OFFICIAL REPORT
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Thursday 23 January 2025

Session 6

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CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE
3rd Meeting 2025, Session 6

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

*Alexander Stewart (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)
*Neil Bibby (West Scotland) (Lab)
Keith Brown (Clackmannanshire and Dunblane) (SNP)
Patrick Harvie (Glasgow) (Green)
*Stephen Kerr (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Rhona Burns (BBC)
Tim Davie CBE (BBC)
Jackie Dunbar (Aberdeen Donside) (SNP) (Committee Substitute)
Pascal Kerneis (European Services Forum)
Christophe Lam (BusinessEurope)
Gillian Mackay (Central Scotland) (Green) (Committee Substitute)
Hayley Valentine (BBC Scotland)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Constitution, Europe, External Affairs and Culture Committee

Thursday 23 January 2025

[The Convener opened the meeting in private at 08:45]

09:00

Meeting continued in public.

Review of the EU-UK Trade and Co-operation Agreement

The Convener (Clare Adamson): Good morning, and welcome to the third meeting in 2025 of the Constitution, Europe, External Affairs and Culture Committee. We have received apologies from Keith Brown and Patrick Harvie. Jackie Dunbar, who will be joining us shortly, will substitute for Keith Brown, and Gillian Mackay will substitute for Patrick Harvie. I give a warm welcome to everyone.

Our first agenda item is a continuation of our evidence taking in the second phase of our inquiry into the review of the European Union-United Kingdom trade and co-operation agreement, focusing on trade in services. This week, we are looking at the European perspective and we are joined online by Christophe Lam, who is a junior adviser at BusinessEurope; and Pascal Kerneis, who is the managing director of the European Services Forum. I welcome them both.

I will start with a couple of questions, the first one of which is for Mr Kerneis—I hope that I have pronounced your name properly; please correct me if I have not.

Your paper suggests that data flow and data protection are vital issues, particularly for the information technology sector and consultancy services. Could you elaborate on your concerns?

Pascal Kerneis (European Services Forum): Thank you for the allowing the European Services Forum to speak to your committee.

Data flow is part of the day-to-day economy. Digitalisation of the economy is absolutely crucial. With regard to trade, there is no transaction between two countries that does not call for many computer-to-computer conversations and therefore data flow. That is absolutely crucial.

In the framework of the EU-UK TCA there is a digital trade chapter, which is one of the most advanced on the planet. One of the conditions is that, if we want to have a free flow of data, the two countries have to accept the data protection regulations. The fact that the UK has an equivalent of the general data protection regulation has allowed the EU to consider that the UK's data protection legislation is adequate and that, therefore, there is no need for each individual company to have standard contractual clauses to ensure that data protection regulations are respected.

That is what is at stake now. On 27 June 2025, the data adequacy regime decision that was given unilaterally by the European Commission on the UK data protection regime will come to an end and needs to be renewed. We are pushing our European Commission colleagues to be sure that they are doing all the necessary work in advance so that it is ready by that date. If it is not, that would mean that the free flow of data will not be allowed any more, and UK companies will have to do the arduous work of providing standard contractual clauses. For the bigger ones, that is not a problem, but for small and medium-sized companies it will be much more difficult.

The Convener: Mr Lam, do you have a view on that?

Christophe Lam (BusinessEurope): First, thank you for the opportunity to participate in this inquiry on the TCA—we appreciate it.

BusinessEurope is the pan-European employers organisation representing national business confederations in Europe. We very much agree with what Pascal Kerneis said regarding the need for regulatory co-ordination between the EU and the UK to facilitate the cross-border provision of services. Data adequacy is absolutely essential to allow for the digitally enabled cross-border provision of services.

The Convener: If the current arrangement is not renewed, what would be the process of accrediting a British company as being of a standard that would enable it to be allowed to trade? Would that involve something like the equivalent of the British Standards Institution ISO 9001 system? Have you any idea how that might be accomplished?

Pascal Kerneis: My understanding is that companies from a country where there is no data adequacy regime have to look at the website of the directorate-general for justice and consumers, where there is a list of standard contractual clauses. That tells them that, when they do business with European companies and clients, they have to have a privacy and confidentiality policy to protect the data of European citizens. Previously, those clauses were not there and the position was not elaborated and was, therefore, a bit unclear. Now, however, it is pretty clear that

they simply have to download that list and follow the procedure.

The Convener: Thank you. Mr Lam, in your submission, you said:

> "Facilitating the mobility of contract service suppliers between the EU and UK is a clear priority for the liberalisation of trade in services."

How do EU service providers view the current mobility arrangements, and can you provide examples of professions where the arrangements are working well and those where the situation is more challenging?

Christophe Lam: I am happy to give you the general positions that are agreed upon in our text, which was the product of a survey among our membership. We represent all sectors of industry, so we would not be able to give you the point of view of specific interests, professions or industries, but the agreed position regarding the current arrangements is that they impose a degree of non-tariff barriers to the mobility of service suppliers.

In effect, the current arrangements disincentivise UK firms from hiring EU contract service suppliers, because the current visa sponsorship system creates a degree of administrative burden and costs that make it costly to hire EU service suppliers: the worker has to pay an application fee and the company has to go through the process of dealing with the visa sponsorship system, which also incurs certain costs. Our paper presents an agreed position that it might be beneficial for contract service suppliers to be handled by a different system or at least for there to be arrangements for the system to be aligned. That is our position regarding the corporate sponsorship visa system.

The Convener: Mr Kerneis, have you any thoughts on that?

Pascal Kerneis: Yes. First, on mobility, if we try to identify who the people moving in and out are, we can see that the issue is linked to the massive trade in services between the EU and the UK. I would like your committee to understand exactly what we are talking about here, because that trade is really massive. The EU exports €264 billion of services to the UK, which represents 44 per cent of our total exports to the UK. The trade is even more significant the other way—not in cash terms, because the UK exports €211 million of services to the EU, but in percentage terms, as that represents 54 per cent of the UK's total trade with the EU. That demonstrates that trade in services is really important.

There is a lot of cross-border trade in services, which we categorise as mode 1 and mode 2. Mode 2 involves, for example, UK students going to the EU, tourists on holiday and so on. Mode 1 concerns cross-border data flow and, for many of those contracts concerning two businesses, there is a requirement to have someone from the provider go and visit the client for one day, two weeks, one month or something like that. That means that cross-border trade is often supported by the movement of people, although that is not about migration; it is only temporary.

If you take the Eurostar, you can see thousands of people going in and out both ways every morning. We used to do that without even thinking about it. Now, however, for a European service provider to go to the UK client, the UK client needs to fulfil the requirements of the UK sponsorship programme, which is new and complex. Many small and medium-sized companies in the UK are not aware of the sponsorship programme and many of those that know about it do not know how long it will take to deal with or how expensive it will be, so, because of that, they will decide to find a UK service provider instead of a European one. That means that we are losing business. For us, the UK sponsorship programme is a real and new trade barrier.

We are calling on you and the UK Home Office to try to see whether it is possible to lift the requirements of the UK sponsorship programme for European service providers. We are not talking about the programme in general; we are talking about targeting service providers, not people in general. These people are going to the UK because they are service providers. They are not tourists, they are not students, they are not migrants; they are travelling to the UK for a very specific purpose.

Our proposal does not require a change in the law. It could be done via a unilateral decision by the UK Government. At this point in time, when there is a willingness to have a UK-EU reset, showing political will to remove a programme that, to our minds, is unnecessary, would be welcome.

I will make a link with the UK's electronic travel authorisation process, which will be implemented for Europeans in three months' time. That ETA system will allow the UK authorities to control and see who is going in and going out. The sponsorship programme is meant to control people in that way, so I point out that the ETA will provide the Government with digital means to maintain that control, which means that the burden of having to deal with the UK's sponsorship programme will be unnecessary.

Alexander Stewart (Mid Scotland and Fife) (Con): Good morning. The trade and investment relationship between the EU and the United Kingdom remains indispensable for businesses on both sides of the channel. What are your feelings about the impetus that has been provided by the elections that took place for the European Parliament and the election of a new Government

in the United Kingdom? Do you think that that has created some opportunities to upgrade the relationship between the two economic areas and ensure delivery for business? Events that have taken place might have created a slight sea change that perhaps give us those opportunities and create that impetus. It would be good to get your views on how you see that relationship developing.

Pascal Kerneis: We are optimistic that there is a renewal in the atmosphere between the two, and we hope that the relationship will be able to improve.

To be honest, when we put the question to our members, which represent all the service sectors—transport, logistics, information and communications technology, professional services, tourism, distribution and so on—they said that they consider the TCA to be working well. However, we have to recognise that it is not the equivalent of the single market. At the moment, the only problem that we identify concerns the mobility of people. That is where we would like to see some progress.

The problems around mobility might be addressed through the TCA review, which is scheduled for 2026, at which point it might be possible to review some aspects of the agreement, particularly with regard to the so-called short-term business visitors, in relation to which where there is a list of people who can move in and out under some conditions.

We are asking for clarity on that list. Many of the people who I mentioned earlier—those who take the Eurostar in both directions—do not know whether they are covered by those categories and whether they need a visa. They are not sure whether their programme is covered or whether they have an exemption through the list.

09:15

In any case, both sides and the immigration authorities will have to make some unilateral effort to give more clarity. However, we think that it is possible to improve the situation, because some professions are not covered by the short-term business visitor provisions or by the provisions on CSS—contractual service suppliers—and independent professionals. Those are in annexes 21 and 22 of the TCA. In particular for annex 21, we believe that the parties should review the approach and eventually remove some of the obstacles that are in there, because that is written in black and white in the treaty.

The situation in the EU is much more complicated for people in the UK to understand, because you have to go country by country. Some countries are open and some are not open for different categories. It is complicated and complex, and we hope that there will be facilitation through the review.

Alexander Stewart: Mr Lam, do you want to add anything?

Christophe Lam: With regard to the importance of the relationship and whether current momentum can lead to an improvement, BusinessEurope is strongly in favour of any further engagement on the issue and we are optimistic about the possibility of a reset. We think that deepening our ties is essential to ensuring the continued competitiveness of both our economies. Therefore, when it comes to improvements in the implementation of the TCA, as laid out in our paper or as described by Pascal Kerneis, whether that is on regulatory co-operation, mobility or co-operation in other fields, we are in favour, but we want to see concrete action from both sides towards reaching agreements. We are optimistic about the rhetoric, but we will have to see concrete action in all of the areas that we have listed.

