitude taken. It was a competition that they should not have lost because of all the other benefits that they can give, but I think they perhaps set a figure in mind and they

were not going to go past that. Normally, it is not an exact science, trying to get the money for television rights, it is completely inexact. It is a matter of what you can negotiate.

Q378 Lord King of Bridgwater: You used the phrase “the market price” which I was interested in. I wondered if there really was one.

Mr Moffett: Well, the market price for anything. I am trying to sell my house at the moment, and I have got it up at this level and nobody is coming to look at it, so I have got to see if I can ----

Q379 Lord King of Bridgwater: That is what you discover.

Mr Moffett: Through negotiating, yes.

Q380 Lord King of Bridgwater: It does not help in the bidding necessarily. There is not a sort of graph of past background pricing evidence, or tender offers of one sort or another which might have been bid in other areas, which might give you a pretty good guide to what the market price is.

Mr Moffett: I think we are getting there. We are only a very fledgling sport in terms of professional rugby, at 10 years. I think we are starting to develop that degree of evidence. It is not only in this country, it is also in the southern hemisphere, where they are into their second contract with New Zealand. I was part of the negotiating of the first contract. I think we can now start to value it. Also, the rugby world cups have been around for some time. I think the evidence, for what it is worth, is definitely improving.

Q381 Lord King of Bridgwater: You think the BBC perhaps ought to get better informed on some of this. You have said “more aggressive”.

Mr Moffett: If they want something, I think they are going to have to go out and get it, whether that is rugby, rowing or whatever it is.

Q382 Lord King of Bridgwater: Do you own the Millennium Stadium?

Mr Moffett: Yes, we do.

Q383 Lord King of Bridgwater: Do you handle the negotiations for other sports that take place in the Millennium Stadium?

Mr Moffett: No, we do not. We normally just hire it out as a venue. We do at times put on our own events. We have tried, with putting on a soccer match between an Italian and a Spanish team – where we own the event and then we will sell on the television rights – but when the FA comes to town, they just hire the stadium off us.

Q384 Lord King of Bridgwater: Have you noticed any great difference in the negotiation on football rights as opposed to the rugby rights?

Mr Moffett: In terms of how they deal with us?

Q385 Lord King of Bridgwater: Yes, the BBC approach.

Mr Moffett: No, because I do not get involved in that. That is a matter for the football associations to sort out.

Q386 Chairman: What about England, do you want to come in on that?

Mr Vaughan: I would just like to make the point that the BBC have a fantastic heritage in sport – for many, many years, on both radio and television. The position we are in collectively here is that we are never going to beat football. Football will always be the top premier league game for many years to come. We have to make sure that we are top of the second rung, if you like. In terms of what the BBC is bidding for, they cannot be all things to all men, in my view. They cannot do everything. They have to be focused on what they do because they only have so much air time and resource financially in order to spend. If they

are going to cover synchronised swimming through to whatever it might be, that is one approach, the very broad-brush approach, but actually it means everybody gets less. If it is to promote the bigger, secondary sports effectively, then obviously they need to be focused in terms of their resources and make sure they have adequate resources in order to buy the rights. They do live in a competitive world. They cannot be just taken as the national broadcaster and safe, I think. They have to operate in a commercial world, I am afraid.

Q387 Lord King of Bridgwater: You are prepared to accommodate them on scheduling, and we now have a two o'clock match and a four o'clock match. In other words, the unions are prepared, within reason, to move to broadcasting schedules.

Mr Vaughan: Certainly within the Six Nations that is very much the case, because they have 15 matches, three on every weekend for five weekends. They schedule it so that they can show all the rights they have bought quite sensibly. When it comes to the autumn games, because we are not on BBC and Wales and Scotland certainly are, we have a 2.30 kick-off every Saturday for three weeks – which our audience loves, because if you are travelling down from Yorkshire or Northumberland to Twickenham you can get there and back in a day, as you can from Cornwall.

