

**The British Broadcasting Challenge**  
[www.britishbroadcastingchallenge.com](http://www.britishbroadcastingchallenge.com)

**Submission to the House of Lords Communications and Digital Committee**

**Future funding of the BBC**

The British Broadcasting Challenge is a small group of media academics, writers and producers who are aware of the challenges facing public service broadcasting. We would be delighted to give oral evidence to the Committee.

We have two aims.

Firstly, to promote a wide-ranging discussion about the future of UK public service broadcasting – its potential for good, its ability to transmit truth, its institutional place at the heart of the UK and how it can be improved for the digital age.

Secondly, to ensure that this debate is accountable to parliament and the public, that is open and transparent and not conducted behind closed doors.

The British Broadcasting Challenge launched in May 2021 with an open letter to the Secretary of State for Digital, Media, Culture and Sport asking for an open, genuine and transparent debate on the future of public service broadcasting.

This was signed by a wide range of over 120 public figures including Sir David Attenborough, Dame Hilary Mantel, Sir Lenny Henry, Sir Richard Lambert, Sir Mark Wolpert, Sir David Manning, Kwame Kwei-Armah and Baroness Kidron. It was reported in the *Financial Times* on 24 May 2021 and the full letter can be read on our website.

**Steering group members**

Pat Younge (chair)

Professor Steven Barnett

Christopher Day

Rosaleen Hughes

Lindsay Mackie

John Newbiggin OBE

Jess Search

Professor Jean Seaton

Chris Waiting

## **What is the purpose of a national broadcaster and how should it be funded?**

### **The BBC – our national broadcaster**

In the UK we are fortunate to have a system of public service broadcasting which is unique in the world, and in the BBC we have a national broadcaster which is the cornerstone of that ecosystem. We believe it is imperative that it receives sufficient funding, via a mechanism which protects, promotes and augments its operational and editorial independence, to enable it to continue to serve the British public. We, the British Broadcasting Challenge, believe that the purpose of a national broadcaster is to be ‘For Us, By Us and About Us’.<sup>i</sup>

**For Us** - For a hundred years the BBC has provided the British public, and the world, with trusted and impartial information which has generated informed and civilised debate. It has enriched our cultural life with music and the arts, entertainment, drama and comedy, on TV, radio and online. It has generated shared audience experiences which bring the nation together, from *Doctor Who*, to *Strictly* to *Blue Planet*. At times of crisis it has provided the essential societal glue, from the second world war through to the most recent pandemic.

**By Us** – The BBC’s long history as a storied content producer has provided a strong talent pipeline for the whole UK industry, and its record of technological innovation has positioned the UK as a global technical leader. Since its inception the BBC has offered opportunities to women which were rare elsewhere. It has led the way in the portrayal and employment of under-represented ethnic minorities and their issues. The BBC’s move to Salford kick-started the establishment of Media City which offers quality employment in an economically deprived region. The BBC is continuing its drive to increase its regionally based production, at considerable financial cost to itself and over half its production staff are based outside London.<sup>ii</sup>

**About Us** – the BBC reflects the national and regional diversity within the UK. In doing so it celebrates both the things which unite us and those which make us different. Its programmes whether they are news and current affairs, soaps, drama or children’s television, have a specifically British content and context which is usually lacking in programmes made for an international audience, and is in stark contrast to the content offered on subscription-based streaming services. Local radio is an important source of reliable news and information at a community level where other sources are largely absent, and the nations’ and local news bulletins are the most watched shows on UK television most evenings.

The BBC is the cornerstone of the whole public service broadcasting ecosystem and the benchmark for other UK broadcasters. It innovates both technically (the iPlayer) and creatively. It has backed new formats from independent producers, such as *Bake Off*, which, once successful, are frequently copied by commercial broadcasters after the BBC has taken the initial risk. It provides programmes such as those for children and local radio for which commercial broadcasters have little financial incentive.

We believe that the BBC must continue to be independent, impartial and free at the point of use. This is the only way in which it can continue to be the national asset it is now, which nourishes our collective sense of identity and our civic health in an age of disinformation and conspiracy theories. We live in an age where disinformation, misinformation and malinformation are rife and people increasingly have to pay for well-researched and trustworthy information.

Elites have always had access to good information, but as more people use social media to tell them what they want to hear it is essential that everyone has access to *free* trustworthy and impartial information. If not, we risk going down the path of the United States, where many people refuse to accept factual information unless it comes from sources they agree with; just compare the acceptance of the Brexit outcome to the response to Donald Trump's defeat in the 2020 presidential election.

Research has shown that the BBC is trusted more than any other news source. They trust it because of its reputation and long expertise in impartial reporting which dates back to before the second world war. Governments of all parties have at times found the BBC's impartial and independent reporting an irritant. While it may sometimes fall short of its own rigorously high editorial standards it has demonstrated a remarkable, indeed almost unique, capacity to recognise and remedy that.