Alexander Stewart: The mutual recognition of qualifications has caused some concern in relation to the ability for professionals from one country to practise in another. We have heard from stakeholders about the need for the UK and the EU to agree measures on the mutual recognition of qualifications. Do you have a view on that?

Christophe Lam: At the UK's exit from the EU single market, the EU and the UK did not agree on mutual recognition. As foreseen by the TCA, professional bodies can jointly submit to the partnership council proposals for mutual recognition agreements but, as yet, that has not been done. There has been a proposal from the architect professional bodies, but that was rejected by the EU on the basis that it was considered prejudicial to EU architects. We are in favour of such agreements, which we think are essential in re-establishing the mobility in trade and services flows that existed previously. BusinessEurope supports further agreements on the mutual recognition of professional qualifications, as laid out in the TCA.

Alexander Stewart: Mr Kerneis, do you have any views?

Pascal Kerneis: Yes, we have a very strong view—the architects are members of the ESF. We are a bit disappointed by that blockage. There is a misunderstanding between the EU and the UK on this front. The European architects felt that they did their best to find an agreement with the British Architects Registration Board. However, the UK is asking for additional training for European architects on safety and security, which is a new norm that was added following the Grenfell

accident. The UK is asking that of UK architects and all architects who come from the EU, so it is non-discriminatory. However, de facto, it is true that that is an additional request compared to the previous situation. The architects say that, in that case, there is no need to sign a contract, because the current situation is easier than the new one would be.

We would like to calm the situation and ask people to be more pragmatic. However, the reality is that we are talking about maybe 10 people—in any case, it is fewer than 100—per year. We are spending a lot of energy on something that the sectors might not be much interested in. If you ask about it—I asked my lawyers, accountants and engineers—you find that the companies have found a way through, although there is more of an issue for nurses and some categories of engineers. If UK law firms want to do business, they will have an office somewhere in the European Union with European Union-qualified lawyers who will sign documents and go to court. The same applies to accounting and auditors. It is possible to circumvent the necessity to have the qualification of the country. Some sectors are still interested in mutual recognition, but that does not have a big political and economic value.

Alexander Stewart: As you identify, companies have managed to cope and are adapting to ensure that their service, their profession and their business can continue. That shows once again the opportunities that exist to manage the situation. As you identify, some sectors have much more advanced requirements than others, which perhaps have only a small number of individuals who wish to go through the process.

Pascal Kerneis: That is not the case for the health sector. Most of the time, nurses are independent professionals. If they want to move to another country, they do not have the capacity that a big company has to circumvent the system.

Alexander Stewart: Thank you.

Stephen Kerr (Central Scotland) (Con): I want to return to the data issue that the convener raised. You mentioned the sunset clause date of 27 June 2025. There is no reason to suppose that there cannot be a renewal of the European Union's adequacy decision with regard to the UK, is there? Has there been much divergence at all in data protection laws? I am not aware that there has been much divergence at all.

I will go to Pascal Kerneis, as he is shaking his head.

Pascal Kerneis: It is true that, as of now, there is no divergence. However, under the previous Government and Governments before that, some people were saying that there was a need to scrap the GDPR and be much more flexible, and that might have led to a lack of adequacy. At present, I understand that the current UK Parliament has a script and that a new data bill will not be put on the table. However, to my understanding, that possibility has not been completely removed either, so it could come back. That is why I think that the DG will be careful in assessing the situation.

Stephen Kerr: In effect, you are raising a potential issue rather than a real issue, because there has been no divergence. It is fair to say that what you have just said is very accurate, in that the political temperature in Westminster now means that it is very unlikely that the Government would be brave enough to seek divergence on that issue, or perhaps any other issue, to be frank. It is good to know that the bottom line is that you do not foresee any difficulty. Is that right?

Pascal Kerneis: We just want to be sure that, practically, the civil servants do their job in time, because the internal process in the EU means that the Commission has to make a proposal and then there is the comitology process, where committees have to meet and accept the proposals and so on. We know that time flies quickly, and we are doing our best to make sure that they do it in time.

Stephen Kerr: That is helpful. I do not know whether Christophe Lam has anything to add, but it seems pretty clear cut from our discussion that this is not going to be an issue at all and that data flows will continue after 27 June.

Christophe, did you want to say something? I have interrupted.

Christophe Lam: No, thank you—that is fine. Our understanding is very similar to what Pascal Kerneis just set out. We know that there was some discussion regarding the previous Government's bill, but the question now is more about ensuring that adequacy is reached in time for free flow of data not to be perturbed.

Stephen Kerr: I think that adequacy is already reached, because we have complete compliance between the two regulatory regimes.

Christophe Lam: I mean the decision.

Stephen Kerr: The decision—okay, I accept that.

In annex 21, which is on mobility, there is a long list of all the different business situations in which mobility is permitted. There is everything from meetings to research and design, marketing research, training seminars, trade fairs, sales, purchasing, aftersales, afterlease, commercial transactions, tourism personnel, translation and so on. Pascal, you say that you are seeking further clarification as to what activities are permitted under the mobility aspect of the TCA. What activities are you specifically talking about? By the

way, I used to be one of those people who would be on the Eurostar going backwards and forwards to Paris. What activities are not covered in annex 21 that you feel should be included?

Pascal Kerneis: That is a good question. We would have to do investigation with the companies to see whether something has not been allowed. What is less clear in the list is, as you can see, the distinction between countries. Some EU countries have restrictions that are valid only for them. When someone is moving to another country, they need to understand what is accepted in that country.

Paragraph 8 of annex 21 is on

"The activities Short-term business visitors are permitted to engage in".

It gives a list of paragraphs setting out what people can do. Normally, people are not allowed to perform a commercial transaction where they are paid on site by their client. I do not think that that is a problem because if, before taking the train, a person signs a contract and makes the payment online, that is a cross-border data transaction and therefore, when the person is in Paris, he will not get the money in his pocket. That is my reading of how commercial transactions—

Stephen Kerr: That is not normal in business, from my experience. You do not normally go and get cash in your pocket; you get paid by invoice. Is that a real issue?

Pascal Kerneis: No, but there is a lack of understanding of that, and we need Government to clarify that. I have a UK business saying, "Well, we fly in and out, but that is part of an annual contract that we have with a client, so there is no commercial transaction." However, some people in the Commission seem to believe that that comes under the provisions in annex 21 and that it is not completely certain whether it is a commercial transaction. It is a commercial transaction—the business is fulfilling something in the framework of a commercial transaction—but that has been done in the country of origin first, online. For me, that is not a problem, but maybe that requires an explanation.

Stephen Kerr: It sounds like an argument about how many angels can balance on the head of a pin. If we create all these different points of angst about issues that may not even exist in the first place, we will never get anywhere. Let me be more direct with you about the activities that are listed. You have a large membership across Europe. Other than that rather obscure issue of cash in the pocket, what activities have your members raised with you that they would like to be added to annex 21 as permitted for short-term business visitors?

Pascal Kerneis: To be honest, so far, we have not gone that far, because our members have not expressed any difficulties.

Stephen Kerr: So, clearly, as you said, the TCA seems to be working rather well, does it not?

Pascal Kerneis: Yes. However, I am a member of the domestic advisory group on the European side, and some of my members are also UK companies and associations such as TheCityUK, techUK and the Law Society of England and Wales, and they have established a sub-group of the UK domestic advisory group, which is on mobility, and produced a list of activities that they think should be clarified in annex 21. Therefore, I suggest that you also contact them.

Stephen Kerr: That is not "added"; it is "clarified".

Pascal Kerneis: It is "clarified".

09:30

Stephen Kerr: Okay. I hear what you are saying.

I want to ask you both about the mutual recognition of qualifications, although, for the moment, I will stick with Pascal Kerneis, if you do not mind. Pascal, I think that you described really well the dynamic of business and the pragmatism of business organisations, which will always find a way to make this work. It would appear, from your answer to Alexander Stewart's question, that businesses and service organisations have found ways to get past the bureaucracy around mutual recognition of qualifications. Is that a fair statement?

Pascal Kerneis: Yes, it is, but it is also true that it is easier for big companies. Independent professionals and small firms might not have the same capacity or willingness to open a subsidiary in the EU, for instance, to be able to circumvent that sort of thing. A small architectural firm, say, or a small auditing or accounting firm might be willing to have some business in Europe, but the person involved will not be allowed to sign an audit report in Europe. As a result, he will need someone else, so he either creates a partnership or says, "I cannot take this contract."

Stephen Kerr: Given the frankness with which you have been presenting your evidence, can you tell us how many small architects—[*Interruption*.] I am sorry—not architects. We will come back to them. How many small accountants firms in Scotland, or in any region of the European Union, are likely to be in that situation? I see that you are shaking your head.

Pascal Kerneis: Very, very few. When I asked accountants in Europe whether they were

interested in a mutual recognition agreement with the UK, the answer was no. I got the same response to the question when the UK was part of the EU. When we were putting in place the very first mutual recognition agreement on professional qualifications, which was between the EU and Canada, we put the question to the European lawyers and accountants, and they said no. Only the architects said yes. There are more small architectural firms than there are big.

Stephen Kerr: But it has always been an issue that British accountants operating in Spain are unlikely to qualify to sign off accounts, regardless of British membership of the EU.

Pascal Kerneis: Except for big projects, for which there is a separate regime.

Stephen Kerr: Indeed.

I just wanted to clarify your point about architects. The architects in the EU and the UK came to an agreement, if I understand correctly what you have said, but, just for clarity, is it not correct that that agreement between the architects as a profession was rejected as valid by the European Commission?

Pascal Kerneis: Yes.

Stephen Kerr: And the reason that you gave was that it was biased against the European Union's architects, who had themselves agreed to the agreement with the UK architects. It all sounds a bit banal—crazy—to me.

Pascal Kerneis: Yes. The way it works is this: in the member states—it is the same in the UK—the Government or devolved Government does not have the competence to provide licences to these professional bodies. However, the EU, and the UK Government, will say, "We give the power to the regulatory bodies of these professions to talk to each other and see whether they agree to have a mutual recognition agreement to recognise their qualifications." If they agree, they are invited to make recommendations in writing to the two Governments. The recommendations come to the partnership council of the EU and UK TCA; both parties look at the texts and recommendations, and they say whether the proposal is appropriate. They will say, "This is a good agreement. We will both stamp it." However, the EU, for the moment, has said, "No, we are not putting our stamp on it."

Stephen Kerr: So we could have an agreement, but the EU said no.