Q388 Chairman: Are you saying the BBC should specialise more in terms of what it bids for?

Mr Vaughan: I am trying to say that it needs to be more focused in terms of what it wants, which really emphasises David's point. It needs to focus resources behind what it needs to get in order to drive its audiences – which we can deliver – rather than spread its audiences very, very thinly, which I think often used to be the case.

Q389 Chairman: Which, I suppose, is also the temptation if you are trying to deliver back to every licence fee payer in the country.

Mr Vaughan: Yes.

Q390 Lord Maxton: It is also a public service broadcast, if you like, and they have a responsibility to encourage all sports, not just two or three sports.

Mr Moffett: But they need to get value for money out of everything they do essentially, do they not? That is a test that everybody working in public life has to meet. I think they have to make those judgments internally and against their own charter or however they are going to be managed. It is obviously quite a difficult task, but from a rugby perspective we think we do deliver value for money for public broadcasting.

Q391 Baroness Howe of Idlicote: I think I have picked up a fairly good impression that none of you is entirely satisfied with the amount of coverage you get on the BBC – probably the Welsh side is happier than the others. Could I pick up on one of the points you have made. Presumably, in order to get value for money the BBC will need to be flexible. It might be they will see something coming onto the horizon that they will want to spend a bit more money on, with some of the games maybe fading into the background, so the flexibility we are talking about must go both ways. Against that background, one or two people mentioned especially a sports channel. I would be interested to hear of your views on this. Would that make the BBC rather more of a potential purchaser of each of your particular rights, or would there be down sides there?

Mr Vaughan: I think that, yes, it would. It would certainly have the air time to be able to give a broader coverage of many sports. I would just put in the rider that they would need to be able to have sufficient funds in order to be able to buy the rights, and also to make sure, if

it is a specialised sports channel, that it is going to be a terrestrial channel or a digital platform channel.

Mr Munro: I am not quite so sure. Prior to getting involved in rugby, I know from my own household and that of both sets of parents/parents-in-law that they would watch a rugby international on a Saturday afternoon, whereas if there was a dedicated sports channel I am not sure they would. I think that is quite possibly a factor and possibly not dissimilar to the advantage that the BBC has over Sky with a dedicated sports channel. I think a lot of people, certainly in Scotland, as far as I am aware, watch a rugby international because they think it is great and it is good entertainment, whereas if it was a dedicated sports channel, with a film on the other side, I am not sure they would.

Q392 Chairman: So you might lost an audience.

Mr Munro: I think you could well lose an audience.

Q393 Baroness Howe of Idlicote: What about the effect it might have on the other side of what you are trying to achieve; that is, getting more people involved and the young interested.

Mr Munro: I think it goes exactly the same way.

Mr Moffett: As long as it is on terrestrial and it is accessible by everybody who pays for their television licence, I do not see that it is going to have a negative effect. In terms of strategy, I think the BBC needs to work out what it wants to do, and what it wants to be obviously is part of that. But the world is changing and it is changing at a very rapid pace and they have to keep up with what is happening around them. Otherwise, the BBC will get left behind and we will find that we will be left behind with them if we are partnering with them. Obviously it is a matter for the BBC as to whether they feel a sports channel is warranted, but I would think, from the point of view of a dedicated sports' viewer, that if there is the money there to do it would be a good thing.

Q394 Chairman: But you would not want it to be done if it was a second division sports channel.

Mr Moffett: No. I do not think the BBC is about being second division in anything. That is what they should not be, because they have had such a history – forgetting about sport now – in everything that they have done. I know that is a big debate going on at the moment, but, no, they do not want to be a second division sports channel.

Q395 Lord Maxton: In a sense, my argument on the dedicated channel would be: Show the game live on terrestrial, but then repeat it – which is what Sky do – in the evening, for those who have gone and watched the game or whatever. You have said the world is changing, and that is right. The next step in all this, of course, is probably the internet. Do you have separate rights for selling on the internet? I know the SRU is now showing some of the club games on their website? I am trying to persuade the club with which I am associated that the video they use for training purposes – because they video every game – could be shown live on their own website. There is nothing to stop them doing that. Where do you see yourself in this new broadband internet world?

