

BBC Licence Fee for the over 75s Submission by the Lord Lipsey

I am responding to the BBC's consultation as a member of the 1979 Davies Panel on the Licence Fee. I see no reason to change the firm and considered conclusion which we then reached:

"[T]he Panel takes the view that the BBC's funding mechanism is not well suited to solving the problems of income distribution and the BBC should not be used as a benefits agency."

Despite this recommendation, Gordon Brown as Chancellor imposed free licence fees for the over 75s. At least under his regime, the government met the cost. But from June 2020, the entire cost of any concessionary licence fee is to fall on the corporation. The cost is put at £745 m

Not surprisingly therefore the clear preference of the BBC is to abolish the whole thing. And, as the Frontier Economics report shows, the case for the concession is even weaker than when it was first introduced. Since then with the triple lock on pensions and increasing equity from home ownership, the over 75s have become a less poor group and poverty amongst working age people is far more of a problem. Besides using the wrong vehicle, the licence fee, the concession is now aimed at the wrong people.

It is moreover a disgraceful abrogation of responsibility that the government has handed the job of deciding what to do with the over 75s licence fee to the Corporation. The governors are a fine body of men and women, and the director general is a fine man. But they were not appointed to decide on social benefits; nor on the priority to be given to increasing equality. Those are essentially and always the job of government, led by elected politicians. This settlement was imposed on the corporation in great haste as the government scrambled to find a package of public expenditure cuts. I do not envy the governors in facing a decision on a matter which is or should be no business of theirs.

Amongst the options set out in the paper, the least bad is the one of abolishing the concession except on a means-tested basis. This preference however depends heavily on the necessary legislation being introduced to give the BBC access to DWP data on claimants. Without such information, the administrative costs of means testing would be daunting. Moreover, with the sum involved substantial but not very substantial, my guess would be that take-up would be low. The introduction of a new injustice between those elderly people and families skilled at filling in forms and those who aren't would help no-one.

Even less appealing are the other options for a reduced rate for over 75s or an older age for introduction. These preserve (albeit at reduced cost) all that is wrong with the present system, indeed threaten to maintain it in perpetuity. It is therefore easy to see why the BBC's preferred option is simply to abolish the concession. No doubt programme makers are drooling in anticipation of the £745m headed their way!

However the BBC is in danger of making a huge error is in attempting to do this at a stroke. My long experience in politics – I was adviser to the prime minister from 1976-79 – tells me that when you give people a concession they accept it without gratitude but when you take away a concession, even the exact same concession, they explode. The first signs of this are seen in the Mirror campaign with Mr Brown creeping out of retirement to try to defend his ill-advised policy. The BBC's position has been weakened by the furore surrounding high paid presenters and women's pay, which (even though as the consultation paper points out the sums involved are not large. If the BBC tries to do it all at once, there is a high likelihood that politics will rebound on it and force it to retain the concession.

The documents are written as if, if the concession were abolished, the BBC would be £745m better off. This is nonsense. In fact if it is abolished the government will seek to claw back the gain to the BBC. It could do so by insisting that the extra income is paid back to licence fee payers as a whole by reducing the level of the licence fee – this might or might not be a good thing but it does nothing for the BBC's resources. It could do so by legislating to claw back the gain for the exchequer. What is plain is that no government is likely to wish the windfall benefits from abolition to accrue to the BBC – especially since the strain on BBC budgets is at the moment more apparent to those inside the BBC than those outside.

There is an alternative between at-a-stroke abolition and non-abolition. It is simply this. The policy could be not to grant free licences to anyone attaining the age of 75 but equally not taking away the concession from those who already benefit from it. This could be justified on the grounds that existing recipients have a reasonable expectation that the benefit will continue but that does not apply to new applicants. Since the recipients are by definition older people with therefore less extended life expectancy, the number of over 75s receiving the benefit will diminish fairly swiftly and with that the cost. Softly softly catchee monkey.