The mutual recognition of qualifications is a difficult issue, because even within the United Kingdom, there are professions in Scotland that are proudly independent of their professional status but which are not recognised in England, and there are those in England that are not recognised in Scotland. This is, therefore, not a new phenomenon; it is something that we currently live with and, truth be told, have probably lived with for hundreds of years.

This will be my final question, convener. You mentioned the review and the reset, but what is the appetite in that respect? I believe, Pascal, that you serve as a lawyer in the Commission and that you operate within that framework.

Pascal Kerneis: That was a long time ago.

Stephen Kerr: What is the likelihood of any kind of major reset happening? What is the appetite in the European Union for it? After all, what we read and hear in the UK is that the EU has a bit of a shopping list before it will be prepared to consider any of the Labour Government's requests for, say, sanitary agreements and things like that—food and drink agreements, as our cabinet secretary prefers to call them. For example, it would want all kinds of access to fishing grounds, youth mobility and so on. Has, as Alexander Stewart has suggested, a certain pragmatism been born out of the recent results of the European parliamentary elections? Is it looking to be pragmatic about these things and perhaps less adversarial in its dealings with the UK?

Pascal Kerneis: I think that we have to separate politics and the law here. On the political front, the fishermen are clearly going to have their own requests.

For the moment, there is, I think, a willingness to negotiate the sanitary and phytosanitary and veterinary agreements. I think that there is more willingness on the UK side with regard to the vets, but when it comes to the very deep details of the SPS agreement—which I do not know—I am not sure that the UK side is willing to go as deep as the EU wants. You might well have issues there, but they are technical and I do not know whether they will require any review of the TCA.

As for our side, when we talk to the Commission, it says that data flow is not part of the TCA; it is separate, so we cannot talk about it. We said, "No, we are going to talk about this, because if there is no data flow, there is no trade any more." Therefore, it is 100 per cent a trade issue. It might not be part of the TCA, but we still want it to be considered.

With regard to shopping lists, I think that that is probably more on the UK side. Our UK colleagues have been asking for modification of not just annexes 21, 22 and 23 on mobility, but other aspects, whereas the European Commission has said, "No, no. For us, any TCA review will be much more about an overall assessment of whether it is working well. If it is working well, we will just put that aside, and there will be no need for a review." I think, therefore, that there might be different readings of what a review means. It is not a

revision. The reading—for European Commission officials at least—is that any review would be for only technical stuff, so there would be no need to go to the political level.

If the UK wants to push for a proper revision of the agreement, it will have to persuade the European Commission of that, and, therefore, the member states, too. I am not sure that this is true—it would need to be verified—but if there were a review that ended up changing the text, you would have to ratify the agreement again and, in turn, go through the whole process of political activity, which, as we know, might be a dangerous road. The Commission feels that there is no need whatever to go through the ratification process again. A technical review, if it were necessary and possible, could be done quickly, perhaps through the committee process—and that would be it.

Stephen Kerr: That was very interesting. Thank you very much.

The Convener: I want to ask about my previous industry—that is, the information technology industry. Quite often, it is made up of individuals who might well be firms in their own right, but a lot of it is also driven by people acting as contractors. Have you had specific issues raised with an IT or fintech company regarding the possible barriers for people acting as individual contractors?

Pascal Kerneis: As far as the IT and ICT sector is concerned with regard to the trade agreement, things are fully open—there are no barriers. The only problem that might occur is when you have a contract service supplier who is an independent professional.

The difference between these two categories is quite simple. In the case of a CSS—that is, a contract service supplier—it might be a person working for a company; the company agrees a contract with another company or another individual; and in that contract, there will be provision saying that one person will need to cross the border and come for a day, two weeks or six months to do some job and then come back again.

When it comes to independent professionals, the provision is the same, but it applies to two individuals. Things are therefore more complicated with independent professionals; it is a bit easier with contract service suppliers, because there are more activities for which they are allowed to come. That reason for this is that it is all linked to migration—or so they say.

With intracorporate transferees, however, it is very easy for both Governments to find out the company that has made provision for the person to come, and as a result, they can control things. With a CSS—that is, a company that has a contract with one person—the Government can control the company. The company will stay in its own country and sends the person, but that person will go back again. With two individuals, it is much more complicated to control things. That is why, with contract service suppliers, the requirement is that they have three years' experience, while with independent professionals, the requirement is six years. The only reason for that is that is we believe—or they believe—that, if the person has six years' experience, they will have set up in their home country already and will therefore not be willing to migrate, because they will have a family and so on. That is the difference. So, with IT, many of the movements come more from the CSS side of things than from individuals themselves.

The only fear of the immigration authorities is that a person with a real contract comes into their country and, when the contract finishes, there is nobody controlling things at their place of origin and nobody controlling things in the country that they have come to. The person will stay as an illegal immigrant before he finds a way to legalise the situation.

The Convener: That was very helpful—thank you very much. If there are no further questions, I will ask Mr Lam whether he has any comments on the discussion we have been having.

Christophe Lam: With regard to the previous question, our reading of the Commission's position is more or less that of Pascal Kerneis. As for the sensitivities around enhancing mobility, we have the same understanding, too. With regard to contractual service providers, though, we would argue that it is really not a question of migration if it falls within the parameters of the TCA.

On intracorporate transferees, something that is often brought up by our members is the question of social security co-ordination. We understand that there have been issues with employees potentially losing access to insurance coverage. According to the protocol on social security co-ordination, they remain within the social security system of the sending state, as long as the duration of the posting does not exceed 24 months or the person is not replacing a posted employee. In reality, though, those conditions are often not met, and because of a legal gap whereby they cannot contract voluntary insurance in the UK—if they are subject to compulsory insurance in the UK—they might lose access to certain benefits or to insurance coverage altogether. It is, therefore, a liability risk for our companies, and another area where BusinessEurope is supportive of a solution such as, for example, the possibility of concluding exemption agreements within the protocol. That was another point that I wanted to bring up.

The Convener: That was very helpful, too.

I see no indication that the committee has any further questions, so I thank you both for appearing at this morning's meeting and for contributing to our TCA inquiry. Again, I thank you for your written submissions.

I will now pause for a five-minute comfort break while we allow the panels to change over.

09:44

Meeting suspended.

10:08

On resuming—

BBC Annual Report

The Convener: Under our next agenda item, we will take evidence on the BBC's annual report for 2023-24. We are joined by Tim Davie, director general of the BBC; Hayley Valentine, director of BBC Scotland; and Rhona Burns, finance director, BBC financial planning and insight. I give a warm welcome to you all and invite Mr Davie to make a brief opening statement.

Tim Davie CBE (BBC): Thank you, convener. It is a pleasure to be before the Scottish Parliament committee with responsibility for culture. I am delighted to have alongside me our new director of BBC Scotland, Hayley Valentine, who took on the role in November—we are very proud to have her in the job—and BBC finance director, Rhona Burns.

We are here to review the BBC's annual report and accounts covering April 2023 to March 2024, which we laid before the Scottish Parliament. In my opening remarks, I will set out why, in my job, I think that we are in incredibly important times for public service broadcasting. This is a really important moment. The level of jeopardy is high, and we all have some very big decisions to make in relation to the media market and where it goes.

We are also an editorial organisation. We are about content and programmes. Looking back over the past 12 months, I could not be prouder. There are numerous things that I could mention. For example, last night, I again watched the Samantha Poling interview in the "Disclosure" programme about the distressing case of Emma Caldwell's murder. I could not be prouder of our journalism.

"Scotland: The New Wild" was three years in the making, and only the BBC would make it. I thought that it was a stunning series. There was the introduction of a new detective inspector in "Shetland", which I hope you are all watching. Programmes of that nature are really making an impact, and I am very proud of them.

We had a busy news agenda over the annual reporting period, with the new First Minister taking up his position and the general election taking place. As part of our commitment to providing news wherever audiences want it, we launched "Reporting Scotland: News at Seven" and "Scotcast" alongside all the international news that we reported. We had the drama of Scotland at the Euros, and we had Andy Murray's emotional last match at Wimbledon.

I was very lucky to go to Harris, on one of my better days in the job, to watch the shooting of the new Gaelic drama on BBC Alba, "An t-Eilean"—I risked giving the Gaelic pronunciation, but the translation is "The Island". I watched the first episode last night, and you will be proud to hear that, when I looked at the most popular UK-wide titles on iPlayer this morning, that title was in the top 10. That is pretty wonderful news, and it is a landmark moment for Gaelic drama across the UK. I am really proud of that.

I am sure that we will come on to this, but there is no doubt that the BBC is operating under very tight financial constraints. We are not unique in that regard—all public bodies share some of those challenges. Our income has been reduced by 30 per cent in real terms since 2010. Like every business, we face inflationary pressures, and we also face significant difficulties in making the right choices to maintain our relevance as we move into a new world in which the media is dominated by trillion-dollar companies and big internet operations.

Public service broadcasting is under threat and under enormous pressure globally. If I want to cheer myself up, I talk to people anywhere beyond these isles about the pressures that public service broadcasting is under. We can be very proud of what we have created in Scotland and the rest of the UK.

As we all know, public service broadcasting gives us the ability to invest for the public good. That includes BBC Bitesize content that is bespoke to the Scottish curriculum; Gaelic services for speakers and new learners—that work is critically important—our weather and travel information, which is obviously important, as various climatic conditions shape our lives; our Scottish dramas; our entertainment shows; and our support for music genres. All those areas are critically important and dependent on a public service funding model and brief. That applies to Scottish sport, too. The nature of what we do is based on public service funding.

I will provide a ray of sunshine, if I may. Despite all the challenges for the BBC and public service broadcasting, Scotland remains in a strong position. Nine out of the top 10 programmes on Christmas day in Scotland were from the BBC. Last year, requests to view BBC Scotland content on iPlayer grew by 40 per cent, and we are in the game in relation to on-demand television in a way that public services globally are struggling to be. We have that scale. We treat the issue mindfully, but that is really encouraging.

Finally, we are proud of what we are doing and we think that, overall, we should be championing our precious ecosystem in Scotland, but public service broadcasting is under pressure. Last year, I gave a speech in which I was clear that we are in quite a weird time. Competition has never been greater, but, in my mind, the need for decent public service broadcasting has also never been greater.

In the speech, I defined three roles that the organisation and I think are critical. The first is pursuing truth with no agenda. We could talk at length about that—we could probably spend a whole session talking about where the media market and the news market are going. That is really important. We are not perfect, but delivering impartial news and fighting the fight for pursuing truth without an agenda have never been more important.

