



MEDIA REFORM COALITION

Submission of evidence to the BBC's consultation on "Age-related TV licence fee policy"

January 2019

Context

We welcome the opportunity to respond to this important debate. Since 2011, the Media Reform Coalition has been at the forefront of the media reform movement, producing evidence and giving oral testimony to a broad range of consultations and public inquiries into the media. Our particular concerns relate to the sustainability of a high-quality and diverse media system in which public media have a particularly important role in fostering active citizenship and scrutinising the powerful.

The BBC plays a central role in the UK media landscape (and beyond) and this consultation will affect some £750 million of licence fee payers' money every year from 2020. The immediate question is whether the BBC should fully fund the concession under which individuals aged over 75 are given free TV licences, whether it should modify the concession, or whether it should scrap it entirely. This is linked to a further issue – the future of the TV licence fee itself, which we believe is an outdated and regressive means of financing public media – which, while not part of the current consultation, also requires attention.

The consultation document asks respondents to rank their preference for three options only: to copy the current concession, to restore a universal licence fee, or to reform the concession by modifying the payment level by means testing or raising the age of eligibility. **The one option that is most politically justifiable and economically fair is not part of the consultation: that government should fully fund the concession as it did until 2017/18.**

We believe that this constitutes by far the most desirable course of action and that any future government should seek to amend the Digital Economy Act 2017 and to remove section 365A on licence fee concessions.

The reason for this is that the current government negotiated with the BBC behind closed doors in 2015 to force the Corporation to assume the full costs of the concession because of its own manifesto commitment that all those aged over 75 would be eligible for a free licence. As Ben Bradshaw MP noted in response to the Culture Secretary's statement to Parliament outlining the measure, the government is "making the BBC a branch office of the Department for Work and Pensions".¹

¹ Ben Bradshaw, HoC Debates, 6 July 2015, column 28.

Indeed, the official reason given for the transfer of responsibility for the concession from government to the BBC concerned the “challenging fiscal position”² the government had inherited, that required the BBC, along with other public sector bodies, to cut spending and become more efficient.

The unofficial reason, provided by the chancellor the day before the announcement to Parliament, was that the BBC was becoming “imperial in its ambitions” and that as a public body, “[i]t does need to make savings as we get our house in order.”³

Neither reason can be justified in the current environment. The prime minister herself declared in her speech to the 2018 Conservative party conference that “a decade after the financial crash, people need to know that the austerity it led to is over and that their hard work has paid off.”⁴ If austerity is indeed “over”, then there ought to be less need for the BBC, in the words of the then culture secretary, to “play its part in contributing to reductions in spending, like much of the rest of the public sector.”⁵ Similarly, the idea that the BBC is a behemoth crowding out its competitors is much less persuasive with the emergence of companies like Netflix and Amazon let alone Sky and Virgin Media.

There is, in other words, no objective need for the BBC to pay for a measure that has been appended to the welfare policy of recent governments. The remit of the current consultation is, therefore, as flawed as the unaccountable process in 2015 through which the BBC itself was landed with the burden of paying for free licences for the over-75s.

If the BBC is freed of this responsibility, there should be additional checks on its ability to meet its public purposes and, in particular, on its ability to serve diverse audiences with diverse content. For example, in terms of news output, we argued in our submission to Ofcom on the BBC’s editorial standards, that “the BBC’s output has always tended to reflect elite opinion on a range of significant political issues. Political reporting has been strongly orientated towards and influenced by Westminster and the private press. Senior politicians, along with the financial sector, have strongly influenced reporting of economic issues, with alternative, and even mainstream, macroeconomic perspectives marginalised, whilst the BBC’s reporting of issues of war and peace has similarly been shaped by the statements and perspectives of senior politicians and state officials, failing to adequately reflect a range of views, or to sufficiently interrogate official claims.”⁶ We would also want to see robust regulatory scrutiny of its policies on BAME employment and representation as well as decisive action to address the gender pay gap and rising executive salaries within the Corporation. The BBC should not be the sole beneficiary of licence fee revenue without comprehensive oversight – and sanction where necessary – of its performance.

