

House of Lords Communications and Digital Committee evidence

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Pinkoes and Traitors—the BBC and the Nation, 1974-1987

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

The BBC – our national broadcaster

The BBC as an institution embodies British values and its strengths are recognised nationally and internationally and never more so than in times of acute national and international crises. It is in our democratic interest to preserve it and we should tread carefully - it is much easier to destroy institutions than to create them.

The BBC was set up in 1923 to Inform, Educate and Entertain, and this should be retained into its second century. The impetus then came in part from a wider belief in self-improvement, the possibility of the value of rational science for the many, and a concern to make ‘decent’ entertainment available for the public.

It was known that broadcasting could be influential. In the immediate aftermath of the Russian Revolution Bolsheviks were broadcasting propaganda from a London suburb. And in the wake of the misleading role of the press in the First World War, the British public would have ongoing corrosive distrust of government and the media.

There was also concern, at the dawn of a spectacular new way of communicating, that after the last stage of electoral reform, new voters might be influenced by foreign or domestic idealogues. There was also the concern that public views would be bought or swayed by big business as it was felt they were in America – in the interests of profit, by advertising.

In the 1930s the government sought to protect the BBC from powerful press barons who would have drowned it at birth—a decision that paid off in the national interest during the Second World War when the BBC became a beacon of hope across occupied Europe and helped convince American public opinion to enter the war.

These anxieties feel prescient. The BBC has always been a bulwark of our democratic processes. The contemporary challenge to free speech, the faltering of the power of impartial evidence, and the ubiquity of mis-, and disinformation, both nationally and internationally, is alarming. Knowledge is being politicised; and what had been rational and necessary information weaponised for political gain. Media organisations are being co-opted by business and political interests, while reporters and accurate reporting are harassed and threatened in new ways. For some time malign foreign players have sought to interfere and disrupt our political system. The new technologies of the social media have shifted influence. So we and the world need a large, intelligent, ingenious communicator on the side of democracy.

These threats nationally and internationally need new, innovative responses. And in the BBC we have an instrument that, funded properly, its creativity and democratic capacity unleashed, can play that positive role.

The BBC was set up to make sure that every British citizen would have access to the best, and there should be something for everyone. The BBC was to bring information to all on an equal basis, so that individuals would 'be in a position to make up their own minds on many matters of vital moment,' said the first director general, John Reith. It was to make people's lives richer, their choices more intelligent and informed and to make society function more equally and better. Yet the BBC has also always been there for daftness and fun – distraction when things are worrying – for glamour, beauty, and everyday interest.

The BBC has had a duty to represent all of us, to ourselves and to each other: not the richest nor the most powerful, those who have the capacity to leverage advertising revenue or direct power, nor the loudest nor even the nicest. It has a duty to include in the national conversation the weak and the passed over, the apparently batty and those at an angle to conventional views. Equally it has a duty to hold power to account wherever it lies and however it is exercised. This has frequently brought it into a tense relationship with government as the BBC has a responsibility to identify power independently from official views. During the long struggle in Northern Ireland for example, the BBC was attacked by all sides.

BBC impartiality is not a matter of false balance, nor weak equivocation, but a question of curiosity, diversity and judgement. It is never perfect, always needs improving, but that is because of the nature of shifting views on impartiality, not that the BBC fails.

The BBC has always therefore been a pillar of the unwritten British Constitution. Universality – the principle that everyone pays so that everyone gets something (and everyone else gets something) is the key to the BBC's role. And while the licence fee clearly needs refiguring, it should be done with this principle in mind.

The BBC is the cornerstone of the whole public service broadcasting ecosystem and the benchmark for other UK broadcasters. It innovates both technically (the iPlayer) and creatively. It has developed new formats, which, once successful, are frequently moved to commercial broadcasters after the BBC has taken the initial risk. It is the lead provider in training for the whole industry from journalism to technical staff. It provides programmes such as those for children and local radio for which commercial broadcasters have little financial incentive. It operates locally, providing news and cultural engagement all over the country and nationally, taking us all to the best of entertainment and involving us in the national story – and it operates globally. Even in media-soaked societies like America the BBC is a key resource during elections. In the current Ukraine crisis, broadcasting into Ukraine and Russia, no other international broadcaster has the deep levels of trust that have been earned by the BBC over decades.

So the BBC must continue to be independent, impartial and free at the point of use. This is the only way in which it can continue to be the national asset it is now, nourishing our collective sense of identity and civic health in an age of disinformation and conspiracy theories.

Elites have always had access to good information, but as more people rely on social media to tell them what they want to hear, it is essential that everyone has access to free trustworthy and impartial information if we are not to go down the path of the United States where many people refuse to accept factual information with which they don't agree, such as Donald Trump's loss of the 2020 election.