10:15

The second critical role is in backing home-grown storytelling. This is not a criticism, but many global businesses will make productions anywhere or look for economies of scale. Their agenda is different from that of a public service broadcaster. I repeat that that is not a criticism; they are simply different in that respect.

The final critical role is in bringing people together, whether that is for "Strictly Come Dancing" or "Doctor Who", written by a Scottish writer and starring a Scottish lead actor. We can bring people together like nothing else. I would include sport in that.

To summarise, these are really important times for us. We are beginning a period in which the BBC will consider, along with the Government, what to do in the next charter. I am committed to delivering those roles in the future. We are committed to a strong public service in Scotland. We are very proud to be here, and we look forward to answering your questions.

The Convener: Thank you for that opening statement and for mentioning some of the highlights. It would be remiss of me not to say that I am really looking forward to the coverage of Celtic Connections, as a local festival—indeed, I will attend "The Quay Sessions" on Saturday night, which I am looking forward to.

In a speech to BBC staff in May 2022, you emphasised your support for the local democracy reporting service, despite the funding challenges,

"and putting compelling local storytelling at the heart of iPlayer, Sounds and News".

Three years on, how are you managing to balance the provision of that support with the need to deal with the funding challenges? Do you have any comments to make on the coverage of this Parliament, for example, in local news and TV news reporting?

Tim Davie: I might ask Hayley to say a little about the Scottish coverage specifically.

On the budget, at a top-line level, I think that we are doing reasonably well. The first thing to say is that, strategically, such reporting—nation-level reporting and local reporting—is a critical element of what the BBC provides, and we are utterly committed to it. I would like us to be growing that provision.

I cannot avoid the fact that we have had licence fee settlements that have led to 30 per cent cuts in real terms. However, broadly speaking, in the area of national and local output, we have tried to keep minimum budgets flat—in fact, there have been increases in some areas; Hayley can talk about the situation in Scotland—while making sure that we are not stuck in broadcasting. Every media company is going through radical transformation—borderline trauma—in moving from being a broadcasting business to ensuring that it has proper online provision. We are competitive in that area. I should say, by the way, that that is no light task, given that it is necessary to have software engineers and so on. Bluntly, we in the UK have to decide whether we are in this game or not. American companies and the Chinese are putting in thousands of coding experts and others. Either we are in that game or we are not, but we have much more limited resources.

I have focused on local provision because we have had to reallocate some limited resources from linear into digital. We are not talking only about so-called young people, as most of us now get most of our news from digital sources, and we need to be competitive in that area.

There are advantages that we can bring here, and we are seeing evidence of that. How is it going? We are seeing exceptional growth in the use of iPlayer and online news. Given that we find out where people live when they register—this is not meant to sound menacing—we can tailor how we serve up news, according to whether they live in Inverness or Aberdeen. We have deepened our online and digital offer to make sure that that service is doing the right things. It is doing things that, frankly—I say this with no glee—the commercial market cannot do, because we have the resources and the mission to do things differently.

You touched on the local democracy reporting service. That has broadly worked, but I think that we could do even more in making that more effective for all the players. Hayley, can you say something about the Scotland coverage?

Hayley Valentine (BBC Scotland): Yes. We have more than 20 local democracy reporters across Scotland, which is proportionally a little bit higher than is the case in the rest of the UK. The normal spread that you have is for there to be one democracy reporter per two councils, but, largely because of geography, that is not always possible in Scotland. We serve the whole of Scotland with that service. The reporters cover local councils, public bodies and health boards, as well as lord provosts and so on. It is working really well.

More broadly, in response to the question, we know how important local coverage is to audiences in Scotland. We know that they want us to be across the whole of Scotland, which was front of mind when we recently made changes to our news coverage. The “News at Seven”, which we launched at the beginning of January on the BBC Scotland channel, is focused on getting across Scotland. It is not always possible for the 6.30 programme to do that, given that it is based on calling people to account and is fairly policy focused. The “News at Seven” has been in Inverness and the Borders, and last night we were on Barra. We try hard, because that programme team’s number 1 remit is to cover the whole of Scotland. So far, it is doing that really well.

As Tim Davie touched on, the way in which we now work is not about making a television piece and then leaving it there. Our journalists are all multiplatform, and all the pieces that they do go across all of our output. Basically, our remit is to cover the whole of Scotland as much as we possibly can, wherever audiences choose to receive their news. If we do a piece on Barra, or wherever it might be, it will sit in the television programme, our radio output and on our website. Whichever platform you choose to go to for your BBC news, you are going to get coverage from across the whole of Scotland, which is important to us.

Finally, I spent last Thursday with the BBC team here, which is the biggest team of any broadcaster at the Scottish Parliament. I am proud of our excellent team of political journalists, whose work is really strong. We do a lot of political coverage, both across our daily output and specialist programmes. We are covering the work of the Parliament more than possibly any other organisation.

The Convener: Do you want to add something, Ms Burns?

Rhona Burns (BBC): Yes. I want to add that the BBC’s commitment to local democracy reporting is reflected in our investment, which is ring fenced so that, as Hayley Valentine set out, the right levels of resource are going towards covering each nation.

The Convener: Speaking from my experience, and as a committee convener, I would say that the Parliament’s committees perform a really important scrutiny role. I have privately raised with

Mr Davie before that it would be nice to see the committees' reporting work recognised and published reports highlighted, because reports from cross-party groups and committees in the Parliament can sometimes still be conflated and treated as if they have equal status. We would all agree that, although the reports of cross-party groups are important, they do not have the regular scrutiny and support of parliamentary staff that our reports have.

Mr Kerr has a supplementary question on the topic of local democracy.

Stephen Kerr: Mr Davie, you say that the local democracy reporting service is working. On what basis do you say that? There are other points of view.

Tim Davie: It is a well-debated topic. When we formed that initiative, no one quite knew how it was going to work. My sense is that, overall, it is a net positive, and I will explain why. There are things that we can do to keep improving the service and make it work, which will be part of the charter discussion.

First, at a simple level, my belief, which is based on talking to the teams—there may be different data points and discussions—is that it is clear that the local democracy reporters are doing work that would otherwise not happen. The simple point is that they are doing core reporting in areas that I worry about because of the decline of the local press. That decline is a global phenomenon, which we should all worry about. Defensively, I would say that that is not to do with the BBC—it is a fact that the market has moved online. That decline, which is happening in areas where the BBC does not exist, is problematic.

Therefore, an intervention such as the local democracy reporting service has been positive, because it has covered stories that would not have been reported or written about elsewhere.

There are valid questions, which are not criticisms, about how we make sure that the service gets maximum adoption from everyone in the market, so that it is used at maximum capacity by the BBC and by small players, who can also use the service—which is one of the questions that circulates—as well as by the big commercial companies. I think that we can keep improving the scheme. Together, we can think about talking to other companies and, as we get to the charter review, one of the outstanding unresolved questions in my mind is whether we should invest more in the LDRS. I would love to think about how we can improve local provision and make it more effective.

I am not saying that the LDRS is all perfect and good, but I am glad that it is in place, because it does good work and fills a gap that we must fill.

Stephen Kerr: Fair enough.

With regard to parliamentary reporting, I agree with what you say about the quality of the journalists who are here in the Scottish Parliament. The BBC has splendid, highly skilful journalists working in this Parliament.

What I am concerned about—the convener alluded to this—is the depth of the coverage that we get for Scottish Parliament proceedings. Despite what the parliamentary authorities tell you, it is actually quite hard to find the live stream of proceedings of this Parliament. Unlike the House of Commons and the House of Lords, there is nowhere easily findable where people can watch the proceedings of the Scottish Parliament.

During the day, BBC Scotland has no programming scheduled, but it does broadcast something on its station. Why can you not relay the proceedings of the Scottish Parliament instead of the stuff that you currently have on between the hours of 9 am and 7 pm, or whenever the programmes start in the evening? Why can you not do that?

Hayley Valentine: There are a couple of reasons. The first one is that, as Tim outlined earlier, every choice that we make costs money. We need to have editorial control over things, so that would not be a free thing to do. Every time we make a choice, there is no new money and the budgets are tight, so we would have to move money away from somewhere else in order to do that.

Stephen Kerr: What is the cost?

Hayley Valentine: The cost is our editorial control. We cannot open the fader on content endlessly. We need to maintain editorial control, so we would need to look at how much it would cost.

The second thing is that, when we launched BBC Scotland, we negotiated with Ofcom about what that looked like. In order to make any change to that, in regulatory terms, we would have to go back to Ofcom. We do not do that terribly often. We did it for the news changes that we made recently, but it is not a straightforward process. When we do that, we have to give an audience-need reason for making the changes.

At the moment, a lot of the savings choices that we make in the BBC are about whether a service is available elsewhere or there is duplication. It is much easier to make a saving when we are not taking something away from people because there is a service already there. There is Scottish Parliament TV, so, with regard to that audience need, changing the regulatory process—in order for us to do something that already exists—is a

very hard case to make, and we would have to prove—

Stephen Kerr: However, it is all right for the House of Commons.

Hayley Valentine: A different argument was made in a different era with regard to the House of Commons. We have the Parliament channel on the BBC. We are not asking for a Parliament channel here.

Stephen Kerr: We have BBC Scotland. Why can the people of Scotland not watch their Parliament on BBC Scotland?

Hayley Valentine: Because Scottish Parliament TV already exists, and people have access to that.

Stephen Kerr: As I have already said, that is not easy to locate. Some sections of the population of Scotland will not be able to find it. There is a debate to be had about that.

Why is there no "Today in Parliament" or "Yesterday in Parliament" for Scotland?

Hayley Valentine: We do a huge range of coverage of the politics of Scotland.

Stephen Kerr: But why is there no "Today in Parliament"?

Hayley Valentine: Those are editorial choices, but we provide a huge range of coverage of the Scottish Parliament and the issues that come out of it. "Good Morning Scotland" already includes a lot of politics, both from the previous day and the current day.

Stephen Kerr: The content of the Scottish Parliament's proceedings in news programmes is all highly editorialised. I understand and accept that, but why not have something such as "Today in Parliament" or "Yesterday in Parliament", which is a brilliant little service? It cannot cost a lot of money to do that. You already have the journalists here and you have the feed, so it does not cost anything. That would be a nice thing for people to access.

Hayley Valentine: It does cost something. Nothing is free, and we have to make choices about how we spend our money on behalf of the audience.

