

Professor Patrick Barwise¹—supplementary written evidence (BFF0057)

House of Lords Communications and Digital Committee inquiry into BBC future funding

Responses to the questions in the call for evidence

1. Technology and consumer trends

The BBC and other stakeholders will presumably provide extensive data and analysis on these trends. The best independent source is Enders Analysis. There is little dispute about the broad trends, especially among people who look at reliable data.

My own recent work on this is limited to two studies:

- An analysis of why technology markets are so concentrated and why market leaders like Google and Facebook, once they achieve market dominance, are unlikely to be dislodged through normal competition.² The key points are summarised here: <https://blogs.lse.ac.uk/medialse/2018/06/14/why-tech-markets-are-winner-take-all/>.
- A paper drawing together the research evidence, including from lab studies,³ on why people watch so much TV and video and the longer-term implications. This confirms that watching TV/video helps people relax and forget their problems and documents that the rate of change in US viewing behaviour has been much less than often claimed, even among younger viewers.⁴

Two additional points are, first, that most AV consumption is now hybrid, with consumers still watching and listening to traditional broadcast content⁵ as well as content from the new online-only players rather than switching to 100% online consumption.

Secondly, the streamers' impact on the BBC's *costs* - content, talent, facilities and distribution⁶ - is probably more important than their impact on

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² Patrick Barwise and Leo Watkins, 'The evolution of digital dominance: how and why we got to GAFAs', in Michael Moore and Damian Tambini, eds., *Digital Dominance: The Power of Google, Amazon, Facebook and Apple*, New York: OUP, 2018, pages 21-49, <https://lbsresearch.london.edu/id/eprint/914/>.

³ Brainwave patterns and secondary task reaction times.

⁴ Patrick Barwise, Steven Bellman and Virginia Beal, 'Why Do People Watch So Much Television and Video? Implications for the Future of Viewing and Advertising', *Journal of Advertising Research* 60, 2 (June 2020), pages 121-134.

⁵ Possibly online and/or time-shifted.

the *consumption of its services*.⁷ The UK public still consumes these for an average of *over two hours a day* – an astonishing figure in the context of some of the comments about it.

However, most people still take the BBC for granted and a large minority – about 30 per cent⁸ – say the £159/year TV licence fee, for those who have to pay it, represents poor value for money. In 2015, a BBC-commissioned study invited a representative sample of this 30 per cent to live without it for just nine days, in return for nine days' licence fee (£3.60 in 2015). After nine days with no BBC, two-thirds had changed their minds, having realised how much they used, enjoyed and relied on it and how little it was costing them.⁹

2. The purpose of a national broadcaster

The UK has an extremely successful and competitive broadcasting ecosystem, including the commercial PSBs, pay TV companies and VoD players, who all invest heavily in original UK production.

The BBC sits at the heart of this and is in that sense “the” UK national broadcaster. Its primary role is to inform, educate and entertain while also delivering the wider public purposes in its Charter.¹⁰ These are not, to my knowledge, disputed. Most of the public agrees they are important and that the BBC delivers them far more than any other provider.¹¹

3. Alternative funding models

The issues here are at the heart of this inquiry. I address them in my main submission.¹²

4. How should the BBC change over the next five years to adapt to evolving consumer habits and needs?

The BBC was set up 99 years ago to drive the adoption of a new technology. It has almost always been adept at responding to – and sometimes pioneering – new technologies (and the resulting consumption trends), except when stymied by excess regulation.¹³

The main threat to the BBC's continuing ability to deliver its mission is the combination of deep cuts in its real (inflation-adjusted) funding and the

⁶ Because of the need to support both broadcast and online distribution (‘riding two horses’) and invest more in technology and R&D.

⁷ The SVoD companies like Netflix and Amazon prioritise subscriptions (acquisition and retention) and price.

Their viewing hours are quite low. The exception is the advertising-funded YouTube, watched heavily by younger viewers.

⁸ Depending on the question wording and framing.

⁹ *The War Against the BBC*, pages 32-4 and 293-5. Our understanding is that the BBC has now replicated this study with similar results, to be published shortly.

¹⁰ Providing impartial news and information; supporting learning for people of all ages; showing the most creative, high-quality content; reflecting the whole UK and supporting the creative economy across the country; reflecting the UK and its culture and values to the world.

¹¹ Barwise and York, *The War Against the BBC* pages 240-245.

¹² Patrick Barwise, *The pros and cons of alternative long-term BBC funding models*, submission to this inquiry, 11 March 2022.

¹³ Barwise and York, *The War Against the BBC* pages 22-27.

rapid increases in its real costs (see point 1 above). Its real net public funding was cut by 30% between 2010 and 2019.¹⁴ It managed to claw back some of that by limiting the free TV licence concession to households with members aged 75+ and receiving Pension Credit. But the latest two-year licence fee freeze, with inflation over 5%, will do significant further damage, reducing its output quality (fewer senior journalists, more repeats, etc) and quite likely forcing it to close some whole services.

The National Audit Office has confirmed the resulting funding pressure and that the gap cannot be closed through efficiency savings, cutting executive and presenter pay, and commercial income growth.¹⁵

5. What actions and consultations are needed from government to inform its future BBC funding plans?

The decision about the funding *model* after 2027/28 should be informed by an independent expert panel similar to the 1985-6 Peacock Committee. Similarly, future decisions about the funding *level* should be based on the recommendations of an independent expert panel, as in Germany.

Unlike in 2010, 2015 and now 2022, no future funding decision should be made behind closed doors with no published analysis, no public consultation and no parliamentary scrutiny.

11 March 2022

¹⁴ Patrick Barwise and Peter York, 'It's the Money, Stupid!' in John Mair and Tom Bradshaw, eds., *Is the BBC STILL in Peril?*, Bite-Sized Books, 2020, pages 141-5.

¹⁵ National Audit Office, *BBC Savings and Reform* HC: 958, 2021-22, 17 December 2021, <https://www.nao.org.uk/report/bbc-savings-and-reform/>.