India and Pakistan

I run a pioneering and innovative programme for South Asian journalists. They meet in the UK, as they cannot meet across contested borders between their own countries. I have seen at first hand the effects of the emaciation of a free press and freedom of speech in India and Pakistan over the last 7 years. In this context good information is as important as clean water. It is vital. The BBC already plays a key role (for example in the cross-India and Pakistan Urdu service) in these nations but it is in Britain's commercial and strategic interest that it continues to expand and innovate.

How should the BBC be funded?

The BBC performed with exemplary ingenuity during the Covid crisis. Now in Ukraine there is a vast and sudden shift in the world order and again the BBC has risen to the challenge of communicating both at home and abroad during a war. Yet it has done this despite staggering cuts to its revenue. This clearly shows on screen despite the tremendous agility of the BBC. The BBC needs to be funded properly, not treated as a headline-catching political football. We are now in uncertain and extremely dangerous international times. We need the BBC in quite a different way.

In order to be big enough to be brave as the national broadcaster, the BBC must continue to have scope, reach and scale. If it is shrunk the whole ecosystem of public service broadcasting will be seriously damaged. We should examine carefully the motivation of those who advocate a smaller BBC and ask ourselves what we would like the BBC to stop doing – children's programmes, coverage of local elections, world music, religious programmes, news, language services?

Since 2010 the BBC has seen a cut in the real value of its funding of 25%. The licence fee was frozen between 2010 and 2017 and from 2022 will be frozen for two more years before rising in line with inflation. Since general inflation is now running at around 4% and in the television industry is estimated to be much higher at 10%, with drama at over 25%, this will mean a further catastrophic decline in the real value of its funding.

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

The licence fee serves as the guarantee of the BBC's independence but in recent years it has come under attack. Rather like the House of Lords itself it has been criticised as an outdated anachronism. While the licence fee may be imperfect it has worked effectively in practice, it has been robust for 100 years. Its detractors have peddled a number of myths.

It has been criticised as regressive and a compulsory tax on people who cannot afford it. The licence fee is currently £159, and at 43 pence a day or £3.05 it represents excellent value for money. A subscription to Sky is £312 (£492 with Sky sports) and a subscription to Netflix, which produces nothing like the range of the BBC's programmes, is £120. None of these competitors have British production, British values, British problems and British triumphs, British society or politics as a driver.

If the licence fee had risen to keep pace with general inflation it would have risen by 2 pence a day or 13.4 pence a week. This is a tiny proportion of the increase in the cost of living compared to the rise in prices of food and fuel. It is hard to escape the judgment that the BBC's cultural critics and commercial rivals have disingenuously singled out the licence fee as a major burden on poor households out of a desire to constrain the BBC rather than out of compassion for the poor.

It is also claimed that people who do not watch or listen to the BBC are forced to pay for it. However, research has shown that over 90% of households access the BBC in some form each week.ⁱ An experiment where households who claimed they did not want the BBC were deprived of it for nine days showed that most of them then realised how much they valued it and changed their minds.ⁱⁱ Young people may not own TVs but they use the BBC very widely accessing its news and entertainment and drama. The challenge is moving to a system under which they also contribute to what they use.

The BBC's Economic Value and the Levelling Up Agenda

Investment in the BBC produces great economic value and is a direct contributor to the Government's levelling-up agenda. Funding the BBC properly will produce far greater value across the UK. In addition to funding future jobs – the skills and capacities that characterise a modern information economy – in communications, the BBC disperses economic development across the regions and nations. The BBC works with 14,000 suppliers spending around £2.4bn every year. 8,400 of these companies are SMEs of which 87% are micro or small businesses. Around 65% of the BBC's suppliers are based outside of London and almost half of the BBC's annual £4.9bn contribution to the UK economy was generated outside of London compared to the sector average of 20%.

Furthermore the BBC acts as the hub institution for creative clusters across the UK. In Cardiff there has been a 54% growth in the creative sector since 2012, when the BBC opened

Roath Lock, a new studio centre. The number of digital or creative businesses has grown by 70% since the BBC's move to Salford in the North of England in 2010. BBC Studios is the largest distributor of UK content and runs BBC Showcase, which attracts over 700 buyers from all over the world and contributes an estimated £1m to the local economy of Liverpool each year. The BBC is also the hub for selling UK content all over the world. These economic benefits ought to be part of thinking about future funding.

Funding Alternatives

The funding system may indeed need reform but we need to be wary that some methods proposed as an alternative to the licence fee are dangerous. General taxation is used by many countries to fund a national broadcasting system but research has demonstrated that this leads to political pressure and consistent under-funding.ⁱⁱⁱ For this reason it was rejected by the DCMS Select Committee in 2015.

Subscription has been suggested as a way to make the BBC more commercially self-reliant and remove a regressive burden. It has been claimed that the increased popularity of streaming services demonstrates that this is a viable path for the BBC. But streaming services such as Netflix and Amazon Prime are primarily sources of entertainment. They produce nothing like the range of programmes which the BBC does – let alone an agile radio service that responds to our predicament in a sinuous and varied way. They do not rise to national or international crises.