10:30

Stephen Kerr: Well, all I will say is that it cannot cost very much. The proceedings of the Parliament are already available. I cannot believe that it would be very expensive to do that.

On the issue of the coverage of the Parliament, I would like to feed back to you that, as a member of this committee and of the Parliament, and—I cannot underscore this enough—given the quality of the people that you have in the Parliament, I genuinely do not think that it would not be possible to have more product go out of the Parliament, to allow the people of Scotland to access proceedings in the chamber and the committees, which the convener referred to. Some really good stuff is happening in the committees, but it is the best-kept secret in Scotland. As Scotland's public service broadcaster, the BBC has an obligation under its charter to provide coverage of that to the people of Scotland. That is my point of view.

Tim Davie: That is helpful.

The Convener: We will move on to Ms Mackay's questions.

Gillian Mackay (Central Scotland) (Green): My first questions are directed to Hayley Valentine. In the Scottish Affairs Committee at Westminster, you indicated that the BBC would be open to working towards broadcasting Scotland national team games on free-to-view TV. Could you update us on the work that is under way on that?

Hayley Valentine: Yes, to an extent. It is not a surprise that there was some excitement when that was reported.

We work under financial constraints. We must think about every decision through the prism of audience desire and need, bearing in mind the financial constraints that we are under. There is no new money, so every decision that we make to invest in something new involves stopping doing something else. Those are the difficult decisions that I have to make every day and every week about how we spend our money—with the audience's point of view at the forefront of my mind. I want to state for the record that, at the moment, there is a limited budget, and if we invest more in certain areas, we must invest less in others.

However, as I said to the Scottish Affairs Committee, I would love to bring the Scotland men's team's international games to the BBC for Scottish audiences. We know how much Scotland loves football. I love football. We know how much we do for the audience in the area of sport, and how much it would love us to broadcast those games. Look at the work that we have done on women's football. We stream a wide range of sport, and I think that we cover Scotland's sporting stories exceptionally well.

That is about as far as I can go at the moment, for obvious reasons. Those conversations are happening, in the building and beyond, but I cannot go much further than that at the moment, for reasons that I hope you understand.

Gillian Mackay: I recognise the issue of the cost of acquiring those rights for public sector

broadcasters, as I have had conversations with a couple of different broadcasters over the course of the campaign that we have run.

Before Christmas, I wrote to Ian Murray to ask him to put the Scotland games on the prescribed fixtures list. I have yet to receive a reply from Mr Murray. Would such a move help to solve the issue of the cost of acquiring the rights? Is that something that the BBC would support?

Hayley Valentine: Tim Davie might want to pick up on the broader issue. To be honest, that list is not for me to comment on. It is a matter for Government which big sporting events it chooses to make listed. We are working in the present tense in the sense of what we think we need to do at the moment.

Tim Davie: My position is relatively straightforward: as a public service broadcaster and a passionate believer in the power of free-to-air sport, I am very thankful that there is a listed events regime. I keep mentioning this, because we sometimes get caught up in our own debates: look at what is happening in places around the world where sport is being taken behind a paywall. Boy, do we need things that bring us together at the moment. The listed events regime is a thing of great wonder and should be protected.

On whether the list should be extended, the BBC stops at that point. I have talked to the heads of a lot of sports bodies about their economic struggles and the things that they have got on their plates. It is right for us to say that there are certain things that we will take all the responsibility for, but that one is a matter for sports bodies and others to decide. All that I will do is wave the flag for the listed events regime.

Hayley Valentine: You may have noticed that, in Scotland, we try our best to be opportunistic about this stuff. We are in the market for spot buys of European matches or of one or two of the qualifiers, when individual matches become available. The committee should be in no doubt about the fact that we know how much the audience values live sport—you can see from our output how much it does. We do our absolute best in that area with the finances that we have.

Gillian Mackay: I will press you on that slightly, although you might still give me the same answer. On the technicality of their being on the prescribed list and the financial impact of that on the BBC, does that help when it comes to acquiring fixtures for free-to-view TV?

Hayley Valentine: I am not going to go any further on that.

Gillian Mackay: That is fine. Thank you, convener. I might come back in later, if that is okay.

The Convener: I think that Mr Adam wants in.

George Adam (Paisley) (SNP): I do. You are going to hear me say something really unusual: I agree with Stephen Kerr. Stephen and I have been known to have the odd barney—there is the odd bit of drama between us in the chamber. However, that is the only way that we, as back benchers, will get any BBC news coverage in any way, shape or form. Therefore, rather than the two of us having a sensible debate about something, we create a drama—which is probably better than many of the dramas that you broadcast.

Tim Davie: There are many select committees with the same dynamic. [*Laughter*.]

George Adam: Do you not agree with Stephen's idea? Surely there must be something that you could look at to ensure that the people of Scotland get the opportunity to see what is happening in their Parliament. There is a lot more to it than some of us deciding to pick a fight with one another to create some good television.

Hayley Valentine: I go back to my original answer. We provide a lot of politics coverage. Our team sitting upstairs from here produces a lot of programming, The daily programmes are, as you know, very politics heavy. We also have programmes on Wednesday and Thursday afternoons, and we have "The Sunday Show". Those shows feature back benchers as much as they feature whatever the story of the day is.

George Adam: I am sorry to interrupt, but, to be fair, your team here is under pressure to hit those slots and to meet the required timescales. Therefore, something like Mr Kerr and I having a go at each other or a back-and-forth exchange is easier to show than the more nuanced discussions that we might have in committee. We are trying to make the point that the public can get access to what is happening at Westminster, but they cannot necessarily get access to what is happening here. We think that that is an issue.

Hayley Valentine: That is noted; we will take that away. However, I go back to the original point that nothing that we do is free. There is Scottish Parliament TV. We can talk about the accessibility issue—how people know that that is available and how easy it is to find—but I do not think that, when we are in the position of looking at budgets every day and making difficult decisions, replicating something that already exists is necessarily the right way forward for us.

George Adam: Further to Gillian Mackay's questions on football, as a football fan—I am a St Mirren fan; some people would doubt whether that is actually football—I highlight the frustration of having to watch our national football team on YouTube. That is an embarrassment. I know that that is not the BBC's fault; it is because of the

international contracts and how the sports body negotiated them. Can you—do you—understand the frustration that is felt in Scotland about that? We are bombarded with other national teams' games, whether those be on Channel 4 or on the BBC, yet we do not have access to coverage of our national team's games.

Tim Davie: Absolutely. In some ways, you are preaching to the choir on that one. We are aligned. As a sport nut myself, the idea that games are behind platforms or are difficult to access does not fill me with joy. The issue is pretty straightforward, and I think that we have covered it. We can bid only for what we can sensibly bid for. I am a big believer in free-to-air sport.

One aspect is the regime. However, we need to make the case for free-to-air sport to sport bodies and for there to be a balance. Making sure that there is free-to-air coverage and broad accessibility to sport is good for sport in the longer term. Often, the question is one of long-term and short-term value. Having said that, I would add that the sports bodies have tough jobs to do as well, so we do not want to lecture them on how they do their jobs or on their regime. However, on a very limited budget, we are punching above our weight in securing rights.

There are two filters to your point, are there not? First, if a free-to-air public service broadcaster got the coverage rights, that would be good news. That would be great, even if that happened to be ITV or Channel 4. Secondly, there is the issue of ensuring that the BBC has a bigger package rise.

To use a sporting analogy, I will hit the ball back over the net and say that we will look at rights when they become available, which we are doing in this case. There is absolutely no doubt that we would all love the Scotland games to get the maximum audience.

George Adam: Okay. I would like to ask questions about television production later on, but I know that other colleagues want to come in.

The Convener: I will bring in Mr Stewart now, and we will come back to that topic.

Alexander Stewart: I would like clarity on some of the figures. When you gave evidence to the Scottish Affairs Committee, you said that the content spend in Scotland was £300 million last year. Looking at the accounts, I can identify £239 million of that, which includes £105 million on Scottish qualifying network television. Screen Scotland commissioned Oliver & Ohlbaum Associates to carry out research and its report showed that much of that Scottish qualifying output comes from London-based producers and that it has limited economic impact here in Scotland. What is the spend? Is it £300 million or £239 million? What does the £105 million figure cover?

Tim Davie: I suggest that we cut that up between us. Rhona Burns can give the facts and figures, then I will hand over to Hayley Valentine. After that, we will probably have quite a lot to say on network spend—I am sure that there will be questions on that.

Rhona Burns: We spent just under £300 million on BBC Scotland in the financial year 2023-24. That is reported in the annual report and accounts. Of that amount, as you rightly pointed out, we spent £105 million on network television. We spent on network radio and online, which is reported, and then we also spent about £125 million on local content that is made and produced for audiences in Scotland. In addition, we have our national orchestra here in Scotland. We also have product teams that are based in Scotland. Those teams are developing our digital products, including iPlayer. We also have distribution costs, which is the cost of getting our content to our audiences in Scotland.

Tim Davie: To be crystal clear, the difference between your figure of £239 million and our figure of £296 million is that our figure includes the BBC Scottish Symphony Orchestra, development costs, and distribution costs, which are £39 million. This is all properly done; they are audited accounts.

Alexander Stewart: I am sure; that is fine.

Hayley Valentine: I referred to the figure being just under £300 million. Again, I note that all that is spent on content, directly or indirectly. That is the number that we give across the BBC, depending on which department we are talking about and which department we are reporting on. For example, the orchestra makes content for us; it is a content maker. It is not separate from that; there is not an extra budget for that. They make content for us on a regular basis, and we are exceptionally proud of it. I love the orchestra.

You asked about the Oliver & Ohlbaum Associates report. Screen Scotland, which commissioned that research, has a focused remit, which is developing talent, particularly the creative process, whether that is on screen or off screen. We are completely aligned on that, and we work really closely together.

In that report, a company is defined as being Scottish if there is no ownership elsewhere. That just is not the way in which we commission content. I have a much broader remit than that. My job, as I see it, is to serve audiences in Scotland and to represent Scottish stories across the BBC to a much broader audience. The way in which we commission content, whether it is commissioned in Scotland for Scotland or whether it is for the network, is to look at the best stories and to look at

the best ways of telling those stories first. We are an ideas factory; that is what we do.

A number of companies that we work with are Scottish by the definition that they have no other ownership—that is, they are based in Scotland with Scottish ownership. We also work with a number of companies that have bigger parent companies with significant bases in Scotland. I will give you the example of Mentorn—I used to work there, so I know it pretty well. It moved a big office into Glasgow when we moved "Question Time" to Glasgow. There is now a really thriving office of people working at Mentorn in Scotland. Mentorn is not based in London; the parent company is based in Wales—it is a complex picture.

