

## Written evidence submitted by the TaxPayers' Alliance

TaxPayers' Alliance submission to the digital, culture, media and sport committee inquiry on the future of public service broadcasting

It is the view of the TaxPayers' Alliance that the licence fee should be abolished and that the BBC must compete on fair commercial terms via a voluntary subscription-based funding model.

The TaxPayers' Alliance has led a long campaign against the BBC licence fee, as it uses taxpayers' money to support the broadcaster to compete in an ever-growing commercial market. By using its existing financing structure, the BBC competes unfairly, being able to successfully stymie independent and local radio stations with its dominant regional stations, pay exorbitant salaries to its staff, and waste taxpayers' money chasing a youth audience which is more interested in commercially funded streaming services. With the myriad of options for media consumption, the licence fee looks and is out of date and not fit for purpose in the 21st century. This reality should underpin any discussion of public service broadcasting in the UK.

While the BBC may be content continuously increasing the cost of the licence fee until the current arrangement runs out in 2027, taxpayers are not. TaxPayers' Alliance polling showed that 68 per cent of working-class voters backed the abolition of the licence fee.<sup>1</sup> Consumer habits have already begun to shift, with TV licences down 82,000 in the five months up to March 2020.<sup>2</sup> To change the tide, the BBC must embrace the technological possibilities available to it and move to a subscription-based service which will increase global accessibility, while giving taxpayers a real choice and ensuring genuine competition.

### Executive summary:

1. In a digital age, public service broadcasters (PSBs) such as the BBC must change their financing structure away from the licence fee, toward a subscription-based service. This will allow it to continue providing services for the public benefit such as its news service, while increasing accessibility and ending the obligation of all taxpayers paying for a service they may not use.
2. The Ofcom definition of public service broadcasting is no longer fit for purpose. It is unnecessarily convoluted and does not provide an obvious conclusion as to what public service broadcasting should be. Removing this definition will allow PSBs to focus on their core purpose, which is producing content for public benefit.
3. The current benefits for PSBs are not proportionate to the regulations placed upon them. By having one PSB (the BBC) financed through a compulsory licence fee, it has produced unfair competition, whereby individual broadcasters are allowed to dominate online, national and regional markets as a result of being subsidised by taxpayers. Allowing PSBs to transition to subscriber-based financing structures will allow them access to a global market of subscribers and result in fair competition with subscription video on demand (SVoDs) and other streaming services. This is how public service broadcasting should be made more competitive, rather than increasing regulations on SVoDs and other streaming services.

---

<sup>1</sup> TaxPayers' Alliance, *New polling from the TaxPayers' Alliance shows tax cuts are key to winning working class voters*, 5 November 2019, [www.taxpayersalliance.com/new\\_polling\\_from\\_the\\_taxpayers\\_alliance\\_shows\\_tax\\_cuts\\_are\\_key\\_to\\_winning\\_working\\_class\\_votes](http://www.taxpayersalliance.com/new_polling_from_the_taxpayers_alliance_shows_tax_cuts_are_key_to_winning_working_class_votes), (accessed 17<sup>th</sup> June 2020).

<sup>2</sup> Moore, M., *82,000 ditch TV licence as streaming grows*, The Times, 11 May 2020, [www.thetimes.co.uk/article/82-000-ditch-tv-licence-as-streaming-grows-m0v2hw5hg](http://www.thetimes.co.uk/article/82-000-ditch-tv-licence-as-streaming-grows-m0v2hw5hg), (accessed 17<sup>th</sup> June 2020).

What should a PSB look like in a digital age? What services should they provide, and to whom? In what way, and to whom, should they be accountable? Is the term 'public service broadcasting' still relevant and, if not, what is a suitable alternative?

