

Submission to BBC Consultation on Age-Related TV Licence Policy review

**pact.**

---

February 2019

---

## Introduction

- 1) Pact is the UK trade association representing and promoting the commercial interests of independent feature film, television, digital, children's and animation media companies.
- 2) The BBC is the leading UK commissioner of UK content from the independent production sector. It was also found that the BBC commissioned a greater share from smaller companies than any other Public Service Broadcaster.<sup>1</sup>
- 3) Pact is a supporter of the licence fee and recognises the important role that the BBC plays in British broadcasting. It is therefore extremely important to Pact that the BBC continues to be properly funded and managed in the future with the maximum possible spend on content.
- 4) For further information, please contact Pact's Interim Head of Policy, Niall Stewart, at [niall@pact.co.uk](mailto:niall@pact.co.uk) or on 020 7380 8232.

---

<sup>1</sup> Pact Census 2018

Question 3. Any other comments

**Background**

1.1 Pact welcomes this consultation as it is important that the BBC seeks the views of the production and broadcast sector in the UK on such an important issue. Pact is concerned that the BBC has agreed to a number of additional financial responsibilities, which were previously paid for by the Government, such as the World Service for example. Pact would encourage the BBC to communicate more effectively the full financial implications of agreements, which were reached during the last Charter renewal period, that might have a detrimental impact on the BBC's investment in UK content. Jeremy Wright, Secretary of State for Digital, Culture, Media and Sport (DCMS), stated to the House of Commons DCMS Committee in October 2018, that the future costs of the over-75s licence fee concession were obvious in 2015 when the BBC agreed to take over the concession. This was in return for linking the licence fee to inflation for a limited number of years. With the over-75s licence fee concession, the BBC has accepted a financial liability whose costs will escalate over time. Considering the scale of such costs, the BBC Public Service is fortunate that it can launch public consultations to review such decisions.

1.2 Pact notes the importance of the licence fee revenue, which was £3.8 billion in 2017/18, in providing new IP investment for the UK creative economy.<sup>2</sup> The BBC's investment in the UK production and broadcasting ecosystem over the years has helped the UK become the second biggest exporter of TV content in the world after the USA, and the biggest international exporter of programme formats (IP). In 2016/17, UK TV export revenues were £902m and last year's figures are expected to be even higher.<sup>3</sup> These exports drive corporate growth in the UK creative economy. The investment also provides the UK with a high rate of return through the creation of jobs and taxation from both businesses and individuals. Pact is therefore concerned that any reduction to the BBC's investment in content would be detrimental to the future of the UK's creative economy. The creative sector's

---

<sup>2</sup> BBC Annual Report, Financial Overview, p69, 2017/18

<sup>3</sup> Pact UK TV Export Report 2016 - 2017

increasing importance to the UK's GDP was shown by the fact that the sector's rate of Gross Value Added (GVA) growth was twice that of the rest of the economy between 2010-17.<sup>4</sup>

1.3 Pact is concerned that the BBC spend on network television is £1.57 billion, whilst the licence fee raised £3.8 billion alone in revenue for the BBC in 2017/18.<sup>5</sup> Pact notes that the BBC is moving towards 100% contestability by the end of the Charter period, but the future growth of the independent production sector could be impeded if BBC spending on content is frozen or reduced. Pact is therefore concerned that the BBC should not be required to forego revenue from those in the over-75-year age group who have the means to pay the licence fee. If this revenue is not available to the BBC, then it could force reductions of content spend across the BBC.

### **The Future of the Concession**

2.1 Pact notes that, under the terms of the 2015 Licence Fee agreement, the Government's contribution to the concession's costs will end in 2020. The BBC has presented an impact assessment which found that the continuation of free television licences to the over-75s will cost the Corporation £745 million in 2021/22. In 2029/30, the concession cost will have reached over a billion pounds a year when 5.7 million households will be eligible. Over-75 households consume the most BBC content of any age group (33 hours a week) but are currently not required to pay for this service under the concession.

2.2 Pact believes in the principle of proportionality and intergenerational fairness. Pact is concerned that the licence fee burden should not be placed unduly on younger generations, whose consumption of BBC content is lower than that of the over-75-year age group. For example, the youngest age group (16-34) consumes as little as 8 hours a week on average of BBC content.<sup>6</sup>

---

<sup>4</sup> Creatives Industries, UK Creative Industries Value, November 2018, <http://www.thecreativeindustries.co.uk/resources/infographics> - Accessed 25/1/2019

<sup>5</sup> BBC Annual Report and Accounts, 2017/18 p63

<sup>6</sup> Frontier Economics, Review of over-75s funding: A report prepared for the BBC, November 2018

2.3 Pact notes that the concession was introduced in 2000 when pensioner poverty was significantly higher than today. However median income for families headed by those aged 65-74 has improved to the extent that it overtook that of working age households in 2009/10. However, Frontier Economics established that 32% of over-75-year-old households are still found in society's three poorest income deciles. Pact believes that the evidence presented by Frontier Economics shows that whilst there may have been improvements of the general prosperity of the over-75s, there are still substantial numbers in this age group for whom the concession prevents them from sinking deeper into poverty. The Frontier Economics report noted that among the poorest 1% of over-75 households by income, the concession is worth around 6.7% of income on average.<sup>7</sup> Research from the charity, Age UK, found that the end of the licence fee concession could push 50,000 people into relative poverty.<sup>8</sup>