Mr Vaughan: Five years ago we deliberately separated out our rights for broadband and indeed mobile telephony as well. What we are now finding is that the convergence world is giving us a major problem because inevitably all broadcasters will want to separate their broadcast on all platforms that they have got, so the BBC now want to broadcast in broadband as well as terrestrial television, which then cuts across whatever else we are doing. What we have done is manage to persuade them to have a geo-block of the broadband area in the UK in order for us to be able to sell on externally into the market world wide. We do that reasonably successfully. I think it will give us problems further down the road as well. Broadband soon will be another potential opportunity for us to sell our sport instead of television perhaps if you take a long-term view.

Q396 Lord Maxton: So when the BBC do a Six Nations game or Scotland and Wales do their autumn internationals, do you have access to the videos, if you like, to use yourself or do they totally own the rights? The Lawn Tennis Association with Wimbledon keeps the rights for the programmes that the BBC do. Is that true in rugby?

Mr Vaughan: The BBC now tend to want to include it in the deal on the basis of take it or leave it. It is the whole deal or nothing, which I think is a little unfair, whereas what we are trying to sell is television rights and not the broadband rights. What we have done now is to have some hold-back period in order for us to be able to sell on with a 24-hour hold-back period for other broadband opportunities within the UK, but it obviously does not have the same impact as live.

Q397 Lord Peston: Could I take us on to listed events. One of the things until I was on this Committee doing this inquiry I had never thought of was the conceptual basis of what a listed event is and why certain events are listed events. Looking at what they are now, I cannot make head or tail or find any logic to why Wimbledon Tennis Finals are a listed event. I was just alive the last time an Englishman was a serious contender to win. So one concept one might have is if one of the major nations - and this is a national thing - you could see why it would be a listed event but most of them I cannot make head nor tail of. Do you have a view of what ought to be a listed event, apart from the other question of how we then get the balance between what must be free to air and what is charged for? I think one of you mentioned Six Nations but unless I do not understand what is what the Six Nations is not a listed event and yet each of your countries often does quite well in the Six Nations. You are part of what is really going on so why is that not a listed event?

Mr Vaughan: Thankfully it is probably better that we do not determine what is listed and what is not.

Q398 Lord Peston: No, but you are interested from your side as to what you can sell.

Mr Vaughan: Yes, from our point of view, certainly from an English point of view we needed the ability to be able to go to the market and try and do the best deal, and the best deal from our point of view is that broad mix of channels that we do have and we have managed to achieve, which is we have a combination of Sky and BBC and the World Cup with ITV as a sport, which is fantastic. From an English point of view it works very well. We would like to see more of it, over longer periods of time, throughout the whole season on terrestrial television, but it is difficult, as I said before, because the rugby specials have now really disappeared apart from eight times a year.

Q399 Lord King of Bridgwater: Can I clear up one point. When you talk about the Six Nations and negotiating whether that appears or not, when you actually negotiate the Six Nations, does each nation negotiate separately?

Mr Vaughan: It is collective; it used to be individually.

Q400 Lord King of Bridgwater: I am sorry I missed this point. That is how you got here. Originally England went a separate way and now it is back to a single negotiation?

Mr Vaughan: Yes.

Q401 Lord Peston: Just to get back then and following on, I think it is fair to say that Rugby Union is the Welsh national game. Would that be an exaggeration?

Mr Moffett: No.

Q402 Lord Peston: So would you then say if Wales were in a final that absolutely ought to be a listed event - putting you on the spot because also being a small country you would like the money?