We will, when necessary, also work with companies that are based in England. When my commissioning team and I look at a proposition, we consider whether it is fundamentally a good idea. Is it telling Scotland's stories? Is it serving the Scottish sector? I want to grow the Scottish sector. For example, at the other extreme from Scottish-owned companies, we are working with an English production company. It has made several series of a programme in the south of England and is now making a series of that programme in Edinburgh and the Lothians. That company is hiring a large number of Scottish freelancers and, in my book, we are open for business—that is absolutely the right thing to do. I look at this through a wider prism.

10:45

We recognise that there are some smaller independent companies that struggle. One of the reasons why people have parent companies is that they may choose to take investment from elsewhere to shore them up because this is a fragile industry. There is nothing wrong with that.

We work with a broad range of companies. I might get this figure wrong but I think that in the past year, about half of the companies that we have worked with are just Scottish and about half have a parent company or a bigger conglomerate that is based elsewhere—not necessarily in London, but elsewhere. I think that it all works. As long as we feel that there is benefit to the audience and benefit to the sector in Scotland, my message is that we are absolutely open for business.

Tim Davie: I am sure that we want to get into a bit more detail on this, but I will step back for a second and say that it is a great story. We can argue about some of the definitions in the margins—I do not mean to be dismissive in any way—but in 2021 we were at 67 per cent of licence fee spend in Scotland and we are now at 99.6 per cent. On my watch, my intent is absolutely to move money out of London. Hundreds of millions of pounds is coming out. That is good news, and it is smart; it is sensible. It is important that we see the wood for the trees here. As we have said publicly, our intent is absolutely to have local productions. That is audited against.

Then there are the Ofcom criteria, which are clear that if you have a base, you meet one of the criteria and you are in. From the BBC perspective, that is not enough in the longer term and that is not our long-term game. We are not interested in gaming the figures; I could not be less interested. I am interested in the facts—how much production there is, how many jobs there are, and what is going on in Scotland.

To warm to Hayley Valentine's theme, it is also really important that we are not disincentivising work. We absolutely want to build the Scottish base in the long term, but, to be blunt, we do not want people being disincentivised from coming to Scotland because they want to bring in a team to shoot something. We want to encourage them to do that. We then want to be held to account on how many productions are hitting at least two or three of the Ofcom criteria, and I would go beyond the Ofcom criteria because the requirement is only to be out of London. I would specify, "in Scotland", and have a quota of 8 per cent. My view is that we should hit a target based on that, not just on technically ticking one Ofcom box. We are really up for that. We want to build the Scottish production sector sustainably.

I worry about the depth of the sector around the UK at the moment. Obviously, there is an inside the Beltway conversation about the BBC, but we are seeing very high numbers of unemployment outside that, among freelancers. It becomes utterly critical that the BBC is invested in, and I will get back to banging the drum for the funding of the BBC, because if we do not have funding, we will be left in a position where, often, we will have very deep vulnerabilities in the production sector.

If you want a sobering statistic, we just opened up 290-odd apprenticeship vacancies. I think that we have got 68 in Scotland—

Hayley Valentine: Yes, we have 68 in Scotland.

Tim Davie: This year, we had 40,000 applicants for the 290-odd vacancies, and my worry is about how many of those applicants will get jobs in the broader sector. We have got a real challenge here. Our intent is to build sustainable production but, now and again, there will be productions where the numbers are not perfect, and we know where that leads us. That is where we are.

Alexander Stewart: Okay.

Hayley Valentine: This is completely the outcome that I want to see. We need more

employment opportunities, as discussed. We need more money to be spent in Scotland. We are doing really well—this is a great story—but we could do even better, and I want to see us do even better.

We know that programmes that are centred with a sense of place—"Shetland", "Highland Cops", "Rebus" in Edinburgh and so on—overperform with audiences. Audiences really appreciate such programmes, which are made in places across Scotland. That is my primary concern, but I also have responsibility for the sector. I want to see more money spent here and I think that we can do even better.

Alexander Stewart: Okay. Thank you, convener.

Jackie Dunbar (Aberdeen Donside) (SNP): Earlier, you mentioned that you spend £105 million on local content and production. How much do you spend on production in Scotland—by which I mean not just programmes made for this country but those actually produced here?

Rhona Burns: The number for local is £125 million. The £105 million that I referenced is for network television content.

Jackie Dunbar: So £125 million is spent in Scotland, for productions in Scotland.

Tim Davie: To be clear, of the £296 million of expenditure, all the money apart from £100 million is fully spent by Scotland, for Scotland.

Jackie Dunbar: No, I am asking about the spend in Scotland.

Tim Davie: I am coming to that. It is spent in Scotland. That then leaves us with £114 million network spend. Is everyone with me? After all the bits that we talked about earlier, all the rest is spent in Scotland by you, is it not, Hayley?

Hayley Valentine: Yes. Two thirds—

Jackie Dunbar: You are baffling me with numbers. I was just asking a simple question about production in Scotland.

Tim Davie: Right. I am saying—

Jackie Dunbar: I understand that you can produce stuff for Scotland elsewhere; it does not necessarily need to be made here. However, I am asking about productions that are made specifically in Scotland. How much do our local areas benefit from those?

Tim Davie: I will let the other guys jump in shortly, but I can say that, of that £296 million, everything apart from the £114 million is there. The reason that I sound as though I am not giving a straight answer is that the majority of the £114 million of network spend is spent in Scotland, but some of it is spent outside it. I do not have the exact numbers for how much of the £114 million is spent elsewhere and how much is not.

Having said that, we looked at the 66 productions on television, and only nine of them did not qualify on two Ofcom criteria. If they qualify on two of those criteria it means that the majority of spend is in Scotland. Only nine did not do so.

The majority of the £114 million plus the rest of the money is spent in Scotland. Therefore the vast majority of the money is spent in Scotland. Is that a fair summary, Hayley?

Hayley Valentine: It is a fair summary. I totally get that it is confusing, because network money is spent here but other money sits within the BBC Scotland budget.

I might try to bring the figures to life a little bit. As is always the case, some nuance underlies them. For example, a programme such as "Shetland" is made from end to end in Scotland. We spent time filming nine series in Shetland, and we have made a lot of investment there. On the other hand, a programme such as "Question Time" qualifies both on base and on staffing, because it employs a number of people in Scotland. However, it does not qualify on spend because, as you will know, it tours around the country. Whenever possible, we try to use local crew for sustainability reasons. For example, when the programme is in the south of England, we will not bring crew from Scotland.

The 66 network titles—which account for 86 per cent of the total—qualify on more than just base. That is, they qualify on either spend or total budget. Some of them—I think that it is about half—qualify on all three criteria. The people who work on them are based here, therefore the salaries are being paid to people who work in Scotland. That is where we are.

We have a small number that only qualify on base because we are not hitting those targets for a number of reasons. I would like us to go further, as Tim said. I would like us to get to the point where everything that reaches our network TV quotas qualifies on at least two of the criteria, which would mean that money is being spent in the Scottish economy and people who live in Scotland are being paid by the sector.

Jackie Dunbar: Can you send us the figures once you have that breakdown? I am very conscious of the time, convener. I do not want to take up any more time with questions; I would just like to see the figures.

Neil Bibby (West Scotland) (Lab): Good morning. I agree with my colleagues George Adam and Stephen Kerr on coverage of the Scottish Parliament. I raised that issue last year.

I hear, too, what has been said about the BBC Scotland channel having no content. I appreciate that you have to take decisions when there is potentially better content. I will leave others to decide whether that is the case. However, given that there is nothing on the BBC Scotland channel during the day, it seems to me that that should be looked at, even in light of the constraints. I heard the answers that were given earlier; I just wanted to put that on the record.

Tim Davie: It is useful to hear those views.

Neil Bibby: I want to come back to the issue of production. Mr Davie said that the Ofcom test is not good enough for the BBC.

Tim Davie: I did not quite say that; I just said that it was different. I am not critical of Ofcom. What you said implies a criticism of Ofcom but I am not criticising Ofcom; I am just saying that it is a different threshold.

Neil Bibby: Do you think that the Ofcom test should be changed, and, if so, to what?

Tim Davie: It is a secondary issue. I think that that is a matter for Ofcom and Government in terms of how they want to measure things. In the organisation that I am leading, success, for me, is twofold: it involves relevance to Scottish audiences; and it concerns ensuring that we are paying a meaningful contribution to a sustainable production base and the creative industries. If you take all of film and screen activity, including TV and film, public service broadcasters represent more than a third of the industry, and probably pretty much three-quarters of it. I am interested in preserving and growing that. Meeting the Ofcom criteria is important, and so are the quotas; I am just saying that we are setting a slightly higher threshold internally. It is a case of “and” not “or”.

Neil Bibby: As we have heard, there are a lot of concerns about London-based production groups having a nominal base in Scotland and being counted in the Scottish production quotas. Earlier, we mentioned the different sorts of definition. One clear definition of a production that would qualify as Scottish could involve someone living and working in Scotland and having a company that is based in Scotland. However, there is an issue whereby, essentially, a production could qualify as Scottish simply because it has a person with a desk in an office in Scotland. If you would not go for the definition that involves someone living and working in Scotland and having a company based here—I think that Hayley Valentine suggested that that should not be the definition—what do you think that the definition should be?

Tim Davie: Sorry, I just want to get this point logged. It is not that it should not be the definition; it is that, if we think that success means having a substantive base and that that is a single variable that enables us to say that something is a fully Scottish production, it will technically qualify as such in an audited report under the Ofcom guidelines. What I am saying is that, with regard to the 8 per cent quota, I do not see it as success if any proportion of that 8 per cent is simply doing that. I am not criticising Ofcom; I am just being very clear.

The other two criteria involve at least 70 per cent of the total production spend being spent in Scotland, or 50 per cent plus of the people costs being spent in Scotland. Those two criteria seem meaty to me. They are not just about having a desk in an office, which you mentioned; they are about the production itself.

What I am saying is that, of the 66 television productions that we mentioned earlier, 57 hit those two criteria around the spend—only nine did not. I am also saying that I want to hit my quotas with that level of robustness.

