

Culture, Media and Sport Committee

Oral evidence: BBC Royal Charter, HC 140

Tuesday 2 June 2026

Ordered by the House of Commons to be published on 2 June 2026.

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Members present: Dr Rupa Huq (Chair); Vicky Foxcroft; Damian Hinds; Natasha Irons; Jo Platt; Jeff Smith; and Cameron Thomas.

Questions 81 to 167

Witnesses

I: Rob Collier, Principal, 3 Reasons and MTM; and Gill Hind, Managing Director, Media, Enders Analysis.

II: Professor Justin Lewis, Professor of Communication and Creative Industries, Cardiff University, and Director of Media Cymru; and Professor Maria Michalis, Professor of Communication Policy, University of Westminster.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Examination of Witnesses

Witnesses: Rob Collier and Gill Hind.

Q81 Chair: Welcome to this morning's meeting of the Culture, Media and Sport Committee. I am not Dame Caroline Dinenage—she is away; I am Rupa Huq, keeping the Chair warm for her while she is gone.

We are on our second oral inquiry of the evidence on the BBC charter review. We have two expert witnesses here today: Rob Collier, principal at 3 Reasons and MTM, and Gill Hind, managing director of media at Enders Analysis. Welcome both of you—you have made it in on a tube strike day; that takes some doing. Before we start, do any Committee members wish to declare an interest? I do not know if this counts, but I used to work for the BBC a very long time ago, in the '90s.

I will start with the first question. I wanted to ask about the context in which the BBC is trying to maintain audiences and viability. The Government said that they want to explore funding models that support the BBC serving UK audiences in an "increasingly competitive media environment." Rob Collier, can you explain what they mean by that, and what the challenges are at the moment for the BBC?

Rob Collier: Not second-guessing what the report might refer to, the way we would describe it is that the media landscape that we participate in has changed very rapidly over the last 10 or 15 years with the advent of online services.

The BBC, other PSBs and commercial broadcasters have gone from an environment—if you think back to analogue terrestrial—with five channels and not very much competition for TV and media entertainment, set in a grid, to DTT, where there are 100 channels, but a lot of the viewing goes to the top channels in the grid. They are translating that competing for share within the channel grid into today's environment where a lot of video delivery is happening over the internet, and there are hundreds and thousands of channels, producers and people making content.

That is a very different competitive environment from the linear landscape and analogue terrestrial landscape we came from. That is probably what they are referring to. There are incredible levels of competition where anybody can make video. That is the environment that we are in now.

Q82 Chair: There were only three channels when some of us were little—I know you said five, but you are younger than me. Gill, does that correspond with your research at Enders?

Gill Hind: Absolutely. Building on that, we also have to consider that in the run-up to the last charter period, it was basically only broadcasters that you could watch on TV, and about 98% of all TV set viewing was to broadcasters. If you fast-forward that 10 years, 10% of everything viewed on television last year was on YouTube. You have to consider that it is not

just SvoDs that are on there, but things like YouTube are competing very heavily.

- Q83 **Chair:** Part of what you both do is forecasting. What do the trends show will happen in 10 years' time with the end of linear and with video-on-demand and YouTube?

Rob Collier: It is really interesting. Our approach to forecasting is that we typically look at behaviour by age to see how viewing behaviour differs for different generations. That allows us to think about how people's viewing behaviours change as they grow older. For older audiences in particular, we look at a "broadcast first" segment. People who watch a lot of broadcast TV tend to be older, so a lot of broadcast TV—the 90% that Gill was talking about—is for older audiences.

Younger audiences are watching SvoD operators and YouTube, and they are watching very little linear content. They are still watching some BBC and PSB content, but it is in the infancy; it is much smaller. If you think about those behaviours evolving over time, there will be much less linear viewing, much less broadcaster viewing and much more viewing on services like Netflix, Amazon Prime, Disney and YouTube, as Gill said. When we think about evolving behaviour, that is what we are considering: going from a linear era into a VoD era. You can see from the data that the kind of penetration and adoption of the BBC and PSB services is much lower in the VoD-first audience.

- Q84 **Natasha Irons:** You were saying that the trend among young people is not to watch linear telly, as they have gone on to YouTube. Do you have analysis of how much PSB content they are watching on YouTube? There has been a shift from the PSBs to move a lot of their content on to YouTube to capture those eyeballs. Is there any analysis of whether they are watching PSB content, just in a different place?

Gill Hind: You can see how much YouTube viewing is of broadcasters. You are right that they are starting to put more and more content on to YouTube, whether it is the whole programming or small bits to tease things and so on. It is very difficult to calculate exactly, but we are talking about 1% or 2% of total viewing for, say, Channel 4 or ITV. It is still very much in its infancy.

Rob Collier: YouTube is absolutely vast. There are 14 billion views published on YouTube, so it is absolutely ginormous. The way that content is surfaced on YouTube is all algorithmically driven. How people discover content is fundamentally down to the algorithms that Google decides it should show. In that environment, the prospect that any individual operator gains a material share is really unlikely. There is no structure to discuss whether any UK broadcaster—the BBC or anyone—would get a resilient and reliable share on YouTube, because it is all just down to the algorithm.

We did some analysis, and if you take that 14 billion, 90% of those videos—it is a crazy percentage—get fewer than 250 views in their entire life. You have a huge amount of content being picked up by the algorithm.

Asking the BBC or any broadcaster to compete in that environment is really challenging. It is destined for failure, in that sense. You have to have some structure. If you want to have PSM content to work in that environment, you need some structure around it.

Q85 Chair: The traditional channels are going more down that route. When we went to ITN, its most popular thing is its TikTok channel, which is a 15-second burst or something—attention spans and all that. We know also that in the mid-2030s there will be the big switch-off from digital terrestrial TV to internet protocol television. We are future gazing a bit here. What opportunities and threats does all that bring for the BBC?

Gill Hind: In terms of opportunities, if you have delivery via IP you can provide a lot more personalisation or recommendations, for example. The BBC is doing this already. They are investing quite a lot of money into improving things such as subtitling and audio description, making it easier for disadvantaged people to access TV. There are a lot of positives, but those bring a huge number of challenges, because as Rob described, you are opening yourself up to an environment where there are millions of competitors against you.

If you consider a normal television that we used to have, there were only a few channels on there. Now we own smart TVs, you are competing against other channels, but importantly, those connected TVs have a layer called an operating system, and they can determine who is on those televisions. Every broadcaster needs to negotiate with those TV manufacturers to be seen on there.

Admittedly, there is prominence coming in there, so the PSB players will receive appropriate prominence, but everything else above that is a negotiation. That means that you might not own your data; if you do not own your metadata, it is very difficult to provide the recommendations for the commercial broadcasters to do targeted advertising and so on. There is a huge amount of challenge, but there is some opportunity in there as well.

Rob Collier: Gill is absolutely right about the opportunities. There is a huge opportunity to create better services and to have a better experience for UK audiences with the move to online. That is why people are already doing it.

If I think about my TV viewing, it is all online. I do not really watch that much broadcast. I watch linear, but I do not watch it via a broadcast mechanism. I find the experience better, and that is what a lot of the UK audiences are doing at the moment. To Gill's point, those experiences already exist and people are moving organically in that direction. At 3 Reasons, we would articulate the challenges by talking a lot about destinations and destination strategy. When we say "destination", we mean, "Where do audiences go when they don't know what they want to watch?"



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I might have an appointment to view—that might be sport; it might be news—but a lot of my viewing, somewhere between 40% and 50%, is where I don't really know what I want to watch. Where am I going to turn to? Historically, that would have been the linear grid. I would have turned my TV on and I would have got the linear EPG.

Chair: Your "Radio Times" or "TV Times".

Rob Collier: Yes—that is dating me a little bit. At Christmas, it would have been the "Radio Times". That is exactly it. That is planning—planning the week or whatever of what I am going to watch. But when I don't know, I am going to turn my TV on, I am going to go to the linear grid and I am going to select from that list of probably 10 channels. I am probably going to be quite lazy and not go to the second page. I don't really care that much about what I am going to choose.

At the top of the grid is the BBC, where it should be, but then I have great commercial services from the other PSBs that I can pick from, and then I have UKTV and so on. My destination when I don't know what I want to watch is linear and is public service broadcasters.

But in the new environment that Gill has described on a smart TV set, those destinations are Netflix and YouTube, and to some extent Amazon Prime. We see it in the data we look at, especially for younger people. When they don't know what to watch, they are not turning to the linear grid. They are turning to VoD services. That is the environment that Gill has described. There are many more tiles. There is Netflix, there's YouTube, there's Disney, there's Amazon Prime, and there's BBC and Channel 4 and ITV. That is just a much more fragmented choice that you are asking people to make. That choice introduces competition.

The question for the future of the BBC is how it can effectively compete in that environment in order to support public service media content. That is the question. It is getting harder, because they have a privileged position on the linear EPG, but the importance of that EPG to audiences is declining and they have less prominence in an online world, because it is just more competitive.

Q86 **Chair:** The days of "Who shot JR?" and the national grid collapsing because everyone is putting their kettle on—gone.

Gill Hind: In fairness, that collapsed quite a few years ago, if you look at the audiences. Apart from, say, the football over the summer, when 13 million people will be watching, the average audiences are down and down and down, for that very reason.

