

Response from Ofcom's Advisory Committee for Scotland (ACS) to the BBC's Age Related TV Licence Policy, Public Consultation (Deadline 12/2/2019)

*'The Advisory Committee for Scotland advises Ofcom about the interests and opinions, in relation to communications matters, of persons living in Scotland.'*¹

The response from the ACS to this consultation draws on the knowledge and expertise of ACS members and is informed by our individual experience and through discussion at our meetings. It does not represent the views of Ofcom or its staff.

Introduction

The ACS recognises the impact on the BBC of the removal of the government concession for licence fees for over 75s. We understand the challenges it faces in terms of increased market competition and loss of licence fee payers to other 'non-live' broadcast services. We believe that maintaining the concession without a replacement, will make improving services, alongside maintaining high quality content, extremely difficult. The view of the ACS is that continuing the concession (Option 1), although perhaps desirable, is not sustainable and the resulting wide-scale cuts to programming budgets would be detrimental to Scotland's TV & film industry and creative economy as a whole, as well as to the future of public service broadcasting.

We are not fully supportive of the other options laid out in the consultation document and think that a combined approach is required to limit the impact on older people, whilst ensuring a sustainable income for the BBC. In particular, we have parallel, and at times conflicting, concerns about:

- i) A blanket reinstatement of the licence fee (Option 2) as we believe that this could have a disproportionate effect on older viewers and listeners in Scotland
- ii) The impact that maintaining the current concession or making minor tweaks to qualifying age bands will have on the BBC's commissioning budgets and production spend in each of the Nations, including Scotland, resulting in less high quality content across different genres. These are both explored further in the next section.

Scottish Context

- i) The number of people aged 75 and over across Scotland is projected to increase by 27% by 2026². There are significant demographic differences between Scotland and the rest of the UK. Rural Scotland as a whole, and in particular remote rural areas, has a higher percentage of 'older smaller' households, where one or both adults are of pensionable age, compared to the rest of Scotland and the UK as a whole. In 2016 the proportion of people aged 65 or over was 20% in accessible rural areas and 24% in remote rural areas, compared to 18% in both the rest of Scotland³ and the rest of the UK⁴. 6% of the population in Scotland live in 'remote rural' areas and 25% of those are aged 65 and over.

Older households are the biggest consumers of BBC television and radio content⁵ and those in remote and rural areas have limited alternatives. These areas of Scotland lag behind the rest of the UK in terms of access and coverage of mobile and broadband services. This means that alternative on-demand entertainment (e.g. Netflix & Amazon), access to information via the internet and the ability to connect with others via social media is often not an option. TV and Radio PSB services, particularly the BBC's, are vital in these remote and rural communities, in terms of allowing a connection with the wider world and reducing social isolation. Remote rural areas also have a higher proportion of single pensioner households, compared to accessible rural

¹ Ofcom - Advisory Committee for Scotland – Functions and Role

<http://www.ofcom.org.uk/about/how-ofcom-is-run/committees/scotland/>

² <https://www.nrscotland.gov.uk/files//statistics/>

³ <https://www2.gov.scot/Topics/People/Equality/Equalities/DataGrid/Age/AgeRuralEnv>

⁴ <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/articles/overviewoftheukpopulation/july2017>

⁵ Review of over-75s funding. A report prepared for the BBC. November 2018. Frontier Economics

areas and the rest of Scotland⁶ and the prevalence of persistent poverty is significantly higher in these single pensioner households than for pensioner couples⁷. If the pre-2000 arrangements are reinstated in full, affordability is a key issue across the piece.

ii) The Scottish TV Production sector's turnover in 2016 was almost £131 million⁸ and the BBC is the largest commissioner of programmes & content in Scotland by a significant margin. According to Ofcom's *PSB Annual Compliance Report 2018*⁹, over 9% of the BBC's qualifying network spend was on Scottish productions in 2017 compared to 6.8% for Channel 4 and less than 1% for both ITV and Channel 5. That 9.1% is roughly comparable to the £79.9m spend on network content in Scotland, as stated by the BBC in their most recent Annual Report¹⁰, with the BBC's total investment in Scotland standing at £222.6m across the same period.