I am sorry to talk at length, but this is an important issue. There is also a level of detail within that that is important, because the Ofcom criteria—again, I am not criticising the Ofcom criteria—are also about money being spent outside the M25. I am talking about hitting two or three spend criteria in Scotland, which is a higher bar because, theoretically, the target could relate purely to spending outside the M25. Hopefully you are clear that my position is that the Ofcom criteria are helpful and good to report against, but there are also important issues around running an organisation successfully and building a strong business and public service in Scotland. It is not simply about meeting numbers; it is about doing the right thing.

Hayley Valentine: To be clear, we are exceeding Ofcom’s 8 per cent quotas on spend and on hours of content. I very much do not see those as a ceiling. No one is saying, “Oh good, we’ve got there—it doesn’t matter how.” We are saying quite the opposite and asking, “How can we do more? How can we invest more? How can we tell more stories about Scotland?”

11:00

Neil Bibby: I need to ask about “The Traitors”, although I am not looking for spoilers, because I have not caught up yet—that is not what I meant.

Tim Davie: My children would not forgive me if I gave you any spoilers.

Neil Bibby: You have talked about doing the right thing, investing in Scotland and doing more. Concerns have been raised regarding “The Traitors”. Research by the Scottish film maker Peter Strachan involved analysis of the crew and showed that, for the latest series, 5.9 per cent of

the crew were Scottish. I think that we would want to do better than that, if we are talking about doing the right thing and investing in creative industries and Scottish production.

I understand that three new series of "The Traitors" are set to be filmed over the next few months—a UK version, a US version and a celebrity version. In terms of achieving better outcomes, doing more and seeing greater investment and more people in Scotland employed in production that the BBC is supporting and that qualifies as Scotland based, how many more people from Scotland can we expect to see working on those three series in the coming months?

Hayley Valentine: You referenced this, but the starting point is that it is brilliant that "The Traitors" is in Scotland. It does so much for Scotland, and it is absolutely brilliant that we have it. It is the BBC's most successful programme at the moment and the most popular programme in Scotland, and it is showcasing the Highlands. We now have the American version doing the same thing. We should be in no doubt that it is absolutely brilliant that we have "The Traitors" here. The criteria and where we have got to should not be the be-all and end-all. We should move in the direction of having more and more Scottish talent and more Scottish money being spent on that programme, as I have said in relation to everything else that we do.

We have done some work already. I have spoken to Stephen Lambert and to my network colleagues about the direction of travel on "The Traitors". When I came into this role, I was delighted that that work was already being done and that there was a conversation in the building and across the industry. We will come back with more details when things are nailed down, but we are moving towards a position in which new commissions—new programmes that are made—that qualify on only one of the criteria are the exception. There are very few of those. I have made that perfectly clear today.

On "The Traitors", we are moving in a certain direction. As I said in my evidence to the Scottish Affairs committee at Westminster, these things evolve over time—that was my experience in bringing "Question Time" to Scotland. "The Traitors" is in a specialist genre and there was not a huge amount of experience in that in Scotland—we had not made a big reality show of that nature before. My role, working with the industry, the sector, the production company and the rest of the BBC, is to make sure that we head in that direction.

In the conversations that are being had, we are heading in the direction of making sure that we increase the specialism and those opportunities over the series. We are now at series 3. With series 2 and 3, a training programme was attached to the production specifically around Scottish talent, and a number of roles have progressed as a result. We held an event in Pacific Quay in the summer, at which Studio Lambert could meet people in the sector and find out what skills were out there, and where people could work out whether they wanted to work on the programme. A number of people were hired as a result of that.

Would I like to go further? Absolutely. As I said, the direction of travel is that we can do even better. It is an evolution over a number of series. No one in this room would not say that it is fantastic that "The Traitors" is in Scotland and is showcasing the Highlands. It brings money to the region through tourism—there have been stories in the papers this week about the number of train tickets to Inverness that have been bought as a result of the programme. It is a good thing that "The Traitors" is here. It is a brilliant programme, and it is a great opportunity for the sector in Scotland. If people have never worked on reality TV before, they now have that opportunity. It will take time, and it will evolve.

Tim might want to say a bit more on that.

Tim Davie: That was well put. A lot of ground has been covered. We want to hit our quotas in a certain way. How do we get business into Scotland incrementally? I do not want to create a situation in which our dialogue creates a disincentive to Scottish companies making programmes around the UK. Big international businesses can choose any castle, so I am thrilled that "The Traitors" is filmed in Scotland.

I am very proud that someone can now become an editor in BBC network news and report on technology, for example, while being based in Glasgow. I am very proud that we have grown our audio unit. We are pushing out sustainable production.

Do I want the numbers for "The Traitors" to improve? Yes, but I also want there to be investment in Scotland and to see what that brings, and I want us to build a sustainable product. We are all trying to do the same thing.

We need to look at the issue in the round so that we build a functioning ecosystem. That is what we are trying to do. When we talk to people, we say, "This is the direction of travel. This is what we want. We want sustainable work." An issue historically is that production might come in for a week or two and then leave. That is not the real prize. For example, "Shetland" and "Vigil" are long-running strands on which we can build bases. We have to try to lift off from those programmes. That is the really big prize.

My final point is to emphasise that only nine out of the 66 productions met only one criterion; the rest met at least two criteria, and that represented the majority of spend.

The Convener: Two members still want to come in, but I will ask a quick supplementary question. In relation to the 57 productions that met the criteria for Scotland, if those programmes are sold to networks abroad, is there a proportionate return to BBC Scotland? How is the money divided across the BBC?

Tim Davie: We might be able to come back with a bit more detail, but the money is not divided geographically in that way. There might be a UK-owned entity that has invested in the secondary rights. For example, with the Gaelic drama "The Island", there is ownership of the intellectual property, but the programme is funded by All3Media through a company called Black Camel Pictures, so it wants a return, quite rightly—I am very grateful to it, because it has been brilliant at providing investment. Bluntly, the situation is slightly more bespoke, depending on the owner, where the parent company is and what happens. The money does not necessarily come back geographically in that way.

Making sure that we have domestic IP rights, whether that is for Scottish IP or UK IP, is a grade 1 issue and is not talked about enough. If I want to be provocative, which I can be, I will say that we often, appropriately, talk a lot about production, but most of the value chain—in other words, the money—sits with the IP ownership. The BBC sells "Strictly" to 50-plus countries. Our "Dancing with the Stars" contract with ABC is very big, and that money creates £2 billion of commercial revenue that delivers cash in profit—a £300 million return and £200 million of cash in profit. That funds BBC Studios bases around the UK, "Landward" and all the other things that we can do together. The money is distributed within the BBC system and can be spent on all the good things that we need to do, but it is not divided geographically in that way.

Rhona Burns: It is worth adding that our commercial group returns a dividend to the BBC, which is an important part of our funding model. That dividend flows into our content and investment across the BBC.

George Adam: I will go back to some of the issues that Mr Bibby raised. I might have drifted off during one of your answers, but are we saying that "The Traitors" is still a Scottish production and is relevant?

Tim Davie: There are technical Ofcom definitions. We come back to the fact that it is a Scottish production by virtue of the production base.

George Adam: It is difficult, because when we look at it, we see that there is no Scottish talent involved.

Tim Davie: I understand, but I am giving you the Ofcom position, not the BBC one. Do not shoot the messenger.

George Adam: Ofcom will be giving evidence next week or in a few weeks.

Tim Davie: I want to emphasise that I am not criticising Ofcom, because it is a perfectly fair threshold. We are all—dare I say it—across the fact that there can be a couple of thresholds. If you hit one of them, you qualify. One of the thresholds is to do with the production base. There are a number of productions that we all agree are not where we want them to be in the longer term in terms of deployment, spend and people.

George Adam: Mr Davie, if you were on "The Traitors" and you used that as an excuse or a defence, you would probably be banished that night.

Tim Davie: The one thing that I will never do in my life is go on reality television.

It is not an excuse. We are not trying to game a number. I am not interested in that. I am not trying to find an excuse—I have nothing to excuse in that way. My ambition is to grow production in Scotland. I am simply being very transparent, I hope, in saying that nine of our 66 productions hit only one criterion. That criterion could be having a base in Scotland. Bluntly, that could also mean that the programme is shot elsewhere. The fact that "The Traitors" has come to Scotland and created tourism and so on is good news, which we should celebrate. I would like more of our productions to repeat and to hit our quota with at least two ticks, which means that you get the majority of the spend. That is our ambition. We have said that publicly. Again, to use that rather trite phrase, this is a case of "and" not "or". That is what we must do—we must build. That is the fact. I hope that that is clear.

George Adam: I want to follow up on the point about other independent media organisations that you work with. The Scottish Affairs Committee at Westminster was told that IMG Media was an example of a Scottish production company. It produces thousands of hours of snooker coverage. Forgive me—my parents love snooker, but I cannot stand watching it for thousands of hours. However, that company is actually based in Chiswick, west London. Although it has a cupboard or something in Pacific Quay that it rents, it does not have any Scottish talent.

I come back to the issue of having to make decisions, which Hayley Valentine referred to. If we are spending money on getting that

independent production company to provide thousands of hours of snooker coverage, why are we not doing the same for coverage of the Scotland football team?

Hayley Valentine: Shall I take that?

Tim Davie: You can take that last bit.

With regard to the first part of the question, we are getting into repetition. The question is, do you want to do the snooker in that way? It is a very light—

George Adam: But you can understand how it looks.

Tim Davie: I can understand how it looks, but I am just interested in the facts of the spend and the number of productions. We must get to the facts. I am less worried about that, as long as we are hitting the quota and building Scottish production from the point of view of depth, spend and skills. That is the big prize. There might be examples—and there will probably continue to be examples—of the nature that you are talking about, but they are not the big game in hand.

Hayley Valentine: On the snooker, in particular, as you might imagine, I dispute what you said about the company renting a cupboard. However, I do not think that we want to get into a position in which Scottish production companies—companies that have a base in Scotland, such as Sunset+Vine—are applying to broadcast events that do not happen in Scotland. We need to say to people, "We are open for business—in you come." That is my message. However, I am also saying that, if you are a Scottish production company and you want to bid for business anywhere in the world, you can do that, too.

George Adam: What I am trying to say—

Hayley Valentine: I have one more point to make, which is one that really matters. To come back to the quotas and the figure of 8 per cent or whatever it is, we could take that out and we would still exceed our quotas. It is not fundamental to the numbers. We could take out the snooker coverage, which amounts to a lot of hours and is relatively low cost, as you can imagine. The prize that we are after is making really high-quality content that represents Scotland and exceeding those quotas.

Tim Davie said that it is a case of "and" not "or". I say that it is a base. We do not want to reach the quota and simply stop there.

