



**Media Reform Coalition**  
**Submission to DCMS BBC Funding Model Review**

**March 2024**

1. Since 2011, the Media Reform Coalition has been at the forefront of the UK's media reform movement, producing evidence and giving oral testimony to a broad range of public enquiries into the media. Our particular concerns relate to media accountability, democracy and pluralism, and in recent years the future of the BBC and the broader public service media (PSM) system in the UK has become central to much of our research, analysis and advocacy.<sup>1</sup>
2. The Media Reform Coalition runs the 'BBC and Beyond' campaign, funded by the Joseph Rowntree Charitable Trust. Following a broad-based consultation and engagement with over 30,000 members of the public, the campaign produced proposals for transforming the BBC, the broader public media system in the UK, and supporting independent media. We have called for a radical overhaul of the BBC's governance and funding structures that would ensure greater independence from government, as well as a more holistic transformation of public media, devolving decision-making and making it far more democratic and participatory.<sup>2</sup>

The BBC Funding Model Review

3. The BBC is a major public institution, with a central role in UK politics and culture. Yet decisions around its future have too often been made behind closed doors with insufficient parliamentary scrutiny, let alone public debate. Regrettably the nature of this current DCMS exercise falls into this same pattern, exemplifying many of the problems with our media system and media policy in the UK. It is a 'behind the scenes' consultation with commercial interests, without sufficient transparency, public involvement or democratic process. As a result, it will not command public support, and will only exacerbate concerns around the BBC's lack of independence from government.
4. Licence fee payers – and the wider public – are the BBC's most important stakeholders. Any decision about its future therefore requires meaningful and comprehensive public consultation, and open democratic debate. The government should have first engaged in a national conversation about the public's own priorities for the BBC, then used this as the foundation for consultation with industry and wider stakeholders. This would ensure that the objectives and scope of formal deliberation on any future funding model would be grounded in the needs and interests of audiences, rather than the commercial interests of the BBC's competitors – as was the case during the 2015-16 BBC Charter Review process.

---

<sup>1</sup> See [mediareform.org.uk](http://mediareform.org.uk) for a record of our publications and past consultation submissions. Contacts: [Thomas.Chivers@gold.ac.uk](mailto:Thomas.Chivers@gold.ac.uk) and [T.Mills@aston.ac.uk](mailto:T.Mills@aston.ac.uk).

<sup>2</sup> See the [BBC and Beyond campaign](#) as well as our recent [Media Manifesto 2024](#).

### Market context and funding sustainability

5. The future broadcasting landscape is likely to see a continuation of the trends of the past decade, which together pose major challenges both for the BBC and the media and communications ecology as a whole. Technological changes, shifting audience habits, an industry-wide increase in production costs and the massive expansion of purely commercial VoD services all require an ambitious response from policymakers, not least in ensuring the BBC's public service output remains universal, accessible and sustainably funded.
6. The BBC has been undermined by decades of political interference, commercialisation and debilitating funding cuts. The ideals and values of public service broadcasting have been steadily eroded, while deregulation and market-based reforms to the BBC's production model have made it increasingly reliant on commercial revenues at the expense of investment in core public service content for UK audiences. Successive below-inflation funding settlements, licence fee freezes and the withdrawal of government funding for the World Service, S4C and the over-75s licence fee, have severely reduced the BBC's income, resulting in a real terms funding cut of 25% since 2010.<sup>3</sup> Licence fee payers are now facing the sharp end of these cuts, with extensive consolidation and reductions in service across BBC local radio and BBC news.
7. Although there is potential for the BBC to increase the commercial share of its total revenue (through e.g. further international distribution and overseas partial subscription services), this is unlikely to be sustainable, let alone a feasible replacement for public funding. Intense global competition for generating and selling new IP has put the BBC on uneven footing against the dominant streaming giants and international media networks, who are at once the BBC's rivals and its biggest partners for distributing and monetising BBC content outside the UK. Furthermore, increasing the BBC's reliance on commercial revenues would significantly undermine the public value of BBC output, as licence fee payers who contribute financially would lose their 'investment' in new IP as this content is sold to commercial platforms and put behind pay-walls. Such content is also likely to be less relevant or appealing to UK audiences, and to make the BBC's output less distinctive. The core focus of BBC funding should be the provision of socially and culturally beneficial content including information, education and entertainment, with additional commercial revenues or international ventures used to reinvest in these public services.

### Problems with commercial funding models

8. The Media Reform Coalition has always been clear that the BBC's current funding mechanism is wholly unsatisfactory. The licence fee system has the advantage that it regards the BBC's domestic audiences as equally important in economic terms, and this creates an obligation on the BBC to serve the needs and interest of all audiences. This is in clear contrast to any market-based funding systems that seek only to serve the largest and most homogenous selection of consumers, or the most affluent.
9. However, the licence fee also has a number of inherent problems. As a flat 'tax', paid on the basis of specific viewing habits and charged irrespective of economic means, it is a regressive method of financing a universal public media service. The mechanisms for evaluating and setting the level of the licence fee are also anachronistic and far too susceptible to political interference, with the recent pattern of *ad hoc*, unilateral government settlements providing neither independence nor economic security.