The consequences of retaining the current concession, for both sustaining a thriving TV production sector in Scotland, as well as for the nature of the BBC "offering" itself, could be hugely detrimental to all licence fee payers, since the BBC would not be able to afford big budget entertainment & factual programmes, which also drive large ratings. This would significantly diminish the BBC's standing as a world-class broadcaster.

Proposed Options (and alternatives)

The ACS believes that the best approach would be a combination of the options laid out in the consultation document. Additionally, there are alternative arrangements which could be explored.

We accept the arguments for raising the age limit, in line with increases in state pension age and increased life expectancy. We also see merit in means testing, however the ACS would prefer to see this linked to income, rather than receipt of Pension Credit. Statistics from the DWP show almost 40 per cent of families entitled to receive Pension Credit did not claim the benefit¹¹. Whether this is due to lack of awareness, incapacity/difficulty in accessing benefits or perceived stigma about receiving benefits, some 1.2 million people, according to Age UK¹² who can least afford it, may end up paying a licence fee. As highlighted in the Frontier Economics Review, welfare policy is set by the government of the day so alignment to Pension Credit creates reliance on a policy which may be subject to change. Alignment to income tax may be a more equitable and stable foundation on which to base a concession, allowing the BBC greater certainty of income.

Our proposal is a combination of Options 3, 4 and 5. That is, pensioners over 80 whose income is below the personal allowance become eligible for a free licence. Pensioners who pay income tax are required to pay a licence fee. The benefit of this is a direct link to income rather than using a de-facto measure of hardship. It avoids the stigma of the pension credit system and the reliance on a measure which may be subject to policy change.

One way of implementing this proposal might be to copy the concession as it stands (Option 1) with validation of eligibility for a concession through a link to the HMRC database. For those who end up having to pay income tax but have received a concession, the relevant amount would be deducted from their personal allowance or added to the tax they have to pay, with the BBC later receiving this money from HMRC. We recognise that the more detailed the scheme the higher the administration cost. In reality those who know they will have to complete a tax return and pay income tax are unlikely to apply for the discounted licence in the first place.

We recognise that moving from having had a free licence at age 75 to having to pay in full might generate some resistance and resentment. For that reason we suggest phasing in charges for those aged 75-79 over a few years or introducing a scaled discount up to age 80, subject to the aforementioned income test. For example:

⁶ <https://www.gov.scot/publications/rural-scotland-key-facts-2018>

⁷ *UK Poverty Statistics*, Joseph Rowntree Foundation, *Understanding Poverty*.
https://www.jrf.org.uk/data?f%5B0%5D=field_taxonomy_poverty_indicator%3A867

⁸ https://www.creativescotland.com/__data/assets/pdf_file/0004/46552/Scotland-Economic-Baseline-2017-12-08.pdf

⁹ <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/public-service-broadcasting/psb-annual-compliance-report-2018> (Slide 9)

¹⁰ http://downloads.bbc.co.uk/aboutthebbc/insidethebbc/reports/pdf/bbc_annualreport_201718.pdf

¹¹ DWP, (2018) *Income Related Benefits: Estimates of Take up Data for financial year 2016/17*

¹² <https://www.ageuk.org.uk/discover/2018/why-free-tv-licences-for-the-over-75s-matter/>

Year	Fee		Age	Discount
1	50%	or	78	25%
2	75%		79	50%
3	100%		80+	100%

It is unclear from the research whether such options were explored or what the issues and costs might be. The ACS suggests that further investigation to assess viability at different levels of discount for different age groups would be useful. Any option needs to be considered in the light of demographic and technological change. The issues we face today may be very different in 10 years' time. With an aging population, a significantly higher number of people will be eligible for a discount in future. Digital literacy for those aged 75 and older is likely to be higher than it is now, so viewing habits of this group may be very different. For that reason this needs to be a time limited solution and the implementation costs proportionate.