George Adam: What I am trying to say is that, for me and my committee colleagues, the issue is about Scottish talent, Scottish technicians and everything that is involved in the whole production process.

Hayley Valentine: If you look in reverse—

Tim Davie: We could not agree more.

George Adam: Aye, but we do not seem to be going down that route; we seem to be taking the easier way out. You—

Tim Davie: I am sorry—

11:15

George Adam: I will just ask this question, and then you can say what you like—as you have done.

You used the example of "Doctor Who" and said that Ncuti Gatwa is Scottish. To me, and to many people in Scotland, it feels like you are pointing at Scottish talent and saying, "Look, he's in a major TV show—there you go." However, "Doctor Who" is an example of a situation where the talent—the producer—when the BBC asked him to do the show, decided to go to Wales. He went to Wales, and now there is a generation full of talent, technicians and everything else based there, which is a good story.

Tim Davie: That is absolutely right.

George Adam: We do not have the same here, but we keep being told that we have these Scottish productions. You can see our frustration.

Tim Davie: I can see the frustration. Again, we get into repetition, and I am really not meant to be doing this. The facts are that, a few years ago, we were spending 67 per cent of the licence fee from Scotland in Scotland, and we are now spending 99.6 per cent. I take the point on the specific number, but the vast majority—the overwhelming majority—is spent in Scotland. What I was reacting to is the point that I am looking for the easy way out. That is not what we are looking for and, boy, there are easier ways out in my life.

We are interested in the data. It is about how many of the productions are sustainable in Scotland and hitting the spend criteria. There are a couple of examples, which we have talked about already. We have talked about the nine out of 66 productions. The snooker involves a relatively high number of hours and low spend. By the way, spend is important. We have just said that, far from taking the easy way out, we are hitting our quota without the snooker, so we are not filling up with the snooker to hit our numbers. To be clear, for me, success is to hit production in Scotland. We are all aligned.

As I said at the top of the meeting, I am worried about the overall UK production sector and, specifically, the Scottish production sector. That is an issue for all of us. It is about how we create hubs and attract some of the American companies. What happened in Cardiff was that, obviously, Russell T Davies returned. This is

dangerous territory for an Englishman, but I am not crediting the problem to the Scottish writer of "Doctor Who". We should celebrate that, but it is not at the expense of a production decision—the reason why "Doctor Who" is in Cardiff is simply that Russell T Davies wanted to come home.

We have to create an environment together, working with Screen Scotland or whoever, so that writers come in. We need more than the BBC for that. Where we have built enormous bases, in places such as Salford, we have had ITV and others in there. My worry is that that money is drying up a bit, so the pressure on the BBC grows. I understand that, and I accept it—we are unique and precious in that regard—but we should all be working on the plan for the creative industries to grow the £600 million, because currently we are nearly a third of the industry, and have three quarters of public service spending. How do we grow that together?

Scotland has a brilliant history of that, and it has a brilliant production base. I was up in Harris, and there is some brilliant local talent there. I do not know whether you have watched the programme that was made there recently, but young talent and young presenters are coming through. It is inspiring. The numbers are improving, regardless of the issues around snooker and "The Traitors", which are fair challenges.

Sorry—I will stop there.

The Convener: We will have to move on. I suspect that, if John Higgins had come from Paisley, Mr Adam might have had more of an interest in snooker, but I am happy to claim the Wishaw wizard, as the representative of that town.

George Adam: My parents killed it for me.

The Convener: I would still like to get to the issue of the charter and diversity, if possible. Gillian Mackay and Mr Kerr can ask supplementary questions, but they will have to be quite small.

Gillian Mackay: I will be as quick as possible.

Mr Davie, I get that you may be frustrated at us for going round in circles about the Scottish qualifying criteria, but that is because you have said that a production has ticked two boxes, but also that it is not a box-ticking exercise. You have said that you are interested in the spend, but that it is not about the spend; it is about doing the right thing. What is the spirit of the Scottish qualifying criteria supposed to be? Is it about what Ofcom wants you to do? Is it about ticking enough boxes to get things past Ofcom? Alternatively, is it actually about diversifying the talent in Scotland, deepening the talent base and working with Scotland-based production companies to make that a reality? We have heard all that this morning. For clarity, it would be good for the committee to hear what you believe the spirit should be.

Tim Davie: The last of the descriptors that you gave is what success for us would be. It is about having a vibrant market that attracts productions into Scotland, and Scottish producers making productions around the UK and growing their share of the business.

The answer has nothing to do with box ticking; it is about building a sustainable production base.

Stephen Kerr: We should have had you at the committee for three hours, not an hour, because there is a list of things that I would like to ask you about, but I am not going to be able to do that, which I understand.

I go back to the fragility of public service broadcasting, which is what you started off talking about. That situation is not helped by the licence fee, is it? Increasing numbers of people are not paying it, but they are still taking BBC products. Even though that business model is, in many ways, a root cause of the fragility of the BBC's finances, the BBC chairman said last year—in Leeds, I think—that the broadcaster wanted to keep the licence fee and it was the way forward.

If the fee is the cause of impediments to the BBC's mission, there must be original and creative thinking around the business model and how we reform the fee and make it work for the BBC. I am interested to hear what you have to say about that.

Tim Davie: Of course. I will come on to the issue of reform, because I absolutely agree with the spirit of your question.

We should be proud of how the licence fee has sustained public service broadcasting over many years. Monthly, pretty much every adult in Scotland comes to the BBC, and overall weekly use is 83 per cent, which is pretty remarkable. I am not crowing, because I think that—

Stephen Kerr: It shows the importance of the BBC.

Tim Davie: It shows the importance of the BBC. However, critically, you cannot break off the funding mechanic from the editorial output, because they are inextricably linked. You cannot be funded by advertising and do what we do.

Even today, over 24 million households, including the vast majority of Scottish households, pay for a licence. However, like every business across the world, including advertising-funded businesses, there is pressure on our revenue. I grew up with two out of four available channels. It was not hard to get an audience at that point, and what mattered was what you did with it.

Stephen Kerr: Yes. That was when the TV licence was relevant.

Tim Davie: It is still relevant. However, we absolutely agree that there should be reform, and that is clear if you listen to the chair's speech.

Having said that, we believe that you should enact that reform in line with some principles. Public service broadcasting should be universal and accessible to all. We do not think that reform means that you should have advertising or subscription, because, suddenly, you would be making programmes for a certain economic return. You would be driving against different objectives, looking at different metrics and driving different models. You would not be doing the news. Some of today's conversations have, quite rightly, been about parliamentary coverage, which is important for us, but no commercial company in the world is going to go near it.

We also believe that our coverage is universal. It is wonderful that there are things that bring us together, such as "Reporting Scotland", "Strictly Come Dancing" and football. However, the BBC has said that there are opportunities to reform and be open minded about how to fund a universal fee or charge. I am not going to go down one route at the moment, but that work, which is being discussed with the Department for Digital, Culture, Media and Sport and others, is definitely going on. There are a lot of creative solutions being considered that are in the spirit of what you raised in your question.

There are three areas in which you can think about reform. One is the scope, and what would be included. Would it include live TV? Currently, live TV and the iPlayer are included. Secondly, what is the right enforcement mechanism?

Stephen Kerr: Encryption?

Tim Davie: We have not touched on digital transmission, but the issue with encryption is that we are a long way from being able to have encrypted radio signals.

Stephen Kerr: Granted.

Tim Davie: The same applies to broadcast television. Conditional access is a problem in that regard.

We are absolutely looking at reform, and there are a number of ways in which we could do it.

Sorry, I should mention the last factor after scope and enforcement, which is progression. At the moment, people who are over 75 and in receipt of pension credit do not pay a licence. That arrangement was presented to the BBC—unfortunately, I think—as part of a particular settlement. There is a question about whether everyone should pay the same amount, what it covers and how is it billed. Those issues could be addressed in a number of ways, and we are open minded about that.

In his speech, the chair was talking more about things such as journalistic independence, which I think is really important, and proper accountability—that is a larger subject that we would definitely need three hours on. He also spoke about the idea of having a longer charter, or even a perpetual charter. We are one of the only organisations that does not have a perpetual charter. Having a perpetual charter would not mean that we are not accountable; it would just mean that there would be a degree of certainty around the BBC.

Stephen Kerr: If you are going to create what you just described in outline, in terms of how people pay for the television that they get from the BBC, for example, are you not going to have to have more flexibility in how you operate under the charter? Will you not have to have more of a free hand from Ofcom? At the moment, the BBC has even struggled—

The Convener: I will just interject at this point, and this will have to be the final question.

In December, Stephanie Peacock announced that there will be a review of the charter, and this Parliament has a statutory duty to be part of the consultation on that. Do you have any requirements around the things that you will be focusing on in the charter review?

Tim Davie: Numerous.

The Convener: Perhaps you could write to us.

Tim Davie: There are a few levels to that question. First, how do we defend those roles that I have talked about and that I think that we all care about, how do they exist in a world in which we have infinite choice, artificial intelligence and all of those things, and—I acknowledge that Ofcom is very supportive in this regard—how do we make sure that the UK and the Scottish ecologies are protected by the regulation that exists? Because the media market is moving fast, we are all going to have to make some big decisions on what level of intervention we feel comfortable with.

Following that, there is not only the policy itself but the application of policy and legislation. The Media Act 2024 says that public service broadcasters should get "appropriate" prominence. What does that mean? When you turn on the screen, what is the prominence? That issue of prominence might be almost as substantive as the money issues. That goes back to the earlier point about Parliament and the prominence of the democratic process. That is something that we can give you a bit more detail on in writing.

I am sure that our teams are engaged on what the specific Scottish issues are within that, including indigenous languages, which we have

not covered but I note in that regard our investment in Gaelic, which we are very proud of.

All of those things come together in the charter. We are talking to the public via a mass public consultation and we are speaking to the DCMS, which is doing its work, as you have referred to.

We are entering an interesting period. We do not have all the answers, but we are listening, and we know what we want to build, which is a thriving public service that does the kind of things that we have talked about in this committee.

The Convener: I am afraid that Thursday morning committees must finish before chamber business starts, which it will do in 10 minutes, so we will have to draw our discussion to a close. Thank you for that offer of writing to us.

We had some questions about the ombudsman's comments about diversity, but we have not been able to get to them. If you would indulge us, we will write to you on that issue.

Thank you for your attendance this morning. We look forward to seeing you again over the course of the charter review.

Meeting closed at 11:29.

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