



## The BBC's public consultation on age-related TV licence policy

February 2019

### Introduction

MG Alba welcomes this opportunity to respond to the consultation on the BBC's age-related TV Licence Policy.

MG ALBA is the operating name of Seirbheis nam Meadhanan Gàidhlig, the Gaelic Media Service.

MG ALBA's statutory purpose is set out in section 208, Communications Act 2003:

*"to secure that a wide and diverse range of high quality programmes in Gaelic are broadcast or otherwise transmitted so as to be available to persons in Scotland"*

*"...and a reference to being available to persons in Scotland includes a reference to being available both to persons in Scotland and to others"*

Governance oversight of MG ALBA is exercised by Ofcom, who appoint members of the board of MG ALBA subject to the approval of Scottish Ministers. MG ALBA is funded by the Scottish Government out of general taxation.

MG ALBA funds and operates BBC ALBA (the Gaelic language television channel) in partnership with the BBC. BBC ALBA is the first partnership television service to operate under a BBC licence. BBC ALBA fulfils the UK's obligations for Gaelic television under Article 11 of the European Charter for Regional or Minority Languages and is an important part of the Scottish broadcast ecology, commissioning a large proportion of all independently produced TV content in Scotland.

### Summary of MG ALBA position

MG ALBA takes the view that the licence fee concession should be removed by the BBC as the poverty issue associated with the concession is a matter of social policy and must therefore be dealt with by the UK Government.

### Impact Assessment

The current concession was established by the UK Government in 2000 as part of an equity-based plan to reduce pensioner poverty. This rationale, according to Frontier Economics, appears to have weakened since the concession was introduced. There have been a number of economic changes since its introduction, the financial climate is very different and the demographic makeup of society has changed with people living longer. This latter is shown to have a direct negative approach on the feasibility of the scheme in the longer term.

Frontier Economics estimates that if the concession were to continue in its current form by 2021/22 there would be almost 5 million concessionary licence holders, costing the BBC £745 million, or 18% of its 2017/18 service spend.

MG ALBA is cognisant that viewers in this demographic are among the heaviest consumers of BBC ALBA's linear television output.

The media sector, driven by changing patterns of media consumption, has developed significantly in the past 20 years. The emergence of social media and video-on-demand platforms means that television and radio broadcasting are no longer the only distribution outlets for screen and audio-visual content. The BBC is obliged to address the needs of those who prefer to access content on non-linear platforms and, as such, it is paramount that any concession take into account the rising cost of supporting all of the services provided by the BBC.

### **MG ALBA view**

MG ALBA agrees with Ofcom<sup>1</sup> that Public Service Broadcasting – with the BBC as its cornerstone - has a long and proud tradition in the UK, delivering impartial and trusted news, UK-originated programmes and distinctive content. This is a matter of public value for society as a whole, not a matter of consumer subscription. The UK Government has determined that the resources required to fund the BBC should be found by applying a fixed rate tax (the licence fee) on all households that receive television services, whether or not those services are provided by the BBC and irrespective of the number of viewers in the household or their disposable income.

Announcing its decisions on the BBC licence fee settlement in 2015, the UK Government made clear that its approach was dictated by the challenging financial position in which it found itself and was designed to ease “some of the pressure on taxpayers who have to meet the country's welfare bill”<sup>2</sup>. MG ALBA's view is that the concession should not operate to reduce the BBC's resources, but is a matter of social policy that should – as previously - be funded from general taxation if it is to be retained in any form.

Therefore, we believe that it would be sensible for the BBC to reinstate the universal fee (i.e. non-replacement of the over-75s concession) and for Government to make appropriate interventions to mitigate the negative economic implications for those who would be materially affected.

We note that Frontier Economics estimate that in the absence of Government intervention, this option would come at a cost of 10% in year 1 and 8% thereafter, due to the costs of communicating the change, systems changes, annual collection, enquiries, potential compliance issues and loss of revenue as individuals chose to no longer watch television because of the cost. The Government is capable of avoiding this negative outcome by addressing the consequences in its social policy.

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<sup>1</sup> Public service broadcasting in the digital age, Ofcom, 8 March 2018

<sup>2</sup> <https://www.gov.uk/government/news/bbc-to-fund-provision-of-free-television-licences-for-over-75s>

## Options

The consultation proposes several options for change, each with a financial impact:

Option in 2021/22	Financial impact <sup>3</sup>
Non-replacement of the over-75s concession	10%
Link to Pension Credit from age 75	28%
Link to Pension Credit and reduce age to State Pension Age	44%
50% discount to current concession	56%
Raise age to 80	65%
Raise age to 77	87%

We do not favour any of the alternatives to non-replacement of the over-75s concession.