Q87 **Vicky Foxcroft:** Gill, if the scope of the licence fee was expanded to capture any household with a device that can receive the BBC, what kind of impact could that make to BBC revenues?

Gill Hind: That is an interesting question. If you look at the number of households who don't pay the licence fee, there is a group there called "no licence needed", which is now about 3.6 million households. You have to



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question whether all of those don't need the licence or they are just ticking that box.

Even if you were to make it broader, there would still be a huge number of those "no licence needed" people who might still not pay, even if they were supposed to. Having said that, if a third of them said, "Actually, I now know I need to pay the licence fee," that is about £200 million a year. That is quite a significant sum.

The licence fee itself is probably structurally challenged, should we say, and one of the reasons for that is the fact that it does not capture all devices. Making it catch those devices and encouraging those people to pay, which is a different matter, will be hugely important.

Q88 Vicky Foxcroft: You said £200 million.

Gill Hind: That is if you say a third of those, but that is probably the minimum. Assuming that the message gets across on "I am watching BBC content on YouTube, therefore I need a licence fee" or "I am watching it on my phone," I think a third is probably the minimum level. It should be much higher than that.

Q89 Vicky Foxcroft: How much at the full amount?

Gill Hind: It is 3.6 million times £180. I can't do the maths in my head—I apologise.

Q90 Vicky Foxcroft: You have already touched on some of this, but what other challenges could you see arising from implementation and enforcement?

Gill Hind: I think it depends what you are talking about. If you are just talking about increasing the licence fee, there has to be a lot of communication about any particular change in implementation. In the last charter, they closed the iPlayer loophole, which was probably effective, but it has gone a lot further than that. A lot is about consistent messaging.

It is also about encouraging the BBC to say to everyone, "What do you want from us?" If you can explain the context of what the BBC provide, you are more likely to have people saying, "Yes, I am willing to pay for that. I understand it now—it brings me X, it brings me Y." It brings me, you know, Bitesize and so on.

Rob Collier: MTM has done a study for the BBC over a number of years, which is called the deprivation study—part of the group that I work for is a research business and we have been commissioned by the BBC to run a study. The experiment is, "What do audiences do and say if you take the BBC away from them and they don't have access to BBC services?"

In the most recent public study, they took a group of people who did not pay or said that they did not want to pay the licence fee. They all signed up and gave permission. They stopped that group of people from accessing the BBC services and, at the end of the experiment, said, "What do you think now?" Seventy per cent of the people who had the BBC

services withdrawn said, "Actually, I do think it's good value for money. I didn't know what I was missing or what I was paying for."

On questions around enforcement and evasion of the licence fee, I would make two considerations. One is that you do not want to stop UK audiences accessing BBC content. You want to make that as easy as possible. That is what the BBC is there for.

Take covid not that long ago—we really needed the BBC in that environment. We really needed the BBC for public messaging and everything it did during covid. If those 3.6 million households cannot access the BBC, it feels like a policy failure in that environment. You want those households to be able to feel like they can access the BBC and buy into UK society. That is what it is there for. Any enforcement regime needs to be sympathetic to that.

The second thing, to Gill's point around communication, is, why is the BBC here? What does it do? There is transaction trap that the BBC should not fall into. Especially in today's media environment where we are paying subscription fees for lots of different services, people are thinking about the BBC as a subscription or a fee that correlates to their usage. It has to, because the BBC has to deliver value back to the audiences that exceeds the licence fee.

However, there also needs to be a consideration that the licence fee is not just about my usage—I am paying into the BBC so my neighbours can watch their shows, see impartial news and be part of that community and that society. That is important. As for closing the iPlayer loophole where people using it tick a box, you do not want to create a transactional relationship with the BBC. There should be a check, but that should not be the purpose.

Gill Hind: I suppose that is about getting across that the BBC is a public good in much the same way as the NHS and education are. You are willing to pay for education even if you do not have children, for example.

Q91 **Vicky Foxcroft:** What other reforms could be made to the licence fee that might make a significant impact on the BBC's revenues?

Gill Hind: I thought you were going to ask a slightly different question. It should absolutely be widened to include anyone who can watch the video, but we also have radio and online. If you include every household consuming BBC radio or online, you are pretty much getting universal coverage. That is an important part.

Coming back to the evasion point, it needs to be a bit more progressive. A lot of the people who currently do not pay might not be able to afford to. We need to think about, "Do you have exemptions for the very disadvantaged people?"

Rob Collier: There is another change I would make, which does not necessarily contradict what Gill is talking about. People think of the licence fee as a linear mechanism—"I'm not watching live TV, therefore I don't



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have to pay.” That is increasingly archaic in terms of media coverage. If you change those perceptions about what the licence fee is for—it is about how you consume video or any BBC service, and it is a public good and not linked to live TV—I am not sure whether that changes the mechanics beyond what Gill said, but it does change the positioning, which is important.

Gill Hind: Over half of BBC viewing among under-24s is through the iPlayer and virtually all of that is not live, but on demand. If people think, “I’m not watching the BBC live so I don’t need to pay for the licence fee”, they have a misconception that needs to be aligned.

Rob Collier: To the point about people who think they do not need to pay and the deprivation study, people are really bad at knowing what they are doing. In the research world, people repeatedly under-claim. There are great studies where people go, “I don’t watch any live TV”, but actually they are watching hours of live TV a day; they just do not remember it. The idea of “I’m using this service so I should be contributing to it” is important.

Q92 **Natasha Irons:** I should declare an interest: I used to work at Channel 4, and my partner currently works there.

I am going to pivot a little to the household levy idea, because we have had a lot of submissions that are supportive of that model. Gill, how would a household levy work and what are the essential differences between that and the licence fee as we currently understand it?

Gill Hind: In some respects you could argue that a household levy and a licence fee—if you widen the licence fee out to anyone who uses the BBC or has those devices—are quite similar in terms of near universal access.

The one big difference—there are quite a few differences in there—is that if you have a household levy, you should automatically reduce evasion, because everyone should be paying for it. That makes perfect sense. It should be independent of Government, but I think there is more chance of the Government saying, “Actually, we are going to freeze it,” or whatever, so it is not fully independent of that.

It should lower administrative costs, again because you are not paying for the licensing enforcements and it is fair, but then you have to think about how you do it. It has been mooted that you could do it in the council tax, but council tax goes from various bands, and you might argue that the bands from 1991 are not particularly fair. Also, if it is collected by the local councils, you are changing something: local councils are there to do everything for your local services and will suddenly be collecting the national part.

Of course, different councils have different levels of collection enforcement of council tax. And council tax—I might be wrong here—is probably the least popular tax that has been introduced, so anything to do with a sudden increase of it by a lot would be problematic.



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Q93 **Natasha Irons:** Are we saying that the advantage is a bit of independence from Government and it applying to everybody, but the—

Gill Hind: There are advantages, but it is how you actually achieve it.

Natasha Irons: The challenges are the delivery of it.

Gill Hind: Yes. I think that if you had started this discussion five or six years ago, you might have been able to bring something in in time that has cross-party support about how it is delivered. But trying to do it in 18 months will be extremely problematic.

Q94 **Natasha Irons:** Rob, do you think there are any benefits to a household levy?

Rob Collier: I don't. I agree with Gill about the operational challenges—the actual nitty gritty detail of a household levy probably means that it is implausible.

There are arguments about the public good and everybody contributing, and the idea that everybody qualifies for the licence fee and, therefore, it is the equivalent of a household levy. From the BBC's perspective, it should be the aim that it is everything for everybody, and from a UK audience perspective, that means that everybody feels like they are benefiting from the BBC. It is a question of how that gets delivered. I agree with Gill on all those points.

Q95 **Natasha Irons:** Is the main challenge the transition to that new system, rather than the principle being the problem?

Gill Hind: If you want it to be called progressive, you could, but you would be basing it on household bands of houses x number of years ago, so it is probably not—

Q96 **Natasha Irons:** You are trying to fix council tax for us. That would put a lot of things in the too-difficult box. Do you think it is better to change how the licence fee currently works and make it a bit more universal and device-neutral, rather than bring in a wholesale change?

Gill Hind: Over the next charter period, yes, but you might then say, depending on how long the charter is, "What about in 10 years' time?" This could be something that you work to. In other countries where they have changed from the licence fee to other things, probably the most successful place was Germany, and that took about 12 years from the start of initial discussions to actual implementation. It takes a long while.

Rob Collier: I agree. On all the comments just made about how you might change the licence fee by making it more universal and extending it to every device, you would want to do those things before introducing a levy anyway. If you don't, you will probably face quite a lot of backlash from those 3.6 million homes that say, "We don't currently pay and now we have to." Audiences need to go on that journey. You could consider it for the next review period, for example.

Q97 **Natasha Irons:** Just to wrap up, were you surprised that the Government



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left it out of the consultation, because it sounds that there are things here to tease out? Would it have been a good place to start the conversation about this?

Gill Hind: I would have probably assumed that it would have been in there, even if they had been slightly sceptical about it, as they were about things such as advertising and subscription.

Rob Collier: I think it is a more plausible model than some of the other considerations, which we might get on to.