We believe that the BBC's independence is necessary for it to continue to be a source of British soft power around the world. This government has explicitly recognised that an independence from state direction is essential to the influence of British soft power and cites the fact that the BBC is the most trusted broadcaster worldwide.<sup>iii</sup>

During 2020 and the Covid pandemic the BBC's news websites recorded the highest reach of any international media organisation in the world. There was a huge surge in visits to BBC world language websites to find comprehensive coverage, video-explainers and fact-checking pieces. In 2020 the BBC was the second most trusted news source in the US, second only to local news.<sup>iv</sup> The war in Ukraine has demonstrated with terrible clarity the vital role that the BBC plays in bringing trusted news and information to parts of the globe that have little or no access to accurate reporting.

### **How should the BBC be funded?**

We believe that the BBC as the UK national broadcaster must continue to have scope, reach and scale. If it is shrunk the whole ecosystem of public service broadcasting will be seriously damaged. We should examine carefully the motivation of those who advocate a smaller BBC and ask what content or services they believe should be sacrificed: invariably, these questions lead to myriad different (and conflicting) answers, with vigorous campaigns launched to save whatever favoured services are being threatened with closure, as with 6 Music in 2010 and the Asian network in 2010.

If the BBC is to maintain its scope, scale and reach, nationally and internationally, we believe that it should receive sufficient funding to fulfil its remit and not suffer death by a thousand cuts, most of which have been imposed with no public debate. Since 2010 the BBC has seen a cut in the real value of its funding of 25%.<sup>v</sup> The licence fee was frozen between 2010 and 2017 and from 2022 it will be frozen for two more years before rising in line with inflation. Since general inflation is now running at around 4% and production inflation in the television industry is estimated to be approaching 25% in some areas like drama and talent this will mean a further decline in the real value of its funding.

The BBC is a national broadcaster and not a state broadcaster, its independence from government is crucial and for it be truly independent, and perceived to be so, we believe that its source of funding needs to be separate from general taxation.

The licence fee serves as the guarantee of the BBC's independence but in recent years it has come under attack. Rather like the House of Lords itself it has been criticised as an outdated anachronism. We believe that while the licence fee may be imperfect it has worked effectively in practice and that its detractors have peddled a number of myths.

It has been criticised as regressive and a compulsory tax on people who cannot afford it. The licence fee is currently £159, which amounts to 43 pence a day or £3.05 a week. Given that it funds 8 national TV stations, 10 national radio stations, a network of regional and local radio stations and one of the most visited online sites in the world, we believe it represents astonishing value for money. A subscription to Sky is £312 (£492 with Sky sports) and a basic subscription to Netflix which produces nothing like the range of the BBC's programmes is £120.

If the most recent settlement had allowed the licence fee to rise in line with general inflation it would have risen by 2 pence a day or 13.4 pence a week.<sup>vi</sup> While in no way belittling the plight of hard-pressed people on low incomes this is a tiny proportion of the increase in the cost of living compared to the rise in prices of food and fuel. It is hard to escape the judgment that the BBC's cultural critics and commercial rivals have disingenuously singled out the licence fee as a major burden on poor households, out of a desire to constrain the BBC rather than out of any meaningful compassion for the poor.

It is also claimed that people who do not watch or listen to the BBC are forced to pay for it. But verified research has shown that over 90% of households access the BBC in some form each week.<sup>vii</sup> An experiment where households who claimed they did not want the BBC were deprived of it for nine days showed that most of them then realised how much they valued it and changed their minds.<sup>viii</sup>

We are not opposed to reform of the funding system, but some methods proposed as an alternative to the licence fee bring with them considerable defects. General taxation is used by many countries to fund a national broadcasting system but research has demonstrated that this leads to political pressure and consistent under-funding.<sup>ix</sup> For this reason it was rejected by the DCMS Select Committee in 2015.

Subscription has been touted as a way to make the BBC more commercially self-reliant and remove a regressive burden. It has been claimed that the increased popularity of streaming services demonstrates that this is a viable path for the BBC. But streaming services such as Netflix and Disney+ are primarily sources of entertainment. They produce nothing like the range of programmes which the BBC does. Most importantly, they produce no journalism and no radio whatsoever.

We firmly believe that a national broadcaster should be universal and free at the point of use. Universality is at the core of the BBC's remit; it provides something for everyone and this would be lost if it moved wholly or partly to subscription. It is the universal nature of the licence fee which ensures that it must be accountable to the whole population. For the BBC to be funded wholly or partly by subscription it would be necessary to introduce conditional access technology so that those who did not pay could not receive it. It is not possible to achieve this for radio nor for those who access television solely through Freeview. These households would need to purchase new televisions or set-top boxes.

Recent research has shown that there are 8 million adults who only watch Freeview television and many of them are in economically deprived or otherwise vulnerable groups. 4 million are in the C2DE socio-economic group, 3 million live alone, 2.7 million are over the age of 75 and 1.8 million have a disability. These groups watch more television than the average and rely on it for entertainment and company.<sup>x</sup> Many of them live in hard-to-reach areas, especially rural and in the north, for whom high speed, universal broadband is still the stuff of dreams.