1. Given the significant changes in the broadcast market there is no longer a need for PSBs such as the BBC to maintain its current financing structure. Like other media companies, the BBC should no longer be artificially supported with taxpayers' cash, in return for providing specified services. Instead, they should move to a subscriber-based model, which will give them the financial independence to stop forcing taxpayers to pay the high-end salaries of BBC executives. The public will then be able to choose which broadcasters they pay for based on the services they provide, such as the successful BBC News and World services, while also ending the governments' competition restrictions in this area.<sup>3</sup> As the technology already exists for people to receive different TV signals, it would allow PSBs such as the BBC to create different subscription models for different markets, increasing accessibility and creating a more competitive BBC both domestically and overseas.<sup>4</sup>
2. Broadcasters should provide the services which they deem necessary to those who pay for their content. For example, a subscriber-based BBC would want to continue running its news service as it is the most-used news source for adults in the UK, accounting for 58 per cent of the market.<sup>5</sup> This policy has clearly proven highly successful for streaming companies such as Amazon and Netflix, which brought in £1.1 billion in revenue from UK customers in 2018, including through the immensely successful broadcast of factual programming.<sup>6</sup> Making PSBs financially independent through subscription-based models would give them the freedom to produce content they think will attract the highest number of subscribers, while removing the government from an industry it does not belong in.
3. In the digital age, regulators such as Ofcom should not be allowed to decide what society values, by arbitrarily forcing PSBs to create specific types of content. Ofcom itself has suggested that there needs to be more choice and competition within this market.<sup>7</sup> As such, broadcasters should remain accountable, but Ofcom should have its powers limited, ensuring instead that broadcasters are adhering to the Broadcasting Code. In doing so, subscriber-owned and commercially funded PSBs would still be accountable to Ofcom but also their customers.
4. The current definition of public service broadcasting is no longer fit for purpose. Its definition, alongside the characteristics of public service broadcasting provided by Ofcom, do not provide an obvious conclusion as to what public service broadcasting should be. For example, it recommends public service broadcasting should "increase our understanding of the world".<sup>8</sup> However, contradictorily it recommends a high amount of protectionist policies, including meeting objectives through UK content rather than overseas programmes.<sup>9</sup> Given the confusion regarding even the definition of public service broadcasting, it would be logical to remove the need for a definition entirely as it only constrains broadcasters rather than promotes creativity.

---

<sup>3</sup> Booth, P., *New Vision: Transforming the BBC into a subscriber-owned mutual*, Institute of Economic Affairs, 10 October 2019, <https://iea.org.uk/publications/new-vision>, (accessed 11 June 2020).

<sup>4</sup> Booth, P., *New Vision: Transforming the BBC into a subscriber-owned mutual*, Institute of Economic Affairs, 10 October 2019, <https://iea.org.uk/publications/new-vision>, (accessed 11 June 2020).

<sup>5</sup> Jigsaw Research, *News consumption in the UK: 2019*, Ofcom, July 2019, p.2.

<sup>6</sup> Mitchell, R., *Netflix, Amazon Generate Twice as Much Revenue in the U.K. as Broadcasters' Streamers*, Variety, 30 May 2019, <https://variety.com/2019/tv/news/netflix-amazon-double-revenue-uk-broadcaster-streaming-services-bbc-sky-1203228903/>, (accessed 11 June 2020).

<sup>7</sup> Ofcom, *Ofcom review of public service television broadcasting: Phase 3 – Competition for quality*, February 2005, p.7.

<sup>8</sup> Ofcom, *Ofcom review of public service television broadcasting: Phase 1 – Is television special?*, June 2004, p.9.

<sup>9</sup> Booth, P., *New Vision: Transforming the BBC into a subscriber-owned mutual*, Institute of Economic Affairs, October 2019, p.11.

5. Commercial media outlets and streaming services have been proven to be able to provide popular and well-regarded factual programming, including documentaries on current events, such as Jeffrey Epstein: Filthy Rich. Despite not being included in the technical definition of public service broadcasting, this content clearly provides “an understanding of the world through news, information and analysis of current events and ideas.”<sup>10</sup>
6. The definition of public service broadcasting, based on the assumption of regulated content, is therefore out of date. The definition of ‘public service broadcasting’ should therefore be abolished.

**Are the current regulations and obligations placed on PSBs, in return for benefits such as prominence and public funding, proportionate? What (if any regulation) should be introduced for SVoDs and other streaming services?**