Q98 **Natasha Irons:** So they probably should have included it?

Rob Collier: Well, you've got questions on it, so, on that basis, probably yes.

Q99 **Jeff Smith:** Do you think it was left out because the Government think it is politically difficult to introduce? I suppose it is not your—

Rob Collier: Yeah, ask me about media, technology or the linear grid—that's fine—but don't ask me about politics!

Jeff Smith: Maybe we should be asking somebody else that question, in due course.

Q100 **Chair:** Presumably it is a lower rate because more people pay it? That might be a sell; I don't know. Do we know the evasion rates? I think last week we heard it is 12% here; do we know what it is in Germany?

Rob Collier: I don't.

Gill Hind: Off the top of my head, no, but I am sure we can come back to you with that detail.

Q101 **Jo Platt:** A question for Gill: what are the main advantages and disadvantages of the BBC being funded by subscription?

Gill Hind: May I start with the disadvantages?

Jo Platt: Absolutely.

Gill Hind: Obviously, if you are a service that is basically subscription only, you are going to be chasing subscribers. Therefore, the content that you are going to produce is going to be what will drag them in. It is going to be the big dramas and the big whatever; you are not going to be commissioning things such as the more non-commercial and PSB genres, whether that is news, current affairs, educational, or so on.

You will automatically get a skew in terms of what you commission, and therefore the breadth of content that people in the UK can actually view. Therefore, all of those public purposes that the BBC has, in terms of education and so on, would be sort of put to one side, because they do not get people to go out and spend money every month on a subscription. You would have that sort of skew in terms of what the BBC actually produces.

There was a lot of talk about subscriptions when Netflix and so on were coming through, but Netflix, which is really successful—it is obviously the most successful subscription service in the world—has recently had to start taking advertising, because it was hitting a ceiling in all these countries. I think from the end of last year, fewer than two thirds of UK households had a Netflix subscription. So, automatically, you are reducing your level. If it is subscription only, and you are putting it out at whatever price, you are not making it universal, and surely universal access is one of the prime things of public service broadcasting.

Q102 **Jo Platt:** No advantages, then?

Gill Hind: I struggle to think of many advantages, to be honest.

Rob Collier: The advantage would be that it generates a significant amount of incremental revenue; you put the numbers together and that just—

Gill Hind: It depends on whether it is all subscription.

Rob Collier: Yes. Let's say the BBC can be a completely subscription service and it joins the market with Netflix, Amazon Prime, Disney+, HBO Max and Apple TV+, which are all global players. The numbers do not stack up.

Take HBO Max, which has just launched in the UK and is a pure entertainment offer—it does not have a retail offer like Amazon Prime. It might make it to 5 million or 7 million subs in the UK. At £8 a month, that is about half a billion pounds' worth of revenue a year, just in the UK.

Netflix, the most successful subscription service in the world, has a UK revenue of somewhere around £2 billion to £3 billion a year. If the BBC went subscription only, it would get roughly half of its income from that. That is just TV: it does not include radio, online or any education. It's nothing. So, the idea that, if it was just all in on subscription, the BBC could generate anywhere near the levels of revenue that the licence fee does is implausible, frankly, and verging on ridiculous.

Gill Hind: You obviously have hugely different costs in that system as well, because if you are going to subscription only, you have to spend so much more on marketing just to ensure that you don't get people sort of coming in and out. You mentioned HBO Max; quite a lot of consumers will come in for a particular programme, binge on that and then leave straightaway. That makes it very difficult, if you are a subscription-only business, to actually plan, because you do not know what your revenue is going to be like, almost month on month.

Of course, the BBC itself is not set up for subscription, so there would have to be huge infrastructure costs there, not just on the tech side but actually on the payment gathering and everything else. You would be adding a whole new layer of costs. I think Netflix spends something like 12% of its revenue on marketing and general stuff; the BBC spends about



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4% of its licence-fee income on marketing, so you have a completely different proposition.

If you were to say we'll have news and stuff, and that is universally accessible, but then a subscription service on top, so you have a tiered system, you have a fundamental issue that in a two-tier system not everyone has access to all BBC content, which is probably not great for public service broadcasting. How do you then determine what is in that subscription level? Ideally, you would put all the gems in that level to try to get people to subscribe, but if you do that, you are making the outcome much poorer for everyone else.

Q103 Jo Platt: So that would go to the limited service.

Gill Hind: That's a limited subscription, yes.

Rob Collier: To go back to the earlier points about the public good, the all-out subscription does not work because it undermines the PSB remit, but if you went for a two-tier system with PSM plus a subscription, it would introduce a transactional trap for the BBC.

At the moment, there is a challenge with the licence fee because people say, "Well, I don't watch that bit of the BBC, so I'm not going to pay my licence fee." You would undermine people's reason to pay the licence fee if you say, "There is whatever the level is for the licence fee plus a subscription." In that context, you would change the way people think about the BBC away from how I think we want people to think about BBC, which is as a public service for the public good.

There are commercial challenges and operational challenges, but there are also audience-related challenges about the role the BBC plays in society, which is probably the biggest challenge of all.

Q104 Jo Platt: I think you are right. My next question was going to be about the evidence on what the public and audiences are willing to pay for content. It is probably what would fill my inbox if we were to put that question out to residents where I live: they would say, "Well, we pay for Netflix." You are saying it comes back to the public perception of the BBC and what it offers. Is there any more to that?

Rob Collier: No, I don't think so.

Q105 Chair: We are always told about the soft power function of BBC news all over the world. It is a trusted source. Has there been any modelling on getting overseas consumers of the BBC to subscribe?

Rob Collier: That exists already. BBC Studios, which is the commercial arm of the BBC, already generates £2 billion of revenue and pays dividends back to the public service remit. BBC Studios tried to get subscription revenue via BritBox UK, which was a very successful international service.

Basically, the BBC runs a Netflix competitor in other markets called BritBox International, which is very successful in markets like the US. So



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that already exists: there is already a successful model whereby the BBC is able to exploit content internationally.

They tried it in the UK, and it did not really work. There was relatively low adoption. BritBox UK was bought by ITV and folded into ITVX as a premium service. Even uptake of that is quite modest. To go back to the subscription point, I would be cautious, because it has already been tried a bit. Does that answer your question?

Q106 Chair: Yes, I get it. So, that is, to some extent, undermining the principles—blah, blah, blah. At the same time, I have relatives in Bangladesh and they say, “We listen to the World Service when we want the truth,” so that should be freely out there for all. The BBC Studios model is obviously not enough to plug the funding gap if we are having this discussion.

Gill Hind: You also have to consider that when the BBC is producing content, a lot of the time it is produced with international partners—it could be Netflix, for example. They will have the first licensing rights in the UK, but they might not elsewhere. That is just how the funding model works. BBC Studios loans a lot of IP, but a lot of shows that you might watch on, say, a Sunday night on the BBC—the big drama—might be produced by ITV. The BBC does not own the rights to that, so it cannot generate the revenue overseas.

Rob Collier: I guess there are two points. One is that the BBC already generates a significant amount of revenue internationally, and that has grown very significantly over the last few years as the market for content has globalised.

The second point, which perhaps where you are going, Rupa, is that the World Service as a news service is also a public good, so maybe we should not focus on commercialising the World Service quite so aggressively, because we might lose some of the soft power we get from it. I understand the question; I do not really have any comment on that. I’m focused on the UK.

Chair: Those things are vanishing. Voice of America has gone, and Trump has defunded a lot of the public service broadcasters.

Q107 Damian Hinds: You mentioned having a core PSB offering and a separate subscription service. You also talked about BritBox—that was what BritBox did, was it not?

Rob Collier: Yes.

Q108 Damian Hinds: Although you are right that it did not match up to expectations or hopes in the domestic market, there was not a colossal public backlash against that idea of, “If you want to watch ‘The Good Life’ from the 1970s, it is on this subscription channel.”

Q109 I notice that iPlayer now has its own little classics section, so in a sense, the BBC has rowed back from having a split model. It may well be that it did not get the take-up because it never could have got it, but maybe it



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did not get the take-up because it was just not marketed very well—discuss.

Gill Hind: There are a couple of points on that. In the UK, Channel 4 has a streaming service that you can pay to have without ads—it never really releases the numbers, but I understand that it is a very small percentage of everyone who views All 4. That is the same for ITV, and it has tried to rein that in. You can get a subscription service by paying to not have the ads, but the numbers are small in comparison to the overall ones.

Q110 Damian Hinds: But it is slightly different to talk about an ad/no ad thing. Unless I was really bad at looking, I think it was the case that you could get only a certain amount of BBC stuff going back only so far on iPlayer, and for the “classics”, you got BritBox. In covid, a lot of us, or our children, discovered classic comedy, but you had to pay for it. The BBC has rowed back from that, but it did not have to row back, did it?

Rob Collier: For a start, the idea to commercialise archive content was not a new one—that was the video and DVD market. People are willing to pay for archive material. That model already exists—it is one of things that BBC Studios commercialises on behalf of the PSB unit. That is my first comment.