It is also important to realise that the subscription costs of the major streamers do not represent the real costs of their product. They are generally loss-leading, loss-making or debt-funded and not wholly reliant upon subscriber revenue.<sup>xi</sup> If the BBC were funded by subscription then there is no doubt at all that it would have to charge considerably more than the present licence fee to compensate for those who would choose not to pay it, some estimate by as much as 50%.<sup>xii</sup> Or it would have to take advertising, with the consequential loss of income to the existing commercial broadcasters.

Some people have suggested that the BBC should continue to provide some types of content – such as news and current affairs and children’s programmes – for free, while offering other categories of programmes through subscription. But this would drive the BBC to put as many popular programmes as possible behind a paywall greatly to the detriment of those vulnerable groups who rely most on free-to-air services. This would instantly undermine the fundamental principle of a public service institution whose content is freely available to all. It would also deny free, easy access by poorer households to some of our most admired programmes. David Attenborough is now a household name, but how many would be willing to pay for a subscription to the BBC’s Natural History Unit which nurtured his programmes for decades?

It is also extremely difficult to draw a strict line where public service content ends and entertainment begins – Childline is a by-product of a factual entertainment show, *Comic Relief* uses entertainment to support vulnerable children at home and abroad. Many soaps and dramas air social issues in an informed and balanced way and in a manner which chimes with a specifically British temperament, from domestic violence on *Eastenders* to thalidomide on *Call the Midwife*. Popular programming is a vital aspect of the BBC as a universal service.

A combination of free-to-air and subscription would also be more expensive since all funding systems have fixed collection costs and a hybrid system would inevitably mean a greater percentage of the income being spent on collection.

## **Reform**

We recognise that viewing habits are changing and we are open-minded about the need for reform of the funding system. More people now access television and radio through mobile phones, tablets and computers rather than TV sets or radios. Although the licence fee applies to television programmes, watched either live or through the iPlayer on any platform many people, especially young people, who do not have a television set feel no obligation to pay the licence fee and at present the iPlayer is not encrypted.

This is a growing problem and one possible solution is a general household broadcasting levy which is independent of any device. This system operates in Germany and is applied to all households including second homes. It is collected by an independent agency and students, some unemployed people, some pensioners on low incomes and disabled people can apply for exemptions.<sup>xiii</sup> It currently stands at 220 euros (£182) a year, so it is more expensive than the licence fee.

Almost as important as the funding model itself is the manner in which it is decided, and by whom. Historically the level of the licence fee has been set behind closed doors, frequently accompanied by some unedifying behaviour by politicians. Any funding system should minimise interference from politicians in the day-to-day operations of the BBC, and must be at a sufficient level to sustain the BBC as an institution designed to serve the British public across all content genres and all platforms. We believe that it is vital that there should be an open and transparent consultation on any reform to the funding system of our national broadcaster and that this process should be accountable to both public and parliamentary scrutiny.

The starting point for any reform of the funding mechanism should be an awareness of what kind of BBC we want. The BBC is a national asset and we all benefit from its contribution to our civic and cultural life regardless of how much we consume individually. The BBC as an institution embodies British values and its strengths are recognised nationally and internationally and never more so than in times of acute national and international crises. It is in our democratic interest to preserve it and we should tread carefully – it is much easier to destroy institutions than to create them.

## References

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<sup>i</sup> The British Broadcasting Challenge launched in May 2021. Its aims are to promote a wide-ranging discussion about the future of British public service broadcasting and to ensure that debate is open, public and transparent.

<https://britishbroadcastingchallenge.com/our-mission/>

<sup>ii</sup> BBC Annual Report 2020/2021

<https://downloads.bbc.co.uk/aboutthebbc/reports/annualreport/2020-21.pdf>

<sup>iii</sup> ‘Global Britain in a Competitive Age: Integrated Review of Security Defence, Development and Foreign Policy’, CP 403 March 2021, P. 49-50

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<sup>iv</sup> Reuters Institute Digital News Report 2020

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<sup>v</sup> Research carried out by the Voice of the Listener and Viewer. VLV Briefing Note: BBC Funding Settlement, January 2022

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<sup>vi</sup> Research carried out by the Voice of the Listener and Viewer. VLV Briefing Note: BBC Funding Settlement, January 2022  
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<sup>vii</sup> BBC Annual Report 2020/2021  
<https://downloads.bbc.co.uk/aboutthebbc/reports/annualreport/2020-21.pdf>

<sup>viii</sup> Life without the BBC - household study 2015  
<https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/lifewithoutthebbc.pdf>

<sup>ix</sup> Jeanette Steemers, The Funding of Public Service Broadcasting in Europe – Funding Systems and Decriminalisation – Selected Territories Information Briefing 30 March 2020.  
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<sup>x</sup> ‘BBC and subscription – Impractical and not inclusive’, Enders Analysis 28.1. 2022

<sup>xi</sup> ‘BBC and subscription – Impractical and not inclusive’, Enders Analysis 28.1. 2022

<sup>xii</sup> Patrick Barwise and Peter York, ‘What’s the Right Long-Term Funding Model for the BBC?’ In John Mair ed. ‘The BBC: A Winter of Discontent?’

<sup>xiii</sup> Jeanette Steemers, The Funding of Public Service Broadcasting in Europe – Funding Systems and Decriminalisation – Selected Territories Information Briefing 30 March 2020.  
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