7. The current regulations placed on public service broadcasters (PSBs) are not proportionate. On the one hand taxpayers funding has allowed the BBC to crush local radio stations, owning 54 per cent of the market,<sup>11</sup> while regulations have resulted in PSBs losing ground to streaming services in the television market, as they discourage broadcasters from operating on a commercial basis. The BBC alone has 22 obligations it must meet as part of its charter and agreement.<sup>12</sup> These include distinctive output and services, news and current affairs and original productions. While the BBC purports to have succeeded by following these regulations, Tony Hall has suggested the UK’s media industry faces unfair competition due to regulation. To resolve such matters PSBs such as the BBC must change their financing structure, so they can open themselves up to a global market of subscribers. With that will come freedom to compete as they wish. This will solve the issue of unfair competition, and taxpayers will no longer be forced to subsidise the BBC, instead being able to opt in or out as a subscriber.
8. PSBs also suffer from quotas imposed by Ofcom as part of their licence obligations. The Channel 4 Corporation (C4C) revealed – in a 2016 submission to the house of lords select committee on communications – that they were required to produce specific levels of content.<sup>13</sup> This included 208 hours of news and 208 hours of current affairs per annum, alongside other quotas on schools, originations, regions and nations. In order for broadcasters to compete effectively with each other, as well as other forms of media outlets, such quotas must be removed so each can individually decide what content to produce rather than have it imposed upon them from above in return for public funding. This will produce a level playing field where broadcasters produce content based on which will attract larger viewing audiences. However, this can only occur if PSBs are based on subscription or commercial funding structures, which allow individuals to choose the content they consume rather than being forced to pay no matter what is produced.
9. The current regulations and obligations, as well as the benefits of being a PSB, are both burdensome and unnecessary. Privately owned PSBs have voluntarily been able to go beyond the remit of their licence agreement, with Channel 5 willingly pledging to increase investment in UK originated content.<sup>14</sup> Furthermore, Gareth Barr of Ofcom reported no “demonstrable change in the channel’s approach”.<sup>15</sup> Meanwhile, the then secretary of state noted the substantial commitment to investment in the UK by Viacom when purchasing Channel 5.<sup>16</sup> This occurred despite Ofcom significantly increasing Channel 5’s

<sup>10</sup> Booth, P., *New Vision: Transforming the BBC into a subscriber-owned mutual*, Institute of Economic Affairs, October 2019, p.10.

<sup>11</sup> Media Reform Coalition, *Who owns the UK media?*, 2015, p.13.

<sup>12</sup> Department for Culture, Media and Sport, *Broadcasting: An Agreement Between Her Majesty’s Secretary of State for Culture, Media and Sport and the British Broadcasting Corporation*, December 2016, pp. 52-65.

<sup>13</sup> House of Lords, *A privatised future for Channel 4?*, July 2016, p.32.

<sup>14</sup> *Ibid*, p.51.

<sup>15</sup> *Ibid*.

<sup>16</sup> *Ibid*.

quotas after Viacom's acquisition in 2014. As the committee recognised at the time, the purchase of this PSB had a positive impact on the amount of public service content available.<sup>17</sup>

10. Parliament should not be adding regulations to SVoDs or other streaming services. The BBC's director general, Tony Hall, argues that the UK's media industry has "one hand tied behind its back" when competing against global streaming services such as Netflix and Amazon, due to regulation.<sup>18</sup> The answer should not be for Parliament to add regulations to streaming services but to axe the TV licence fee and allow PSBs such as the BBC to operate on a subscription service, thus allowing the corporation to compete freely and fairly - and have access to a larger, global market.

### Conclusions and recommendations:

11. In order to succeed in the digital age PSBs must urgently transition away from financing models funded by taxpayers towards subscriber or commercially funded systems. Commercial or privately operated PSBs have shown this change in financing system need not change the content produced by the broadcaster, especially as it is this content which made them successful initially.
12. Ofcom needs to move away from deciding the amount of content broadcasters produce, to focus on ensuring broadcasters adhere to the Broadcasting Code. This will maintain the status quo of an accountable authority while freeing broadcasters to create content which they believe will attract the largest number of subscribers to their service.
13. The obligations and quotas placed on broadcasters, as well as antiquated financing models such as the licence fee, needlessly prevent PSBs from providing more of their most popular content for their viewers. Popular content provided on other platforms has included factual programming traditionally only thought possible via PSBs. The case of Channel 5 also shows that privately run broadcasters can be trusted to make significant investments independent of Ofcom requirements. The same would occur if such obligations were lifted from other PSBs, and corporations such as the BBC were moved onto a subscription service at the same time.
14. UK PSBs are made less competitive as a result of the strict regulations and financing models placed upon them by the government and Ofcom. This ensures that streaming services such as Amazon and Netflix are more financially successful as they run subscription services and do not have the same obligations. Rather than increasing the regulatory burdens on other media companies, the financing models on PSBs, most notably the BBC, should be changed so that UK broadcasters can compete freely and fairly in a global commercial market.

---

<sup>17</sup> Ibid.

<sup>18</sup> Advanced Television, *BBC's Hall: "Streaming services require regulation"*, 17 September 2018, <https://advanced-television.com/2018/09/17/bbcs-hall-streaming-services-require-regulation/>, (accessed 10 June 2020).