My second is that this is different to the questions from Jo around the BBC hosting a subscription, because the brand makes a really big difference from an audience perspective. Again, we are harking back to history here, but I believe the reason there was not a backlash for BritBox was because people did not see it as the BBC. It might have been supported by the BBC and ITV, but the brand makes a difference. UKTV has advertising on it, and it is a wholly owned subsidiary of BBC Studios.

Q111 Damian Hinds: Very few people know that, though. More people knew what BritBox was. BritBox had ITV and Channel 4 branding, but it had heavy BBC branding, if I recall correctly.

Rob Collier: The point about brand is: what do people think? You could have advertising on UKTV that people accept because it looks and feels a certain way—it is in the linear grid, below channels that have advertising in terms of order—but exactly the same advertising content might also feature on BBC iPlayer or BBC One. What people get irate about is down to viewer perception as much as anything else; and, as you will all know—probably acutely—people are not always that rational.

Gill Hind: Something to bear in mind if you were to have an iPlayer subscription service for older boxsets, or whatever we are calling them, is that if you look at iPlayer viewing for last year, 28% of it was drama, which is what we are talking about for a subscription service; nobody really wants to watch something else that is more than a year old.

Half of that was drama released in 2025, and only 30% of drama viewing was of programmes released prior to 2020. That tends to be when, for example, there is a new series of “Peaky Blinders”, and they put the whole lot up. If you go back, in years gone by, it is a really small part of total



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BBC viewing. Therefore, given the cost of setting a service up, the return would probably not be very significant.

Rob Collier: I would add—it is relevant to an earlier question—is that you need to think about the competitive environment that a subscription would be entering into. HBO Max, which is the most recent service to launch in the UK, has got to about 4 million subscribers, but it has done that by bundling with the Sky package. Basically, the only real route to scale as a new SvoD operator is to do a deal with Sky and other paid providers so that you automatically go into the Sky bundle and get access to all of Sky's customers.

Secondly, looking at content spend, the global content budget of Netflix is roughly \$20 billion per year, with the BBC spending about £2 billion. Netflix can exploit that content globally on a platform that it owns. The BBC can also exploit that content globally, but it has to go out to sell it in bilateral deals with broadcasters around the world.

Then you should look at the platform economics. Netflix spends about \$2 billion on tech. When you launch Netflix, you get autoplay videos and recommendations and the streaming does not buffer. The BBC spends a fraction of that—something like 5%—on iPlayer and in fact on all its tech services.

The difference in scale is really crazy, but when you ask consumers, they see Netflix and the BBC on a par, particularly on ease of use, although not so much on content. There is a gulf opening up in terms of quality of content, because those numbers—that sheer globalisation—starts to play; it is important. On the idea of BritBox, it was a different market back then.

Q112 **Damian Hinds:** Rob, you mentioned UKTV. If the BBC were to introduce advertising into its core UK offering that people recognise as the BBC, what would that do to the size of the advertising spend market? To what extent would it grow it? If it does not grow it, where does that spend come from?

Rob Collier: Would you like to start, Gill? I have heard your comments on this before and they are very sensible.

Gill Hind: We need to take a step back and look at the TV and radio markets; of course, the BBC operates in the radio market as well. The total display advertising market in the UK is growing. It grew by about 15% last year, and it will grow by about 10% this year. All that growth is coming from the pure-play digital players—the likes of Google, Meta, Amazon and so on. If you are looking at the TV ad market, in real terms, 2015 was peak TV. The market is down just under 30% on that side, and the radio market since 2015 is down about 12%, so the markets are not flourishing in any shape or form.

Let us just look at TV as an example. There are tens of thousands of brands that advertise each year, so suddenly having the BBC playing in that market will not really get many more brands thinking, "Hey, I can go on the BBC; I must start a TV campaign," because there is really high-



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quality inventory across ITV, Channel 4, Netflix, Disney and Sky—you name it. You are not really going to get many more brands in the marketplace. There is no research to quantify how many brands it would be, but you are not going to take a considerable number.

If you look at it as an advertiser would, you would be thinking, “What is my campaign? What objectives do I want to hit?”, and you would plan your budget. Let us say you want to hit 70% of the audience four times; you will plan to achieve that.

Q113 Damian Hinds: Sorry to rush you, but of course there is a difference with some of those tech plays that you spoke about, because on terrestrial TV you cannot do programmatic advertising fully. That may change over time. In theory, if you can start doing the same targeting on telly and on radio as you can with online advertising, that changes the dynamics, but with current technology—*[Interruption.]* Well, you can partly, but you cannot fully do that because you are not signed in as an individual.

Natasha Irons: Sorry, but there are a lot of connected tellies now, so you can do programmatic and dynamic ads. Also, for radio, most of that is dynamically sold now, for the big commercial players.

Gill Hind: Anything through a player and through Sky, for example, for years has been—

Damian Hinds: Yes, if you are signed in, but lots of people are still consuming radio and telly without being signed in, so you cannot track them as an individual, right?

Rob Collier: If the question is, “If BBC ads advertising to its core service, does it grow the TV ad market?”—

Damian Hinds: Yes, that is the key question.

Gill Hind: The answer is that it does not at all.

Rob Collier: I agree.

Damian Hinds: At all?

Gill Hind: Yes, or it might add 1% or 2%. If you were planning your budget, you would not spend any more; there is no point hitting people a 25th time because there is a law of diminishing returns. You would not spend any more money, so all that would end up happening is that the BBC, which has a pretty high share of TV set viewing at 27%, would just take money from everyone else and cannibalise the market.

Q114 Damian Hinds: Who of everybody else do we think will suffer the most?

Gill Hind: The commercial PSBs and the likes of Sky and other UK players that are not commercial PSBs. BBC radio is 47% of all listening. A study by Compass Lexecon for Radiocentre, which is the commercial trade body, found that if the BBC were to take advertising, commercial radio would take 36% less, which would be devastating for the industry.



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Rob Collier: There is a really good case study: Amazon Prime launched ads as part of its default tier a few years ago. That is in the TV ad market, so it is going for the same market but, as Gill said, you literally cannot see that, despite all that new inventory in the market. It is a question of supply and demand: if there is loads more supply, prices go down. Any money that Amazon gets in is at the expense of the other broadcasters.

Q115 **Damian Hinds:** Has anybody done analysis of what would happen to the total available funding for British-produced content if you did not have a licence fee at all and were just reliant on ad revenue?

Gill Hind: I have not seen any research anywhere, but we can look at the fact that the TV and radio markets take about £5 billion net in total, and the BBC licence fee is £3.8 billion. If the BBC were suddenly to take a lot of that ad revenue, the other players would not be able to invest.

Rob Collier: The amount of support goes down to much lower than that.

Q116 **Cameron Thomas:** I am quite sceptical about advertising. My specific concern for the BBC would be that if it were to increase its advertising output, the calls from sceptics would increase to the point of asking: "Why not just privatise it then?" To what degree would you agree or disagree with that?

Gill Hind: I am not sure people would go as far as to say we should privatise it, but the beauty of the BBC is that it does not take advertising, and it is "free" for everyone. If the BBC were to take advertising, it would end up being nothing special.

Rob Collier: Again, I would not comment on the political nature of it, but from an audience perspective, if you look at when ITV and BBC share coverage, which often happens during major sporting events, the BBC's viewership is significantly higher than ITV's. You can get into arguments about commentary and pundits and so on—which we are happy to do at another time—but if you imagine those propositions as equivalent, and the BBC is getting more, that tells you that audiences prefer not to have ads. When they can choose between A and B, and A does not have ads, they will choose not to have them.

Cameron Thomas: I prefer not to have ads.

Rob Collier: Exactly. If you default to audiences, and there is an opportunity to provide that experience without ads, people prefer it. On the transactional point, why introduce that transactional nature, especially when we are saying for advertising—and the same with subscription—that the BBC might top up the licence fee, but that it comes at the expense of the commercial market? I do not know whether that is a net gain for UK audiences in any event.

Cameron Thomas: Thank you both.

Q117 **Jeff Smith:** As you will have seen, the Government have ruled out a number of funding options in the Green Paper. We are still trying to tease



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out the pros and cons of them all. There are a couple of other options in respect of which you could help us to tease out the pros and cons. First, what are your views on the pros and cons of general taxation?

Gill Hind: First, it is a tax, and taxes are never particularly popular when you bring them in. I suppose if you call it a “state grant”, or it is a sort of ringfenced income tax in some shape or form, then there are some positives—it should obviously reduce evasion and so on. It would be a universal contribution, which is fair, and you could make it progressive in some shape or form, although there is a lot of work to be done on how that could be done. But the big issue is independence from Government. I think everyone around the table recognises that it is helpful if the BBC is independent. As soon as it is a general tax, that independence disappears.

Rob Collier: I have nothing to add to that.

Q118 **Jeff Smith:** I should have declared an interest, as I am supposed to every week, as the chair of the all-party group on the BBC.

Secondly, we have had a number of contributions, over a period of time, about whether, as a potential funding option, a levy on streamers and other platforms could provide significant income for the BBC. What are your views on that?

Rob Collier: I think it is problematic, not least because the BBC is already a partner for many successful streamers. For example, it would change the dynamic between the BBC and Netflix, whereby Netflix is a big customer of BBC Studios. That is a key challenge.