We take the clear view that mitigation of the licence fee is a matter of social policy and therefore that it is not for the BBC to offer concessions but for Government to make provision, as is done for winter fuel payments for example. While we agree with Frontier's assessment that non-replacement of the over-75s concession would be regressive (i.e. that the policy would have a larger cost relative to income for poorer households than for richer households), this is in itself a consequence of the regressive nature of the fixed licence fee chosen by Government to fund the BBC. We believe that this is properly a matter for the Government to address.

Although the means-tested option for the re-establishment of the concession might appear to be fairer for licence fee payers, it would not benefit all households at risk of poverty as it is an age-based approach, and there is no compelling rationale for the BBC to favour one particular age group as against another. Persons in this demographic are among the highest consumers of BBC content, and we accept that exclusion from BBC (and other PSB) content by dint of not being able to afford the Licence Fee would be a regrettable outcome. We would therefore urge Government to ensure that no-one is excluded from BBC services by virtue of their being in poverty. Offering a concession which cannot be universally accessed by all who need it most would inevitably only lead to further inequality for licence payers and so it would not benefit the UK viewers as a whole.

*We note with interest that the proposal to restrict the concession to households whose occupants all qualified for the concession was not progressed further. According to Frontier, "almost three-quarters of over-75 households would remain eligible for the concession if all household members had to be 75 or over, not just the eldest.... While targeting the concession only on households where everyone is at least 75 could therefore be more in the spirit of the original introduction because it would focus the concession more closely on elderly individuals, it is important not to assume that most of those affected would be multi-generation households.... Due to these administrative complexities and the other issues raised, our current view is that reforms involving new household composition criteria should not be progressed further for the purposes of the recommendations contained within this report."*

We agree with this approach.

Should the concession be renewed, in whole or in part, BBC services will suffer unless the Licence Fee is raised significantly. All options other than allowing the concession to lapse, would have serious financial implications in relation to the services provided by the BBC and the quality of content available to licence payers.

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<sup>3</sup> Cost of alternative model as opposed to continuing with current model, in 2020/21

It is also widely recognised that offering a concession to the detriment of the quality of content would lead to a further reduction in the number of households willing to pay the licence fee and would reduce the number of BBC viewers across the country. This would inevitably call into question the basis on which the UK Government made its 2015 policy announcement.

In a technologically focussed industry with an increasing list of competition, reducing the financial contributions to this sector would not only have implications on the quality of content delivered by the BBC but also on the media industry across the UK. As part of this industry, we are aware of the challenges and demands in terms of keeping up with the latest technology and media outlets especially in terms of the financial implications of these developments.

## Conclusions

Having considered the BBC consultation documents and the Frontier Economics Review (November 2018), MG ALBA takes the view that the licence fee concession should be removed by the BBC and that the UK Government should respond by ensuring that social policy, funded from general taxation and accountable to Parliament, should be designed to ensure that no-one is excluded from access to BBC services by virtue of their being in poverty.

The financial impact of any concessionary policies adopted by the BBC itself would be to inhibit the diversity and quality of content it was able to deliver, which, in turn, would have a direct impact on the number of Licence Fee paying households.

The projected costs of continuing the concession would threaten the amount of Licence Fee funding available for channels such as S4C and BBC ALBA which have proved successful tools in developing the indigenous languages of the British Isles. It would therefore prove to detrimental to the development of culture and diversity should the BBC coverage of such aspects of life in the UK be further inhibited by new financial constraints.

A means-testing process might ensure fairness across one age group but would not ensure intergenerational fairness across the UK population as a whole. It would also incur administrative costs and further data sharing agreements with the Department for Work and Pensions to ensure effective use. Given the estimated costs, these further costs and agreements would be increasingly onerous for the BBC due to the growing elderly population.

Access to public service broadcasting should be treated as a right to be enjoyed by all citizens and accordingly paid for from general taxation. No citizen should be excluded on account of the fact that they are in poverty. However, it is not for the BBC to determine which demographics are more entitled than others to concessionary treatment, and as a result the only logical position is for the BBC to allow the concession to lapse.

If, regrettably, Government does not regard such a concession as a necessary element of wider social policy, it, rather than the BBC, should be accountable to Parliament for its policy choices.