**Royal Television Society, 16 November 2015**

**Campbell Swinton Lecture**

**Current and future threats to public service broadcasting**

**Claire Enders, Founder, Enders Analysis**

**Good evening, my name is Claire Enders and I am the founder and owner of one of the leading knowledge exporters of Scotland.**

**It’s good to be home. And Scotland is home not just because my company is based in Dundee, and I and my family vote here and feel a strong Scottish identity – this is home because, here, the administration believes that Public Service Broadcasting is a fundamental good for all and believes in the core market interventions – the BBC, Channel 4 – that have been developed over almost a century.**

**Last week, Nicola Sturgeon was in London and outed by Willie Rennie as attending a private function of the 30 Club. I was at that dinner and I had the great pleasure of hearing her express her absolute support and commitment for the BBC, as well as reiterate her opposition to any part or full privatisation of Channel 4, expressed already by John Nicolson in Parliament earlier in November. In London, where I work, and since May, no one ever hears any government minister express confidence in our extraordinary and wonderful broadcasting system – the mantra there is about market fundamentalism. Bye bye, Olympic spirit.**

**This evening, I am going to explain to you the central scenario of the Government to 2025 and why I oppose it.**

**BBC content is incredibly good value: around 13p an hour for those living in single person TV households, or 7p for each adult living in TV households.**

**Channel 4 was set up over 30 years ago to consciously break the duopoly of production represented by ITV and the BBC and to provide advertisers with an alternative to the then monopoly providers, the ITV system. Furthermore, Channel 4 was always conceived as an original life form, a remit-driven business, barred from distribution of profits, and barred from ownership of programmes to enable independent producers to own their IP.**

**The failed merger of Channel 4 and Channel 5 in 2009 exemplified the really significant difficulties of finding a commercial partner prepared to accept the unique structure of Channel 4. In that case, Ofcom was unable to find an ownership structure that could accommodate RTL’s avowed desire to generate normal commercial returns from the merged entities alongside Channel 4’s remit.**

**I have created a cut-out-and-keep guide to the significant differences between the remits of a pure PSB – Channel 4 – and the remit of a purely commercial PSB – Channel 5. The obligations on these broadcasters are completely different.**

**But the biggest difference of all between pure PSBs and any kind of commercial player is the percentage of revenue spent on programming – from over 60% at Channel 4 to under 40% at HBO.**

**For some reason, the Westminster government wants the UK to adopt models which involve much less production of original British-made material or they believe that ‘market forces’ will make up the difference.**

**But they won’t.**

**The BBC and Channel 4 contribute overwhelmingly to the 30 year British creative success story that is the audiovisual sector and, even more so, in the Nations. Together, they were responsible for over 60% of all commissioning of independents and they have an entirely different and fairer system of commissioning, especially of smaller producers. The US tax minimising corporations like Amazon and Netflix barely raise a flicker. Although hard to measure, licence fee funded BBC and the private audiovisual sector generate creative synergies and both add up to more than the sum of their parts, a scale economy for audiovisual production.**

**The glorious success story is already past its peak. The decline in BBC revenue has finally fed through to the independent sector. So much for market forces!**

**The funding formula thrust upon the BBC, most recently in July, demonstrated the relative ease of political intervention. This is now greatly strengthened by a small Conservative majority in the House of Commons and a looming majority in the House of Lords, not least because the SNP forswears its allocation of peers.**

**In its Green Paper, the DCMS expresses a long list of beliefs – presented entirely absent of evidence – about the nefarious impact of the BBC on the commercial sector. The DCMS is however prepared to accept that the BBC has a nebulous positive impact on the commercial sector by “raising the bar”. Actually, the most significant impact by far of the BBC, and a perpetual gift to all commercial players, is that it subtracts 40% of daily media consumption from contest by advertising and subscription. So, 60% of all consumption shares 100% of the revenues.**

**For the foreseeable, we have entered into a completely new paradigm for the BBC, one in which its income is effectively decided annually and as part of a vast complex of government spending. There is no better sign of this than the growing certainty that all the BBC got in July was a sword of Damocles of catastrophic size over its head in the OAP deal.**

**The BBC was forced to agree to take on an election manifesto commitment to funding free licences for over-75s and for those younger if such an elder lives with them. Due to demographics alone, the number of such free licences will rise from 6.5m today to 10m post 2025!**

**The government can, if it wishes, remove this manifesto commitment post 2021, or introduce means-testing, or maintain it until the end of time. Whatever happens, for the time being, those who consume the most PSB because they no longer work will be subsidised by those who consume less, primarily because they do work.**