The other question around a levy on streamers is that it would change the nature of how we measure the value that the BBC provides. It would change the concept of the licence fee, or BBC funding, which is that the BBC is responsible to audiences and not the streamers. That is the argument I would make from an audience perspective. It is like invisible money that just appears and that the BBC does not have to really do anything for, whereas the licence fee is because it is delivering value for audiences.

Gill Hind: Yes. The other side is that the main streamers—Netflix, Disney and Amazon—spend hundreds of millions of pounds on UK content each year. If you were to suddenly bring in a tax on their revenue, that is a completely different equation for them, because they do not just spend money on content. They spend it on thousands of jobs each year.

France has a streamers tax; I cannot remember what the figure is, but a certain percentage of the streamers’ revenue goes to that. That goes to make French language content. Germany is also just about to bring in a tax; I think it is going through their parliamentary process at the moment. A subset of the money from that tax is for German language content.

We obviously do not have that problem here. Virtually everything Netflix makes is in the English language, and it is part and parcel of the TV broadcasting ecology here. If we were to try to bring in regulation, I would look at it in a slightly different way. If we want to have that money



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invested, we should look at incentives to bring more money in, rather than disincentivising them with a lot of extra regulation.

Q119 Chair: Brilliant. We have discussed how the licence fee is arguably an anachronism from an earlier age, but it could be reformed. We talked about a household levy, a subscription and advertising. To put you both on the spot, what would be your favourite solution?

Gill Hind: Mine would be to extend the licence fee so that it covers all devices, and ideally brings in radio and online.

Chair: What would that look like to the punter? What difference would it make to me as a licence fee payer?

Gill Hind: If you are already covered and already paying your licence fee, it makes no difference. You would bring in a lot of those households who think that they do not need to pay for the licence fee because they do not watch BBC One live.

Chair: So it would not just depend on ownership of a TV set.

Rob Collier: I agree with Gill. I would add the comms plan around that change, which would explain, "We are expanding the licence fee and here is why: this is the BBC; it is not just live TV; it is not even just TV; it is society."

Gill Hind: It is a BBC for everyone.

Q120 Jeff Smith: On the detail of that, would you say, "You have to pay the licence fee if you have a TV or a broadband feed"? How would it work?

Chair: A smartphone.

Jeff Smith: Yes, or if you have a smartphone—whatever.

Rob Collier: Yes.

Gill Hind: Yes.

Jeff Smith: Any of those things—all of the above.

Rob Collier: Yes, and it would not even be just for fixed broadband. If you have mobile broadband, you go to bbc.co.uk for weather, sport, news, radio and so on. I would include all those things. You are participating with coverage and content that the BBC is producing; that is great for you but it is also great for everybody else. It is a public good. That is the story, I think.

Q121 Chair: That is pretty clear. Would the licence fee go down if more people were paying it?

Gill Hind: There is an argument not to raise it if you suddenly bring in a greater number of homes. We obviously have to remember that BBC funding has been struck recently, but if you suddenly have a lot more homes, there is an argument that it should not be raised.

Q122 Chair: Got it. Is there anything else that you wanted to add?

Rob Collier: The only thing I would add is around the prospect of collaboration between the public service broadcasters in an online environment. It was mentioned in the last oral evidence session a couple of weeks ago. It is a really important consideration for the charter review.

Going back to the anecdote I gave earlier, if I go to the linear grid, I am going to select from one of those first pages—that was a destination. Currently you have a whole load of fragmentation in an online environment that is apps on a screen; that is a bad outcome for public service media in the UK. You need a stronger ecosystem in the VOD environment for public service media to thrive. If you do not do that, from a Government perspective and a governance perspective it means that it costs more money to get those public service messages out to audiences.

If you do not do it with soft interventions, you do it with hard interventions: you are going to have pay for more marketing, or for more intervention to deliver those public service messages. That is the trade-off. We benefited from it in the structure that was created around linear, and there is definitely a question about how we can recreate that environment so that public service media can thrive in the future.

Gill Hind: That would be something like the equivalent of Freely.

Rob Collier: Yes, exactly.

Q123 Cameron Thomas: I had never considered that. It sounds really useful. Are there any international examples of where that has worked?

Rob Collier: Not that I am aware of. There are international examples of where it has failed. Gill mentioned Freely. The PSBs already have a vehicle with which to collaborate. That is what created Freeview—the digital linear EPG—and it has created Freely, which is a kind of online version for linear in a connected world.

There are options for that to extend online. It is an age-old discussion—Kangaroo was mentioned in the last discussion—about whether PSBs all jump on board and have a common platform. It is really fraught. It is really difficult to do. It is really complicated, but that needs to be a really serious consideration.

Cameron Thomas: The pay-off could be worth it.

Rob Collier: Exactly, from an audience perspective. Without it, the environment the PSM currently thrives in will not exist in the future, and that is the risk.

Q124 Chair: Could there be a way of doing a hybrid funding model? The collaboration point in particular made me think of that.

Rob Collier: Potentially. The Freeview world has been really successful for UK content, and Freely is helping linear. That hybrid funding model already exists in that the BBC creates a tent pole for the linear grid, and

Channel 4, ITV, Channel 5 and Sky—everybody—rises with a rising tide. That is what has happened in linear, but the conditions do not exist in the online world for that ecosystem to thrive. That is the challenge, and it needs to be a consideration for the charter review.

Gill Hind: I would add that that is incredibly complex, because all the public service broadcasters have different objectives. The commercial ones are obviously funded by advertising, and they would all need to retain their editorial independence, so you have questions about how the recommendations would work, and they need to get the ad revenue in.

You can imagine a collaboration on the technical side, but you almost need different front-end bits, because otherwise it is fraught with difficulties. I used to work at Freeview when it launched HD, and we said we could do a Freeview catch-up service, but in the five years I was there that never progressed any further, because it sounded great, but it was impossible for everyone to work together to actually achieve it.

Rob Collier: The good thing about the linear grid is that there are some set rules that everybody can agree to, some of which are set in legislation. Those rules do not really exist in the online world, but if that does not happen, you end up in a world where there are just huge amounts of competition.

Gill Hind: It would be a lot of collaboration.

Chair: That is a positive note to end on—collaboration. Thank you ever so much.

Examination of witnesses

Witnesses: Professor Justin Lewis and Professor Maria Michalis.

Q125 **Chair:** We now come to our second panel this morning. We are going to hear from two world-leading experts in public service media. Professor Justin Lewis is professor of communication and creative industries at Cardiff University and director of Media Cymru. Professor Lewis, you did the groundbreaking British Academy report that we all have on the reading lists for our homework—"Public service media: funding and governance options". We also have Professor Maria Michalis, professor of communication policy at the University of Westminster. That is up the road in Regent Street, isn't it?

Professor Michalis: Harrow.

Chair: Oh, okay, there are different campuses. So that is the west London suburbs. I like Harrow.

I will start off with the first question. We are looking at possible alternatives to the licence fee in Europe. Our two professors have the European comparisons. Justin, before we talk about the German model—we heard a lot about it from Patrick Young in the last session, and there are a lot of fans of this model—what are the other common alternatives to



a licence fee in Europe? Which ones can be considered most effective?

Professor Lewis: Realistically, there are probably only two. If you look at most well-funded PSB systems around Europe, they have either gone for the household levy option, which you find in German-speaking countries—so Germany, Switzerland, Austria—or they have gone for general taxation, which is the route that most of the Scandinavian countries have gone down. Most have now abandoned a licence fee, for reasons that have been discussed at other points in this Committee—it is no longer a stable source of revenue. Those are the two options that most countries have pursued. It is pretty clear, if you look at international comparisons, that those are the two dominant ones.

Q126 **Chair:** Scandinavian countries have a tradition of high taxation and lots of public services.

Professor Lewis: They do. As mentioned in the last session, the idea of general taxation and the problems around that, with potential Government interference, is something they have addressed and tackled. Finland has specifically tried to ringfence the general taxation, so that it is not part of an annual cycle of budget negotiation.

There are ways to do it. In both cases, if there is one chord that was struck across all our submissions in the volume we put together, from not just across Europe but around the world, it is that whatever system you choose what is imperative is that you build in independence from Government at every point. That is in terms of decisions about funding levels, future policy and strategy. Those kinds of areas have to be at arm's length from Government, much more than our current structure is. That point was made time after time in every system. Where they felt they had achieved a degree of independence, they felt it was quite successful; those that perhaps had been less successful in that area felt it was something they needed to strengthen. There are ongoing discussions across Europe on how to maximise a structure that is as independent from Government as possible. I have more thoughts on that, but I will save those for later.

Professor Michalis: I would like to emphasise that last point: no funding mechanism is perfect. What really matters and makes a difference, and you can see it when you compare countries that have the same funding mechanism, is the broader framework. One has to get that right. The broader framework has to guarantee adequate, predictable funding and has to give robust legal and institutional safeguards that guarantee political independence and organisational autonomy. If you have that, you can see the system working much better. We can discuss that in more detail when we discuss the German example, which is considered the best.

Q127 **Chair:** On the two alternatives that the Green Paper is entertaining, which are advertising and subscription—they have ruled out general taxation—what lessons can we learn from Europe?