2.4 Pact recognizes that the licence fee of £150 a year imposes a burden on all lower income households, regardless of age. Reviewing the BBC Annual Report of 2017/18, Pact notes that the number of colour licences fell between 2017 and 2018 by 56,000 whilst at the same time, the cost of the licence fee rose by £1.50 to £147. Pact is concerned that this fall shows that substantial numbers of households did not renew their TV licence because of the rising licence fee cost.<sup>9</sup> Pact is unable to confirm whether there has been a parallel rise in licence fee evasion rates and prosecutions as this information is not detailed in the BBC Annual report. The BBC Annual Report only notes twice that there are "actions in progress to reduce evasion rates".<sup>10</sup> Pact also notes that the BBC recorded in their Annual Report that there was an increase of licence fee debt held by the BBC between 2017 and 2018 from £396 million to £405.3 million. This £9 million rise in licence fee debt indicates that more households are unable to pay, or clear their licence fee debts, and are

---

<sup>7</sup> Frontier Economics, Review of over-75s funding - A report prepared for the BBC, November 2018

<sup>8</sup> Age UK, why free licence fees for the over 75s matter, December 2018,

[https://www.ageuk.org.uk/discover/2018/why-free-tv-licences-for-the-over-75s-matter/#\\_edn1](https://www.ageuk.org.uk/discover/2018/why-free-tv-licences-for-the-over-75s-matter/#_edn1)

<sup>9</sup> BBC Annual Report 2017/18, A2 Licence Fee Income Table, page 191

<sup>10</sup> BBC Annual Report 2017/18, 'Strategic risks and opportunities', Section 4. Financial stability, page 114 and 'Operational risks and opportunities', 2. Business management and change, page 115

therefore in arrears to the BBC.<sup>11</sup> Pact is concerned that evasion rates and debt arrears will show further increases between 2018 and 2019 because the licence fee rose to £150.50 in April 2018. This is a much more substantial rise than the previous year.<sup>12</sup> Concerns regarding rising evasion rates and debt arrears will also be true of the next financial year between 2019 and 2020 for on the 1<sup>st</sup> April 2019, the colour licence fee will go up again to £154.50.<sup>13</sup>

2.5 Faced with the evidence of the licence fee's impact on poorer households, it is the responsibility of the BBC to come up with a credible solution. Pact is therefore disappointed that all the concession options presented by the BBC come with significant costs for one group of households or another. Pact believes that whatever concession scheme accompanies the licence fee, it should be fair, proportionate and progressive. The option of raising or lowering the age threshold would simply represent the switching of one arbitrary threshold to another one. Discounting the concession would be disproportionately felt amongst the poorer over-75-year-old households. Pact is also concerned that the introduction of a means tested licence fee would be ineffective and excessively intrusive. For example, the introduction of a means test based on the Pension Credit would be flawed as the take up of this benefit amongst pensioners is low, with nearly 40% of eligible households not claiming their full retirement benefits. There is also the wider question of whether a means testing concession can ever be administered in a fair and proportionate way. Other options include linking the concession to disability benefit, which would require the BBC to access multiple Government (Department of Work and Pensions) databases. The BBC stated that this option would increase verification costs and risk of error.

2.6 Pact is also concerned that many of the options presented by the BBC will confer on the BBC tax-raising powers, which should properly belong to the national and

---

<sup>11</sup> BBC Annual Report 2017/18, Financial Statements, G3.1 Financial risk management, Explanation of term 'Credit Risk' which states that the largest element is the licence fee debtor, £405.3 million (2017: £396.0 million) page 219

<sup>12</sup> BBC, Information on the licence fee, [http://www.bbc.co.uk/faqs/general/licence\\_fee](http://www.bbc.co.uk/faqs/general/licence_fee)

<sup>13</sup> The Communications (Television Licensing) (Amendment) Regulations 2019. These Regulations amend the Communications (Television Licensing) Regulations 2004 (S.I. 2004/692) by providing for increases in—  
(a) the amount payable for certain categories of TV licence.

local authorities. If the BBC cannot find a clear, fair and progressive policy on licence fee concessions without increasing welfare harm to society, then Pact would urge Government and Parliament to consider whether this policy decision should belong under their statutory powers and take over the full or part of the cost of either the concession or the proposed alternatives.

2.7 Pact believes that the licence fee is paid by the British licence fee payer for the purposes of commissioning original UK content which should entertain and inform every diverse community in the UK.

2.8 Pact believes that it is better for the concession to end in 2020 rather than weaken the BBC Public Service's investment in content for all generations and all diverse communities across the UK. The BBC has described younger age groups as being "essential to the future of public service broadcasting" in their written evidence to the House of Lord Communications Committee inquiry on 'The internet: To regulate or not to regulate'<sup>14</sup>. Pact believes that the BBC must apply the concession's saved costs towards great British content for younger age groups and to better reflect the diversity of the UK. This additional funding for content must be ringfenced by the BBC. The saved revenues should not be used for new operational, technical or strategic investments beyond those required to invest in content. This will ensure that all age groups feel valued and provided for by the BBC. In turn, this will ensure the necessary public support which is essential for the future of the BBC as a public service broadcaster.

---

<sup>14</sup> House of Lords Communications Committee, BBC written evidence, Para 32, <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/communications-committee/the-internet-to-regulate-or-not-to-regulate/written/83491.pdf>