The least worst option

² Department for Culture, Media & Sport, ‘BBC to fund provision of free television licences for over-75s’, press release, 6 July 2015. Available at: <https://www.gov.uk/government/news/bbc-to-fund-provision-of-free-television-licences-for-over-75s>

³ George Osborne quoted in Rajeev Syal, ‘Osborne accuses BBC of “imperial ambitions” and calls for savings’, *the Guardian*, 5 July 2015. Available at: <https://www.theguardian.com/uk-news/2015/jul/05/osborne-accuses-bbc-of-imperial-ambitions-and-calls-for-savings>

⁴ Theresa May quoted in BBC, ‘Theresa May: Tories must be a party for everyone’, BBC Online, 3 October 2018. Available at: <https://www.bbc.co.uk/news/uk-politics-45725615>

⁵ John Whittingdale, HoC Debates, 6 July 2015, Column 5

⁶ Media Reform Coalition, ‘BBC Editorial Guidelines submission’, 12 November 2018. Available at <http://www.mediareform.org.uk/wp-content/uploads/2018/11/BBC-Editorial-Guidelines-Consultation.pdf>

Short of pressing for a new government that will underwrite the concession, a decision needs to be taken about whether the BBC should pay for free TV licences or whether it should now seek to shift the burden on to the over-75s themselves, either in part or in full.

We do not believe that the BBC should simply pick up the tab in full for a Conservative manifesto commitment. Given the scale of cuts that are anticipated should this be the case – £745 million by 2021/22 and over £1 billion by 2029/30⁷ – this would inflict huge damage on the UK’s production sector and decimate staffing at a time when there is a growing appetite for high-quality content across platforms.

We are also not convinced that the BBC should simply restore the universal licence fee and unilaterally rescind the opportunity for free licences for the over-75s. This would cause a huge backlash against the Corporation – though one engineered by the government in putting the BBC into an impossible position – and cut off access to BBC services for those least able to pay. While the report commissioned by the BBC into the various options finds that pensioner poverty has fallen since the concession was introduced in 2000, it nevertheless finds that nearly one-third of over-75 households remain in the poorest income brackets.⁸ These households are also likely to be the heaviest users of BBC services and thus the most likely to be severely disadvantaged should they be unable to afford the licence fee.

For this reason, we are most sympathetic to policy options that recognise the *regressive* nature of the licence fee as it currently exists – as a flat tax paid by all households irrespective of their economic status – and thus seek to introduce an element of *progressive* funding that is related to their ability to pay.

We are not seeking to undermine the universalist conception of the licence fee, but we do believe that there is room for exemptions – as in the public service broadcasting tax in Finland, or the household levy in Germany – for specific social groups.⁹ In this context, means-testing the concession and linking eligibility for free licences to the receipt of Pension Credit, a state-administered benefit for the poorest pensioners, is perhaps the most ‘progressive’ approach – or at least the ‘least worst’ option. This would require 3.75m over-75 households to pay a full licence fee and would cost the BBC around £209m a year – far less than the headline £750m figure, but nevertheless still a significant amount.¹⁰

The BBC has raised the possibility of other reforms to the concession. Raising the age threshold to 80, instead of 75, would cost the BBC nearly £500 million a year and would mean that the poorest 75-80 year olds would still have to pay the full licence fee. Setting a discount rate for all over-75s of, for example, 50% would certainly minimise the costs to poorer households and lessen the impact on the BBC, but we do not believe that the advantages outweigh the disadvantages of subjecting the poorest pensioners to potential sanctions should they fail to pay even a reduced licence fee.

⁷ Frontier Economics, ‘Review of Over-75s funding’, November 2018. Available at: <https://downloads.bbc.co.uk/mediacentre/frontier-economics-review-of-over-75s-funding.pdf>, p. 7.

⁸ *Ibid.*, page 17.

⁹ Phil Ramsey and Christian Herzog, ‘The end of the television licence fee? Applying the German household levy model to the United Kingdom’, *European Journal of Communication* 33(4), 430-444.

¹⁰ Frontier Economics, ‘Review’, p. 56.

In conclusion, we advocate the means-testing of the concession only as a last resort and as a poor substitute for the root and branch reform of the licence fee both to future-proof it and to make it fairer. As we have advocated in our draft reform proposals on the BBC:

The licence fee system should be maintained but radically reformed, with the rate set by an independent, non-market, regulator. Television licences should be replaced with a digital licence fee based on internet access rather than possession of television receiving equipment. The new digital licence fee should be payable by all households via their Internet service provider (ISP). To avoid payment falling disproportionately on lower income groups, the fee should be pegged to households' council tax bands.¹¹

We recognise that wholesale reform of the licence fee is not part of the current consultation, but the longer that the broader debate is postponed, the more piecemeal and unsatisfactory the interim measures will be. Government decided that the over-75s should be provided with free TV licences and it is the responsibility of government to provide this funding as long as the current licence fee regime persists.

¹¹ Media Reform Coalition, 'Draft Proposals for the Future of the BBC', March 2018. Available at: http://www.mediareform.org.uk/wp-content/uploads/2018/03/MRC_flyer_20180312_WEB-1.pdf