Professor Lewis: I think Europe has decided that they are both bad options, and none of the European public service media have opted for those as substantial sources of revenue. In countries like Spain, they have



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even moved away from it. In Spain, they used to have advertising-funded public service media, but they have now abandoned that because they see it as being at odds with the public service mission of broadcasters.

Actually, the trends are moving away from those options. We are not seeing an obvious model in Europe for either of those possibilities, and I think the disadvantages of both were fairly clearly laid out in the previous session.

Professor Michalis: I agree. Advertising is not working, and it is no longer bringing the income that it used to. There is a structural change in that the market has moved online, so there is much less advertising for the traditional broadcasting market, and you can see that in the income of public service broadcasters. The composition of their commercial revenues has changed, and they rely increasingly less on advertising revenue and more on other types of commercial revenue, such as intellectual property rights and so on.

Q128 **Chair:** Maria, in your written evidence you said that the licence fee should be reformed, not replaced. Why did you say that if the pattern of Europe is moving away from a licence fee to these other things? In my mind, I am still not totally clear on the division between a household levy and the licence fee—they seem similar to me.

Professor Michalis: Correct—that is the simple answer. Basically, it is because a household charge was not an option in the consultation. A reformed licence fee, or a universal licence fee that is device, technology and transmission independent, is essentially a household charge.

The reason is that the licence fee model has strong advantages that are worth keeping, starting with the direct connection between the paying public and the public broadcaster. It offers stable and predictable funding, and it guarantees against political interference, which you can strengthen even more with the broader framework that I mentioned.

It is also an extremely flexible and adaptable mechanism. As we heard, you can make it device neutral, so you can immediately future-proof it, and you can expand the base so there is a possibility to lower the fee. You can build in progressive elements, and by streamlining the mechanism, enforcement is easier and less costly, so you also have a saving there that you can use to fund programmes and content.

Q129 **Jeff Smith:** We would like to explore the German model in a little more detail, if that is all right. Justin, can you explain how the household levy works in practice in Germany, including who is required to pay it, how it is collected and how it is distributed?

Professor Lewis: The household levy is not universal—it is universal in principle, but there are exemptions. There are various exemptions built in for people on benefits, for example, and people with disabilities get a reduced rate. You can build in a progressive element by giving exemptions. There are also lower rates or exemptions for hotels, for example, where they are not necessarily paying for the TV in every room.



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All those things take into account various business realities alongside the realities of who can pay and who cannot. It is universal in principle, but there are exemptions based on those kinds of social and economic criteria.

It is gathered, and the process by which it is then agreed upon and allocated is complex—I do not want to take you too far into this, because it is complex. I am not sure that it needs to be quite this complex, but it is partly because it is based on the federal model in Germany. Each of the 16 federal states has a broadcasting council, and they are very much involved in this whole process.

But prior to that, you have an independent expert body called the KEF, which essentially gets a submission from the broadcasters in which they say, “This is the amount of money we think we’ll need over the next x years”. The KEF then looks at that in consultation with the broadcasters and comes up with a recommendation for the fee that it thinks should be paid. That is then put to the 16 regional authorities to make a decision. The question is asked in a very particular way, and the regional authorities cannot change the terms of the question—they can basically only say “yea” or “nay”, and agree to it or not.

That is the formal structure of how it works, but you also have regional councils within the 16 authorities, which are more on the governance side. They are made up of groups of people from civil society. There is usually a small number of political representatives on those, and they are always a minority. Then you will have representatives from, say, education and healthcare—different parts of society—to represent those citizen groups. That is another level of governance they have in Germany. That is a broad description of it.

Q130 Jeff Smith: That is helpful. It sounds like it needs a fairly high degree of consensus from the 16 regional authorities. Can they block it?

Professor Lewis: This is now a subject of concern in Germany. I think that in the past, there was always a fairly broad consensus across the political spectrum that public service broadcasting in Germany is a good thing and a universal public good. With the rise of a neo-fascist party in Germany, that consensus is no longer universal, and that raises questions about the ability of regional authorities to block this. I think they are giving consideration to that now.

The key is to create a kind of default mechanism, something like “We continue as normal with the inflation built in. If you can’t agree, that is what we go to,” rather than opening up a broader set of questions that elongates the process and makes it much more complicated and unstable. That is being considered as an option in Germany right now.

Q131 Jeff Smith: In terms of how it is collected, what is the mechanism and, more importantly, what is the level of evasion? Has that changed since the system was introduced?

Professor Lewis: I am not sure about the level of evasion. Maria might know.

Professor Michalis: I do not have the figure—

Professor Lewis: It is minimal.

Professor Michalis: I think it is minimal. It is nought point something, or at most 1%, but I am pretty sure it is less than that.

Professor Lewis: There is a cost to collecting it, which has to be built in. Incidentally, there was a question in the previous panel about what the household levy in Germany costs, and the answer is—depending on the exchange rate—around £190 a year. Interestingly, that is more than our current licence fee. I think that if you consider the global reputation of British broadcasting and German public service broadcasting, that puts it into perspective a little bit. It is collected as a particular household levy, and there are costs involved in doing that.

Q132 **Jeff Smith:** I also understand that the German system allows adverts on top of the levy. What is the rationale for that? Is it because adverts are needed to supplement the income?

Professor Lewis: The amount of advertising is limited, and it is in very specific places and parts of the system. It is not widespread. It does bring in some revenue, but it is not huge. It is a limited part of the option, but it is there in some parts of the system.

Professor Michalis: They have always had that and allowed a minimal amount of advertising. At the moment, advertising and sponsorship brings in 6% of their income. The majority, 85%, comes from the household levy.

Professor Lewis: Those ratios are only going to go one way. The profits from advertising are only going to decline as the size of the potential market grows.

Q133 **Jeff Smith:** What can we learn from the process that Germany used to transition from a licence fee to the household levy? We heard in the last panel that the process took 12 years. Presumably there was consensus across the political environment to do that. What can we learn from that? If the Government wanted to move at some point from the licence fee to a household levy, what can we learn about how to do that?

Professor Lewis: The federal model already exists, which is helpful, so you do not need to reinvent the wheel completely. It is probably more complex than we would need here because it is rooted in 16 regional authorities. You could recreate that kind of devolved structure if you wished, but that brings a huge level of complexity. You could do it more simply.

What is key, though, and this is fundamental across all our submissions, is building independence from Government. The initial decision is made by the KEF, a non-political body that does not have political appointees. This is a body that is there to provide expert guidance. It is not a political instrument. I think it is absolutely imperative that we build that in a way

that is not built in now. Right now, we have a system in which there are political appointments at a number of different levels. The BBC board is essentially a politically appointed board. Moving away from that is key. Every single submission that we had in our policy briefs made the point that you have to create distance from party politics.

Jeff Smith: That takes us neatly on to Damian's question.

Chair: Order! Disruption! I think it is Natasha's question.

Q134 **Natasha Irons:** You mentioned the KEF. Can you explain the process? We just need a little detail about what that is, how it is established and what it does.

Professor Michalis: The KEF is not a new body. It was set up in 1975 and is funded from the household levy. It has 16 experts appointed by the individual states. They are mostly economists, auditors and academics. As Justin said, the public service media organisations submit their funding requirements. The KEF assesses the submissions and whether they are justified or warrant an increase or decrease. They take into account the broader macroeconomic indicators and what is happening in the media market. Then they make a final determination to the individual states. Central Government does not have the power in this process to do anything. They set funding for a five-year period, which is also important.

As Justin said, because the political situation has changed, there have been cases where a single state parliament has objected and rejected the proposal. What is interesting is that the German system allows for judicial review. That is very important to have in the system, because we see that in cases where countries have adopted the same funding mechanism and they do not have the same robust safeguards, it has not worked in quite the same way. Having that opportunity for the courts to intervene is important.

Another thing to note is that there was a committee, the so-called future council, that looked into the funding mechanism and what works and how it can be improved. They made one recommendation, and it remains a recommendation, to replace the prior evaluation with an ex-post evaluation to make it easier and to depoliticise the process, perhaps more so, rather than having the KEF suggesting what the funding should be for the next four years, approving that and then evaluating once the four years have passed. However, this is just a recommendation. It has not gone through, but it is a recommendation made by a committee of experts.

Q135 **Natasha Irons:** Sorry, this is just so that I understand—instead of automatically setting something for the next four years, you review it before deciding?

Professor Michalis: Instead of reviewing it before, you adopt it, four years pass and then you review it retrospectively, to see what has worked and what didn't work. But this is a recommendation.

Q136 **Natasha Irons:** Currently, that is not happening?

Professor Michalis: That is not happening at the moment, but they are trying to get away from the political situation where you can have one single state parliament objecting to the funding.

Q137 **Natasha Irons:** It sounds like they have quite a lot of clout and power, and their independence is obviously key to that. You talked about judicial review. Is that one of the main mechanisms by which they are held to account?

Professor Michalis: Definitely—yes, it is. And they have done it: in 2020, when the KEF recommendation was rejected by one state parliament, the PSM organisations resorted to the constitutional court. So that worked. It is not necessarily the case that the court will rule in favour of the PSMs, but very quickly you have more independence and more trust in the process.

Q138 **Natasha Irons:** How do they ensure that political influence is not infiltrating the decision-making process? What kind of safeguards do they have?