The national broadcaster should be universal and free at the point of use. Universality is at the core of the BBC's remit, it provides something for everyone. For the BBC to be funded wholly or partly by subscription it would be necessary to introduce conditional access technology so that those who did not pay could not receive it. It is not possible to achieve this for radio nor for those who access television solely through freeview. There are 8 million adults who watch only freeview television and many of them are in economically deprived and vulnerable groups. 4 million are in the C2DE socio-economic group, 3 million live alone, 2.7 million are over the age of 75 and 1.8 million have a disability. These groups watch more television than the average and rely on it for entertainment and company.^{iv}

Indeed, the subscription costs of the major streamers do not represent the real costs of their product. For the most part the major streaming services that the BBC is compared to are generally loss-leading, loss-making or debt-funded and not wholly reliant upon subscriber revenue.^v If the BBC were funded by subscription then there is no doubt at all that it would have to charge considerably more than the present licence fee to compensate for those who would choose not to pay it, some estimate by as much as 50%.^{vi}

Some people have suggested that the BBC should continue to provide free public service content such as news and current affairs and children's programmes and offer other categories of programmes through subscription. But this would drive the BBC to put as many popular programmes as possible behind a paywall, greatly to the detriment of those vulnerable groups who rely most on freeview television. It would alter the range and variety

of commissioning and experiment that leads to great, new, ideas. It would no longer be the BBC.

It is moreover almost impossible to draw the line where public service content ends and entertainment begins. Soaps and dramas have public service content. When *The Archers* told Helen's story of an abusive relationship it was both well researched and responsibly written and changed the nations perceptions of controlling relationships, similarly *Eastenders* has tackled tough social issues, always bringing in expert research to get it right and inform the audience. Comedy carries accurate news, dramas like *The Salisbury Poisonings* are dramatized accounts of real events.

Subscription would prevent easy access by people on low incomes, especially children, to some of our most admired programmes. David Attenborough is now a national and international treasure but how many would be willing to pay for a subscription to the BBC's Natural History Unit which nurtured his programmes, which he developed, for decades?

A combination of free-to-air and subscription would also be more expensive since all funding systems have fixed costs to collection and a hybrid system increases that.

Reform

Viewing habits are clearly changing and reform of the licence fee is inevitable, for reasons that have been well rehearsed, as many people do not have a TV, viewing instead on other devices, and many people, especially young people, feel no obligation to pay the licence fee and at present the iPlayer is not encrypted.

One possible solution which I would support is a general household broadcasting levy which is independent of any device. This system operates in Germany and is applied to all households including second homes. It is collected by an independent agency and students, some unemployed people, some pensioners on low incomes and disabled people can apply for exemptions.^{vii} It stands at 220 euros (£182) a year, so it is more expensive than the current licence fee.

Historically the level of the licence fee has been set behind closed doors, frequently accompanied by some unedifying behaviour by politicians. Any funding system should seek to secure the editorial independence of the BBC. and it should be at a sufficient level to sustain the BBC as an institution designed for public service rather than commercial gain. There should be an open and transparent consultation on any reform to the funding system of our national broadcaster and that this process should be accountable to both public and parliamentary scrutiny.

The BBC is not merely a provider of programmes – it has a constitution that sets it above political interference. And it is directly involved on the side of the public in holding the political process to account. It can only do this because it has been a slowly grown, flexible, but hugely effective institution. A recent international study of institutions that work and keep

society safe included the BBC as model of protecting public value.viii This needs to be cherished and properly funded for its second century at the heart of the nation.

ⁱ BBC Annual Report 2020/2021

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

ⁱⁱ Life without the BBC - household study 2015

<https://downloads.bbc.co.uk/aboutthebbc/reports/pdf/lifewithoutthebbc.pdf>

ⁱⁱⁱ Jeanette Steemers, The Funding of Public Service Broadcasting in Europe – Funding Systems and Decriminalisation – Selected Territories Information Briefing 30 March 2020.

https://kclpure.kcl.ac.uk/portal/files/127002082/4_Europe_Report_Licence_Fee_Criminalisation_copy.pdf

^{iv} ‘BBC and subscription – Impractical and not inclusive’, Enders Analysis 28.1. 2022

^v ‘BBC and subscription – Impractical and not inclusive’, Enders Analysis 28.1. 2022

^{vi} Patrick Barwise and Peter York, ‘What’s the Right Long-Term Funding Model for the BBC?’ In John Mair ed. ‘The BBC: A Winter of Discontent?’

^{vii} Jeanette Steemers, The Funding of Public Service Broadcasting in Europe – Funding Systems and Decriminalisation – Selected Territories Information Briefing 30 March 2020.

https://kclpure.kcl.ac.uk/portal/files/127002082/4_Europe_Report_Licence_Fee_Criminalisation_copy.pdf