---

<sup>3</sup> See [Voice of the Listener and Viewer briefing note](#), January 2022.

10. We would like to see a more progressive mechanism that acknowledges socio-economic differentials, and recognises the fact that it is the poorest households who are least able to afford commercial alternatives – and are therefore the most dependent on PSM for providing content that serves their social, cultural and democratic interests.
11. The realities of contemporary media economics demonstrate that any move towards a commercial funding model – such as the introduction of advertising, subscription or an increased mix of public and private funding – would not only undermine the BBC’s ability to fulfil its core public service objectives, but also significantly harm the viability and sustainability of the UK’s wider commercial media landscape.
12. Evidence by Ampere Analysis<sup>4</sup> suggests neither the TV advertising markets nor the pay-TV markets in the UK could support an additional major ad buyer and/or subscription consumer base. In the case of advertising, Ampere notes that

“public funding would be required to ‘top up’ revenue to ensure that the BBC’s output was not impacted. Should such a top-up not occur, BBC output would be impaired, its viewing share would drop, and the revenue opportunity would decline further ... broadcasters reliant on advertising, including ITV, Channel 4, Five and Sky would be subject to negative unit pricing pressures – leading to onward negative effects on the wider UK TV distribution and production sector.”
13. Any shift to a subscription-based model would also incur harmful social costs by potentially excluding large parts of British audiences who do not have reliable or affordable internet access. Any online-only BBC services – this being the most cost effective means for enabling paid-for access – would be wholly inaccessible to these ‘customers’ who are most excluded by the digital divide. An advertising- or subscription-based funding model would also diminish the BBC’s fundamental principle of universality, requiring it to produce a far greater amount of commercial content appealing to the largest or wealthiest audiences, while reducing its investment in socially and culturally valuable but commercially unappealing genres and formats.

#### Progressive solutions for funding an independent, universal and future-proof BBC

14. We need a radically reformed model of BBC funding that is independent, progressive and maintains the tradition of universality, while also acknowledging important differences in the ability of households to financially contribute. We recommend replacing the TV licence fee with a ‘universal household levy’, collected through council tax and offering concessionary rates on the basis of relevant household exemptions. Rather than linking funding for public media to economic means or the use of any particular device, a household levy would embody the principle that there is a vital social and democratic value in a collective national investment in independent, universal public service media.
15. Any future public funding model must also be wholly independent of unaccountable government control and political interference. The power to evaluate and set the level of the BBC’s public income should be transferred to an independent body, such as a Public Media Monitor, which would be tasked

---

<sup>4</sup> See [Ampere Analysis submission](#) to House of Lords Communications and Digital Committee inquiry into BBC future funding, March 2022.

with evaluating the financial needs of the BBC to fulfil its public service obligations and determining a secure long-term funding settlement. This would also ensure that the BBC's funding is properly ring-fenced, in contrast to a tax-based model that would lack independence and remain vulnerable to short-term political interventions.

#### Considerations for the transition to a reformed BBC funding model

16. In order for the universal household levy to ensure equity and universal access, it would need to be underpinned by universal public digital infrastructure. With the shift towards digital delivery, it is vital that high quality broadband is made available to maintain universality in PSM and to guarantee citizens' equal rights to access information. A public guarantee of affordable full-fibre broadband to all households should therefore underpin a new public media system that covers both traditional linear media and new digital platforms.
17. Transitioning to a new funding system is imperative to ensure citizens have universal and equal access to information and culture. However, reform must not be used as an opportunity to further reduce BBC income, or to increase government influence. On the contrary, a significant increase in funding is required, but this can only take place alongside radical reforms to the BBC's governance.
18. The shift to a universal household levy also has the strong potential to increase the overall level of public investment in the BBC while reducing the per-household costs. Ampere Analysis<sup>5</sup> has calculated that funding could reach similar levels of BBC public income on a per-taxpayer cost of just £117, over £50 less than the current value of the licence fee. While collection via existing council tax mechanisms – rather than income tax – would require careful scrutiny and management, it could also increase the BBC's accountability to regional audiences as well as encourage greater investment in local content.
19. BBC accountability is currently via Ofcom, an underfunded market-based regulator that prioritises commercial interests over that of licence fee payers, and via government ministers who appoint political allies to the BBC board, control the BBC's finances and use these levers to influence its output. It is necessary to make the BBC much more democratic, so accountability is to the public rather than the government.
20. Governmental control over appointments to the BBC should be abolished, and in its place an independent appointments process should be established so the senior management is elected by audiences. The BBC's Royal Charter should be replaced with a statutory constitution built on a regulatory framework that prioritises the needs of the public rather than commercial interests.
21. Additionally, the BBC's creative and editorial functions should also be made more democratic, through measures such as national and regional devolution of funding distribution, national and regional audience boards with worker representation, new forms of participatory commissioning and formal obligations for workforce diversity. All of these measures taken together would ensure that the BBC is reformed in a way that puts the public at the centre of public service media.

---

<sup>5</sup> [Ibid.](#)