Professor Michalis: The safeguards are that you have KEF, which is an independent committee, totally separated from federal government, and you can see that the people on the committee are excellent experts—you can see their credentials and everything. Everything is quite transparent—the way they deliberate and so on. And in Germany you have strong protections around broadcast freedom in the constitution, so that helps. When you have judicial reviews and so on, they can count on that.

Q139 **Natasha Irons:** Has the change to the levy, bringing in the household levy, had much impact on or made a difference to the quality of public service media in Germany? Are more people engaged and watching it?

Professor Michalis: I am not sure, because I do not have that data, what the impact has been in terms of audiences. I believe there is public acceptance. The evasion rates are minimal. There are some other things that maybe are important and mean that the German public service media have more funding. There is the question of top-slicing, which you do not have in Germany. An example is Deutsche Welle, which is the equivalent of the BBC World Service. It is not funded from the household levy; it is funded directly from Government—on the grounds that it contributes to public diplomacy and soft power—even though Deutsche Welle shares resources with Germany's domestic public service media organisations.

Q140 **Natasha Irons:** That is interesting, because we have a constant back-and-forth with our own World Service about how we do this.

Professor Michalis: Correct. That is why I thought I would mention it.

Q141 **Natasha Irons:** It is very interesting. It sounds as if you are saying that because actually extending and changing the licence fee was not included in the consultation, adding in this sort of independent mechanism would be a very good way for us to go forward. Were you disappointed not to see



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the household levy in the consultation?

Professor Lewis: Personally, yes. I think that was a shame. There are other options as well. I think personally that the full range of options perhaps should have been included. I think that would have been helpful. So yes, I think that would have been sensible, particularly given—you have heard it already—the fairly universal scepticism there is about the two options that were put forward.

Professor Michalis: I agree. Maybe it is because “levy” sounds more like tax—I don’t know. Anyway, yes, I agree.

Natasha Irons: Levy or fee: it is the same thing; you are still taking money. Thank you so much.

Q142 **Damian Hinds:** Germany is a very different country from ours. I have been scribbling down a few of the relevant differences. It has a written and recent constitution, and they are used to having political parties part paid for by the state. There is even a church tax where churches are funded through tax, and there are all the guilds and the federal structure. Anybody who has watched German people at a pedestrian crossing waiting for the green man knows that there is a different cultural attitude to compliance. You are all obviously students of comparative societies; are there other places in the world that we should also be looking at to see what they have done, which might be a bit more similar to our own situation?

Professor Lewis: The other places that have opted for the household levy are also German-speaking or part German-speaking countries; Switzerland and Austria have also gone down that route. Switzerland is quite an interesting model because they have had referenda on the level of the fee.

Damian Hinds: They have a referendum for everything. They would have a referendum about a Toblerone.

Professor Lewis: They do, and I would not necessarily recommend that on this, but it is interesting that the household levy was put up to be tested on that front twice, and the public voted for it in both cases. There clearly are differences, but it does feel like the only two viable options available are that or the model that is widely adopted throughout Scandinavia, which is general taxation. There are other models of general taxation in other parts of the world, such as Australia, and, in those countries, our expert witnesses, if you like, in our volume were very cautious and said, “If you just introduce this along with other forms of general taxation, you are opening it up to political interference,” and they have absolutely seen that. It is a lesson in how not to do it from that point of view.

It is less about the minutiae of the mechanisms, because we can figure that out. There is the question about whether there is a difference between a tax on all devices and a household levy, and in the end they work out as kind of the same thing. It is more to do with how you present



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it to people, how it is understood and how it is accepted. The communications around it and how audiences and citizens feel about it is key in terms of weighing up the best way of doing it. There are differences, but I do not think there are many other options available that we can look at. We would love to have found a magic model out there that is problem free.

Q143 Damian Hinds: I am glad you mentioned Switzerland, because that highlights another question. There is an interesting intellectual and policy question about where you want to end up, but there is also an interesting question about what happens by just making a change, wherever you go. Natasha was jokingly referring to what happens when you have a referendum, which is that more people end up having a view, indeed a really strong view, than before it was ever going to come to a vote.

When I was on this Committee a previous time, we talked about the future of public service broadcasting—we still used that word a mere five years ago. We looked at the Swiss example and identified some of the real downsides from upheaval. You are right that they maintained funding, but they also took a bunch of concessions along the way.

I think that there was quite a divisive debate in the country, and some people started to question the concept of public service broadcasting who had not questioned it before. You end up with something, but even if the something you end up with is 5% or 10% better than what you had before, the process of change might more than negate that.

Professor Lewis: I think that is right. I would also say that one of the disadvantages of the household levy or an extended licence fee is that, in a way, it is conspicuous to everybody. Everybody is aware that there is this thing they are conspicuously paying, whereas, if it is part of general taxation, it is a tiny part, so it seems less conspicuous. You are drawing attention to it if you go with either of those models, which is a political risk because it does exactly what you are saying: it puts a spotlight on what is not a huge amount of money.

Q144 Damian Hinds: Am I right in remembering that, with the Swiss example, part of it was to do with radio playing in businesses? So, all households and businesses became liable for this fee. Maybe it was TV and radio, but there was quite a brouhaha about businesses. And you have got to make those decisions, right? You have got to say, "What is the scope of this thing?" Inevitably, it is not going to be smaller than what you have today, otherwise you would make less money.

Professor Lewis: Of course, that whole process of opening up, as you said, creates controversy where perhaps there wasn't any before.

Professor Michalis: One big difference, if you compare the three countries that have introduced the household levy, is the broader framework, which is so important to get right. So, who decides the level of the charge in Austria and Switzerland? Government. This is problematic and part of the problems that Switzerland has experienced are down to it, because in the end they have been populist right-wing—



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Q145 **Damian Hinds:** Sorry, but can I interrupt you there, Maria? You say it is a problem that the Government set the level. If the Government do not set the level and it is a compulsory charge, where is the democratic legitimacy?

Professor Michalis: In Germany, you have the independent commission. So it is not—

Q146 **Damian Hinds:** Answerable to who?

Professor Michalis: Answerable to the parliaments—the state Parliaments. So, there is accountability. But that is different from having the Government directly determining the level. There is a big, big difference between having the Government say what the level is and having an independent process, with structures of accountability and transparency, and judicial review. So, if you think that something has gone wrong, you can go—

Q147 **Damian Hinds:** Again, that might be a cultural difference. In this country, I think that we are absolutely used to saying the Government make decisions, and if the people do not like the decisions that the Government make, the people kick out the Government.

You are right—there are degrees of directness in democratic accountability. But we tend to go for the pure, straight-ahead “whoosh” version.

Professor Michalis: This is something that we need to consider very carefully in this charter renewal.

Damian Hinds: Yes.

Professor Michalis: With public service media, the very definition is that they have to be independent from Government.

Q148 **Chair:** Who appoints the members of the Committee that sets the price?

Professor Michalis: The individual states—the state Parliaments. There are 16. The expert committee has 16 members, so each state Parliament—

Damian Hinds: It is like a European Commission.

Q149 **Chair:** They elected people from those 16 states? I don’t know how they could choose who they are. How do you get to go on it? Is it one of these quango things—the great and the good always end up doing it?

Professor Michalis: They are appointed by state Parliaments. I am not sure how the selection there works. But they are all experts. As I said, they are mostly economists, auditors or academics.

Q150 **Chair:** Would you be able to come back to us with further detail about that, because I would be curious to know more?

Professor Michalis: Yes, sure.



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Professor Lewis: I think there are a couple of principles here as well that are interesting to dwell on. One is that research shows a couple of things very clearly. Regarding the level of direct Government involvement in decision making around public service broadcasters, the higher the level, the less the public service broadcaster is trusted. So people do not interpret this as democratic; they interpret it as Government perhaps interfering too much and therefore it is seen as undemocratic. The more that you have democratic structures that are devolved from Government and separate from Government, the more trusted the public service broadcaster is.

The other interesting correlation, which is perhaps slightly counterintuitive, is that the better funded the public service broadcaster is, the more it is trusted and valued.

Q151 **Damian Hinds:** Sorry, but let's not lose sight of the fact that one of the most trusted sources in the world is the BBC. It is absolutely right that there is editorial independence, but we are a system where the Government set the charter, right?

Professor Lewis: Yes, but if you ask most people what they think, they will say that there should be greater independence from Government.

Q152 **Damian Hinds:** But do they mean on setting the terms of the charter, or do they mean on individual editorial decisions? I think that people rightly get very sensitive about individual editorial decisions. They do not want politicians anywhere near deciding what should be in the news or what should be the storyline in a soap opera.

Professor Lewis: I think the problem with our system—

Damian Hinds: I am not sure they mean, "I just want someone to randomly decide how much my licence fee should be and me to have no control over it."

Professor Lewis: I guess there are other ways of doing it. You are absolutely right that you do need democratic structures, but those democratic structures do not have to mirror Westminster politics, which currently they do. It does not encourage a consensus. We have a political system here where the party in power can be elected with, say, 35% of the vote. Essentially, that group can have absolute power over those decisions.

Damian Hinds: And the economy and education—everything. That is the English constitution.