Mr Moffett: I think it is different horses for courses between ourselves and England, for example, which is a much bigger market and they are able to perhaps split their rights. We would find it difficult to do that and get the same amount of money as if we were selling it to one, and we are not entirely convinced that a little country like ours is going to be of much appeal to a paying broadcaster. We are when we form a mix like the European Cup, for example, I think Wales is quite important in the overall mix of what broadcasters want because it is a national sport. There are only two countries in the world where that is the case - New Zealand and ourselves - so we do form an important aspect of it, but on our own I do not think we would. As I said earlier on, in terms of listed events, I do not think we would be averse to it as long as we could be assured by some mechanism that we were getting the true market price or the true negotiated price, to take your point of view, about what is the market for television rights. I think would be our view.

Q403 Chairman: Would it be true, Mr Vaughan, to follow up what Lord Peston was asking, that you would prefer a system where frankly the fewer Group A listed events the better?

Mr Vaughan: Yes.

Q404 Chairman: Would that also be the view of the others?

Mr Munro: Probably, yes.

Q405 Lord Holme of Cheltenham: That is to improve your bargaining power?

Mr Vaughan: Absolutely right.

Q406 Lord Peston: The three countries are very different. What is fascinating about having the three of you together is we have a small country where rugby is the national game; Rugby Union is clearly not the English national game but it is fairly successful; and then Scotland, it is not clear to me whether Scotland has a national game, but for you to do your job in

promoting rugby and so on, you really do need an income, do you not? Income has to be uppermost in your mind?

Mr Munro: Absolutely. Going back to our main role, which is that of a governing body and really there to promote the game, we desperately need the income to do that. Fortunately, with the change in Government attitude having won the Olympics and Glasgow bidding for the Commonwealth Games in 2014, sport has considerably gone up the Government's agenda. That is a help to every sport not just rugby and football and so on. Every sport should, I hope, now participate in trying to reduce the obesity that is prevalent in kids. So it is a huge part.

Q407 Baroness Bonham-Carter of Yarnbury: If we do get rid of the listed system in this changing world of television, how do you protect coverage of sport on terrestrial channels?

Mr Vaughan: I think it comes back to why do you want to protect it in the first place. If it is in order to have breadth of coverage in order to show what we perceive to be something that the nation owns, then that is all very worthy. If it is about the development of a particular sport, and if you take athletics and the Olympics for instance, the Olympics is probably the only time that I watch athletics because it is there and it is part of that whole Olympic thing. If it is to encourage kids to take part in it, I think it is more fundamental than that, it needs to go back to the education process and schools, which is where it is all falling apart, and it is not necessarily driven by television or radio. I do enjoy watching the Olympics and I think it should remain a listed event, which is perverse considering what I have just said, but we have to understand what we are trying to do. The world is changing. If it is a listed event, is it just the BBC? There are five terrestrial channels out there and if we are going to go digital where everybody has to have a box, then the world will probably change even more as the TV market fragments more.

Q408 Baroness Gibson of Market Rasen: Right at the beginning of our discussions Mr Moffett mentioned grassroots rugby and the importance he said to the health of the nation of sport. Do you think that the BBC could or should do more in raising awareness of rugby and also encouraging more participation in it at grassroots level?

Mr Moffett: Yes, they have got a role to play in all sport, not just rugby. It is rugby because we are sitting here talking about rugby and it being our national sport in Wales. There is an awful lot that can be done and you can put it under the area of education or health, if you like. I have long felt that sport is in the wrong department. It should not be in the DCMS; it should be in health or education, particularly it should be in health because you can actually intervene. There is not enough intervention I do not think in the way we look at health. So that is where I think organisations such as the BBC have a huge role to play and they would, I think, be seen to be “doing the right thing” for the BBC to actually do that. We are more than happy and I am sure the other Unions would be as well, to sit down with the BBC and put together a strong programme of not only rugby but perhaps other sports as well coming together and doing something particularly aimed, as Paul said, at primary schools and secondary schools because I think that is an important area, and the BBC could be a huge help in that. In actual fact, by getting our rights they also get access to a lot of the raw material that they would need to make a programme like that work. They get access to our international players. That can help them get their message across or the role models we are now starting to build in Wales. I just think that perhaps not enough is made of the add-ons that they can actually get from their involvement with us which then I think would also add to the whole argument about value for money.