**The Right Honourable John Whittingdale recently confirmed that the licence fee settlement for the next Charter period is not decided. Moreover, government sources indicate that, every year, the Treasury could further reduce BBC funding to achieve the Chancellor’s fiscal target for 2020.**

**And now to the licence fee itself as a concept. Critics of the licence fee say too large a number of non-payers are being criminalised for evasion (180k annually). For 25 years plus John Whittingdale has decried the flat licence fee, calling it a tax rather than a fee for enlightenment, entertainment and high quality information, which is willingly paid for by all but a small number of households.**

**One idea in the air for post 2020 is the household levy. Germany introduced something called that in 2013 to replace their licence fee system which was similar to the UK’s. This involved a big change because all households and business premises (apart from exemptions for the blind, infirm, students), not just previous licence fee payers, had to pay, although like the UK, most households were paying anyway. Refuseniks scream high and low but are forced to pay.**

**The German Government justified the decision to change over to the household levy by stating that public communication services were consumed in every house and business, which is true, and are of common and sustaining value to all of society. This is a universally shared view across the political parties, unlike here. So, for sure, the UK government’s idea of what a household levy is will be very different from the German reality.**

**One especially bad idea for post 2025, which has significant legs, is that this new household levy would be paid through Council Tax bills for local public services. Obviously, the levy is not akin to a tax for local services and it would be exceptionally difficult for this change to be explained to Council taxpayers. Apparently, these locally raised levies would provide funding for some form of contestable pool for local news providers, diminishing the BBC’s own resources. There would also need to be some mechanism in place for Councils to rebate funds back to the BBC, or would it have to chase payment from 326 local collecting authorities? TV Licensing is likely to always provide a superior and more efficient system for payment of a licence fee or a household levy.**

**So, my betting is that, if the licence fee is replaced by a household levy, that levy will be geared towards voluntary payment for services which will be subscriptions in all but name.**

**It is a strange moment, just now. We still stand on secure ground whilst contemplating fairly catastrophic scenarios for the future of Public Service Broadcasting.**

**Complete uncertainty remains in regard to the level of the licence fee, whether it will be higher or lower or the same in 2017; and whether it will rise at CPI or some other formula – or not at all. Equal uncertainty shrouds the fate of the Charter. Will the current Charter be extended by three years to await the delivery of a knock-out blow to PSB through a new Communications Act? Or will the BBC be granted a new 5-year Charter coterminous with the OAP deal? These are the two main options at the top of government thinking.**

**That new ‘improved’, ‘reformed’,Comms Act could abolish, or reduce in scope, in no particular order: the Terms of Trade; the Remit and onerous licence obligations of Channel 4; Channel 4’s obligation to reinvest its revenue in its remit – all of which are currently enshrined in the Digital Economy Act 2010. This new Act could force open the IP ownership frozen at the heart of the BBC like Gollum’s precious ring, protected by the coils of complex systems; ushering in new ownership formulae for BBC Worldwide, BBC Studios, as well as Channel 4 if current plans for part-privatisation fail common sense tests, as they might.**

**Such legislation would likely extend to eliminating certain fundamental, significant tenets of PSB – universality, and the related must offer and must carry obligations, with the likely introduction of negotiated payments – so called retransmission fees, and elimination of lesser but critical PSB privileges and rights such as EPG positioning. The government is keen to completely deregulate relationships between all PSBs and platforms by 2024.**

**The extreme scenario for the BBC involves moving perhaps towards voluntary subscription payments for each of its different services, including its website.**

**But by far the most significant change would be the end of the PSB right to use the DTT spectrum by the end of commercial PSB licences in 2024. That would require a significant forced migration from existing equipment in people’s houses and offices.**

**With the loss of use of spectrum will come a migration to a mixed ecology of fibre and high speed cable networks, and satellite and wifi and other mobility networks, for distribution. Therefore, distribution costs will always rise as income declines for the BBC especially. But also, licence obligations will all but disappear.**

**This government has, at some levels, extreme faith that ‘market forces’ hitherto penned back by the BBC and Channel 4, and acres of regulation, will come rushing to the fore.**

**And, please do not comfort yourselves here in Glasgow or anywhere in Scotland that a materially different fate awaits. A Scotland independent in, say, a decade’s time, will never be able to rebuild the fabric of a milieu, of a culture, a way of thinking and being, that everyone came to embrace over 30 years through our regulated media. Perhaps the only lingering memory of it will be in out-of-date passports stamped with this year’s wonderful design stating that we are creative people, every one of us in these isles.**

**Thank you.**