Professor Lewis: If you want broadcasting to be trusted and independent, it has to be different.

Q153 **Damian Hinds:** I won't labour this point, but surely there is a difference between setting the terms of a charter and how much you can levy on every household, and editorial decisions. I think very few people would argue about the independence of editorial decisions and programme



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commissioning and so on. That should not be in the hands of politicians, but this issue is different.

Professor Lewis: If you know that a group of politicians is going to be setting the amount of money that you have, you are going to be aware of that in editorial decisions that you make. It is inevitable. Try as you might not to be—

Q154 **Damian Hinds:** I'm not sure it sounds like that on the "Today" programme at 10 past 8, does it?

Professor Lewis: That is a matter for research to establish—the degree of that.

Professor Michalis: I agree. There has been quite a lot of criticism, and rightly so, because over the period of the current charter, there have been settlements behind closed doors between the Government and the BBC. The level and model of funding matters substantially, because of the impact on the breadth and the quality of the output. You cannot have direct political interference, but indirectly, you can very much influence it. There is also the so-called chilling effect that we see spreading everywhere. There is the fear—the expectation—that something may backfire.

Professor Lewis: Viewpoints vary, Chair.

Q155 **Chair:** Who enforces the household levy if people don't pay? Do they have detector vans?

Professor Michalis: There is an independent commission that collects it. To my knowledge, the collection has not been problematic. The evasion rate is very small.

Professor Lewis: You don't need a detector van because it is a household.

Chair: Nobody has ever seen a detector van in real life.

Professor Lewis: Well, you wouldn't need it.

Q156 **Vicky Foxcroft:** You might not have the answer to this. I get the impression from the public that they know that politicians set the TV licence, but I do not think a lot of people know that they do the BBC charter renewal. Are there any figures on what the perception is among the public?

Professor Lewis: I think you are right. There is not a wide understanding, and why should there be? A broad understanding of the legal and political structures around broadcasting in the UK—there is a lot of fuzziness around that, which you would expect. It is a complex area.

Ofcom did some research recently through a kind of citizens' assembly. People were actually given the information and discussed it. The outcome of that showed very clearly that people were wary about the Government of the day having that degree of control over appointments and so forth.

They did not feel that that was a good thing. They would much rather have citizens' bodies that made those sorts of decisions. It is like a parallel structure.

Coming back to the point about universality, the whole principle of universality relies on the concept of a degree of political consensus, whereas the current structure involves no political consensus. It involves whoever happens to be the majority party having total decision-making control. There is no need to get consensus.

In the UK, you do not even need to get the okay of the devolved Governments in Scotland, Wales and Northern Ireland. It is a decision made purely in Westminster. Right now, there is a very high degree of central control by the party in government and there are no consensual frameworks built into it at all. Clearly, when people understand that, they see the risks of it, and they are concerned about the way in which political control can seep into the system. We know that from citizens' assemblies that have been done around this issue.

Q157 Cameron Thomas: The BBC offers a range of services, but broadcast news is increasingly being saturated by wealthy private-owned broadcasters, with information tailored to suit the agendas of those owners. To me, the endurance of public service media has never been more crucial, but I suspect that public agreement with that statement is on the wane. The British Academy report found that public value and trust is highest where public service media is well funded. You have already alluded to that; what evidence have you seen for it?

Professor Lewis: What evidence have we seen for greater levels of trust?

Cameron Thomas: Precisely.

Professor Lewis: We have looked at studies on levels of trust in broadcasters across Europe, particularly public service broadcasters, which have been done in some cases on a comparative scale and in some cases individually. You essentially find higher levels of trust in the countries where that has happened. In countries where it has not happened, you see lower levels of trust. There is a clear correlation.

Professor Michalis: I agree; I have seen the same evidence. That is the evidence throughout Europe.

Q158 Cameron Thomas: It was mentioned earlier that there is some disparity with eastern European countries that are ex-Soviet Union. Is there any data that incorporates Russian state TV?

Professor Lewis: There may well be. We did not look at that, because we did not think it was a model that the UK Government would want to follow.

Cameron Thomas: I would probably agree with you on that.

Professor Lewis: We were looking at models that had a very clear public service media ethos.

Q159 **Cameron Thomas:** Is there a study that has occurred within the UK that suggests that public trust and value in public service media is highest with well-funded organisations?

Professor Lewis: It is hard because you need another case to look at to make a comparison, but public trust in the BBC, as has been mentioned already, is fairly high. It is up there with many other major European public service media—it is not the highest, but it is high. It is certainly higher than the other media that you referred to, quite significantly so.

Q160 **Cameron Thomas:** Do you have anything to add to that, Professor Michalis?

Professor Michalis: The studies usually come from the Nordic countries, where you can see very clearly the strong positive correlation between healthy democracies and well-funded public service media.

Q161 **Chair:** I guess the dilemma is how you fund objective, impartial broadcast journalism when the world is going towards algorithms that count on angry reactions, and those reactions get monetised. Your question reminded me of that.

Professor Michalis: The reasons we need public service media more than ever today are the exact same reasons that make the delivery of public service media more challenging. What you mentioned is also important, because sometimes we discuss public service media in a silo, but we have to keep in mind the broader picture: the wider media and communication environment, which is precisely what you mentioned. Issues around visibility and prominence, which we heard about in previous sessions, are key in the debate we are discussing.

Q162 **Chair:** The licence fee can sound paternalistic, but if we are going towards an AI-generated thing where the strong reactions come to the top of the screen—

Professor Lewis: I think almost all our contributors to the British Academy collection universally made the point that we are living in a world where public service media is more important than it ever has been. Essentially, most other information and most other stories are told by commercial providers who are not necessarily operating, and in fact clearly are not operating, on public service principles.

There is another point here about funding and innovation. Hitherto, the BBC has perhaps been prevented from going into other areas of delivery because it has been seen as extending too far. We need to take another look at that.

It is astonishing that we live in a world where the only options you have if you want to use social media are highly commercial models that, as the research shows, are quite damaging in various ways. They bring advantages, but they also bring huge disadvantages because they have no public service principles in their ethos. Why can we not have other public service models to do that?



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The same applies to search engines. There is no public service search engine available to the public. Every search engine available to you operates on a commercial model that does not necessarily prioritise you as the citizen. Having the options to explore those things could potentially be considered in the level of funding.

It also comes back to the questions you discussed earlier about perhaps developing pan-European models with public service broadcasters across Europe. Yes, you are absolutely right: we are at a crucial time. However, it is also a time to be bold, where we can say, "Actually, we're going to take a bold decision here to provide the public with other options rather than what is now a very dominant commercial model."

Q163 Jeff Smith: That is really interesting. Am I not right in saying that one of the BBC's public purposes has been to innovate? What is stopping the BBC doing a public service search engine or social media platform?

Professor Lewis: Partly, it is money. They have to provide their core services, and their budget for innovation is obviously much less. It is difficult to start innovating in those areas because it costs a certain amount of money, and that may mean cutting back on drama or other kinds of core provision.

It is also partly the political climate—you can see the commercial providers would lobby hard against that. However, we are now in a world where most of those commercial providers are just a few conglomerates outside the UK. Perhaps we should listen less carefully to them and focus more on the economic wellbeing of the UK.

Q164 Jeff Smith: I think you have identified that the problem is probably funding. I would imagine that setting up something to rival a large search engine would cost billions, although I do not know.

Professor Lewis: Actually, not necessarily. I do not necessarily think the cost is that prohibitive in those areas. The difficult bit is that you need a brand, but the BBC already has a brand—it is an incredibly strong one.

Q165 Jeff Smith: Interesting. Is there anything else you think the BBC could be doing, on top of its current broadcasting activities, other than the two examples you have mentioned?

Professor Lewis: For me, those are the two key ones—just providing public service models of things that we use routinely.

Professor Michalis: On algorithms, in particular, I think there is big scope to do something. One reason the BBC has not done much in that space is funding, of course, but it also no longer has that public purpose that it used to. Back in 2007, it had a specific public purpose relating to technological innovation and infrastructure. If we are going to add to the BBC's obligations, we need to make sure the funding goes with them; otherwise there is no point.



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Professor Lewis: Algorithms are currently designed to narrow your cultural horizons and the range of information you can get, but you could imagine a public service algorithm that tried to do the opposite.

Q166 **Chair:** Are there any other questions or anything the panel would like to add? The European Broadcasting Union does Eurovision, but it includes Australia. That always baffles me.

Professor Lewis: My daughter actually works for SBS, the channel in Australia that broadcasts Eurovision. For whatever bizarre reason, Australians want to get up in the middle of the night to watch Eurovision. It has become incredibly popular in Australia, so I think Eurovision decided to make Australia an honorary European.

Chair: And Israel is in it.

Professor Michalis: Because Eurovision was very popular in Australia and had big audiences, when it had a big anniversary—I have forgotten when that was—it decided to ask Australia to participate as a gift. It has been in the competition ever since.

Q167 **Chair:** The European Broadcasting Union said in its evidence to us—and I think you also did—that a reformed licence fee is the best way forward.

Professor Lewis: Yes.

Professor Michalis: Yes.

Chair: Brilliant, that is all very clear then. Thank you ever so much.