Final Comments

Whilst not specific to this consultation, there are other important issues tangential to this discussion. Given the steady growth in the Pay TV / Online Video market, the consultation raises the question of how BBC services are paid for regardless of age and whether the licence fee is sustainable. This was raised by the then Culture Secretary, John Whittingdale, when he announced the new Royal Charter in 2016. The proportion of people aged 75 and over in Scotland alone is projected to increase by 79% over the next 25 years¹³. Offering a concession to over 75s (or even 80s) is not a viable option in the longer term when under 25s are already turning away from traditional TV viewing (and the Licence Fee) in their droves.

The TV Licence model has lost its relevance in today's world. Younger generations, although willing to pay for content, do not see the rationale for a 'TV Licence' when they only use a tablet or phone to view subscription services. Despite a decline in broadcast TV viewing on the TV set¹⁴, data suggests that people (particularly in the younger age groups) are willing to pay for TV. There has been a steady growth in the number of households paying incrementally for TV, and Pay TV penetration is now around 66% of UK households¹⁵. Over the past 10 years licence fee revenues have declined in real terms, as subscription revenues have grown¹⁶.

The ACS believes there is an urgent need for the BBC to embark on a major public relations/rebranding campaign to inform the public about the entirety of what the licence fee pays for and the implications for the BBC's standing as a global, high quality, independent broadcaster if some sort of public funding model is not sustained. The upcoming changes to licence fee funding for over 75s presents an opportunity to explain to consumers/stakeholders about exactly what they are paying for and what would be lost to citizens and the wider creative UK economy if the BBC lost its public funding. The term "TV Licence" is misleading and the majority of the public have no understanding that the fee covers such varied services as: all BBC radio stations both local & national; all TV channels including ones like BBC Parliament which may be less popular but important for democracy; iPlayer; BBC News & Sport websites; Apps including the new BBC Sounds.

Looking at this issue more broadly opens up alternative options. In other countries the fee for public service broadcasting is bundled with utilities or community charges. One option may be an annual Broadcast Services charge, alongside the annual Water charge, collected through Council Tax. This system has an existing mechanism to provide discounts to pensioners living alone, those on low incomes and people receiving certain benefits. It also offers a means of distinguishing between households where only one person in the family is over 75, creating the opportunity to remove the concession for those households, something which many see as a loophole and cause of lost revenue for the BBC. While this "Broadcast Services" model extends beyond the designated task of reviewing the concession for over 75s, it provides a mechanism for administering it, as well as a means of ensuring the branding is relevant to the current age.

¹³ <https://www.nrscotland.gov.uk/files//statistics/>

¹⁴ *Media Nations: UK, July 2018. Ofcom*

¹⁵ *BBC Content market dynamics in the UK: outcomes and implications, 2 November 2017. Metadatique*

¹⁶ *BBC Content market dynamics in the UK: outcomes and implications, 2 November 2017. Metadatique*

Looking beyond this, the ACS believes there is a strong case for reviewing and changing the BBC charging model on a wider scale. The recent downgrade of ITV stocks by analysts Merrill Lynch is evidence of the impact of market fragmentation, change in viewing habits and competition from online video. They state “*We think the [European] market underappreciates the pace of the decline in TV consumption and concurrent rise of online video*”¹⁷. The ACS acknowledges the BBC’s significant contribution to extending choice for the viewer (eg. through the development of iPlayer) but also believes that the BBC cannot afford to be complacent in the face of these challenges and needs to continue to innovate, not just in content, but also in service and delivery models. We recognise that moving to a subscription model or bundling content would involve changes to the current Charter but the BBC should be thinking about what the future could look like, beyond its current restrictions. Waiting until 2028 poses major risks to the BBC being seen as no longer relevant and unable to compete. In the view of the ACS, lobbying the government of the day on this issue is not only justified but necessary.

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¹⁷ <https://www.theguardian.com/business/2019/jan/17/itv-shares-fall-as-broadcasters-are-warned-not-to-underestimate-netflix>