Q409 Chairman: You make a very interesting part in passing. Sport has made its way round Whitehall with various departments looking after it and, of course, many people say it

must have a department of its own. Has it made any difference having a department of its own?

Mr Moffett: I am not sure if I should stray into that area in this room. I have very strong views about it which might get me into trouble.

Chairman: Okay, we will not press that one. It probably comes outside our area.

Q410 Baroness Gibson of Market Rasen: Can I just follow one thing up because I was going to ask you, you have not at the moment raised this with the BBC?

Mr Vaughan: Exposure is terribly important to the growth of the game without a shadow of a doubt and in fact the BBC are just launching a ten-minute series of coaching clinics with Jonny Wilkinson on CBBC, which is great. We have helped them by letting them have free access to certain things that we have got, which is fantastic, but it is not just exposure that contributes to growth; success obviously also helps an awful lot. England are currently the world champions of the 2003 World Cup and we have experienced huge growth since then in terms of numbers playing, the number of referees, and administrators and so on. But the way in which we have done that is a mixture of exposure plus investment in development officers out in the field who go to schools and teach the teachers to coach and get into the primary school area and get into all those things. So we have got a huge growth coming through and we are still sustaining it now two years later even though we are in a bit of a losing streak.

Q411 Chairman: One other point struck me as we were talking. A number of times we have talked about sponsorship being shown on the BBC. Many of the people who write to me say that the great thing about the BBC is there is no advertising. This is a grey area, is it not, because you obviously do take some account of it when you think of the BBC, it is not just an audience, it is the fact there is sponsorship around the ground?

Mr Moffett: Yes we do. It is actually very important to us in our case in trying to attract sponsors in a very difficult market, and it is a fact that we do. It does help us run the business of rugby in Wales by doing that.

Q412 Chairman: And the same in England?

Mr Vaughan: Absolutely, it is terribly important to be able to do that. It is often quite amusing when you read about product placement, which is the big story in the BBC. In *Spooks*, I think it was, they removed all this product placement branding, but it is okay to do an interview with an author who is trying to flog a book. What is the difference? I cannot quite see it personally. So long as it is part of the fabric then I do not see anything wrong with it at all.

Q413 Chairman: It is certainly something you take into account?

Mr Vaughan: Absolutely. It is not just sponsorship, it is advertising revenue as well from all our points of view.

Q414 Baroness Howe of Idlicote: I have just been thinking about Scotland because Scotland does seem to be rather more on a losing streak at the moment. I wondered to what extent some of the initiatives that were being described as far as the BBC getting more involved on the practical side of things, would this be attractive to you or have you got a problem with Scottish television rather than the BBC? Also the other thing is to what extent you are all three moulded together as well as separate. To what extent do you help one another when you are in problems?

Mr Munro: I think it is important to state up front that a lot of the problems that Scotland are currently facing are of our own making. Point number one. Point number two, yes, we do have a problem. We have a fantastic deal with the BBC on Six Nations coverage which is

fantastic. We do have a problem with BBC Scotland because rugby is just not on the horizon. No sport other than Rangers and Celtic is on the horizon and, yes, it is very important that the three of us, the Six Nations, act together because we are all in it for the same thing, to promote the game in our own countries, and obviously a large part of that is what we have to sell, and obviously the more that we can sell the better that we can all promote the game within our own countries. So it is very important that we have the sort of alliances that we do, yes.

Chairman: Okay, thank you very much indeed. It has been a very fascinating session for us. I think we have learnt quite a bit as well, which is not always our reaction to witnesses coming. Thank you very very much and perhaps if we have got any other questions we could put them to you. Thank you very much for coming this morning.