

## **Digital, Culture, Media and Sport Select Committee:**

### **BBC Annual Report 2018-19 and TV licences for over-75s**

**To:** The Digital, Culture, Media and Sport Select Committee

**By:** The Intergenerational Foundation

**Date:** 3 July 2019

The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

#### **Introduction**

As an organisation which exists to advocate for the rights of younger and future generations in British policy-making, IF has consistently argued that the generosity of the free TV licence scheme for the over-75s ought to be retrenched in the interests of intergenerational fairness.

IF made the following arguments during the BBC's public consultation on the future of the free TV licence which relate to why we believe the scheme needs to be reformed:

#### **1. Retaining the free TV licence for all over-75s would be unaffordable**

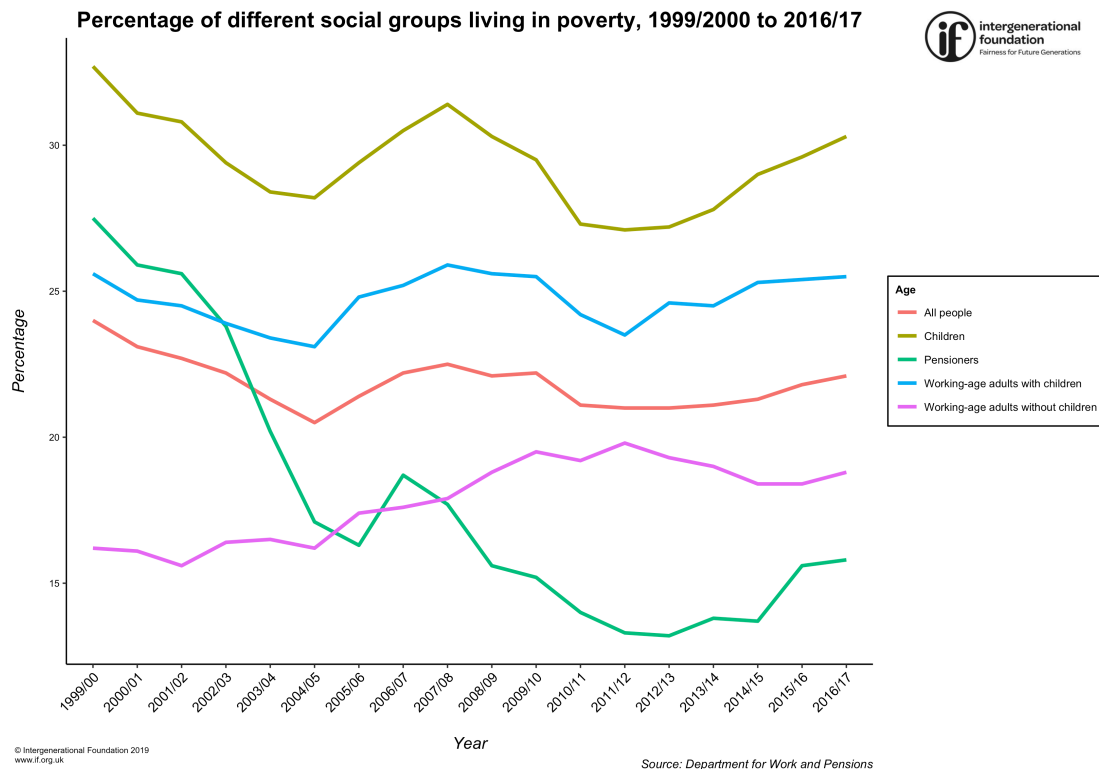
IF strongly believes that retaining the status quo would have been unaffordable, as it would have a deleterious impact on the scope and quality of the services which the BBC is able to provide to its audiences across the UK. As both of the reports by Frontier Economics emphasised, retaining the full concession in its previous form would have immediately cut the BBC's budget by 18%, and because the commitment to provide free TV licences to every single household containing at least one member over the age of 75 was completely open-ended, it would have become an ever-increasing financial burden on the BBC as the UK's population ages.

As was explained in the BBC's consultation document, retaining the existing concession would also effectively produce a very large cross-subsidy between younger licence Fee payers and their older counterparts, worth approximately £34 per year from each younger household (or, to put that another way, roughly 22% of the current licence Fee payment from each younger household would have gone towards subsidising free TV licences for the over-75s).

Given that the BBC is supposed to serve all audiences across the UK, it can be argued that retaining the current concession would make it more difficult for it to achieve this objective. It is also worth emphasising that, as older people are the biggest consumers of the BBC's television programmes, they are likely to be among the biggest losers if the quality and quantity of the BBC's output underwent significant cutbacks to fund free TV licences in the future, so such a policy would be somewhat self-defeating. The cost argument was the main reason why we thought that the BBC couldn't afford to retain the free TV licence for the over-75s in its previous form.

## 2. The main arguments for an age-related TV licence concession are unconvincing

Supporters of an age-related TV licence concession generally put forward two main arguments: firstly, that older people are disproportionately likely to be poorer than average (which was the original justification for introducing the free TV licence in 2000), and secondly, that access to television programmes plays an important role in combating loneliness and social isolation among this age group. However, neither of these arguments are convincing when subjected to further scrutiny.

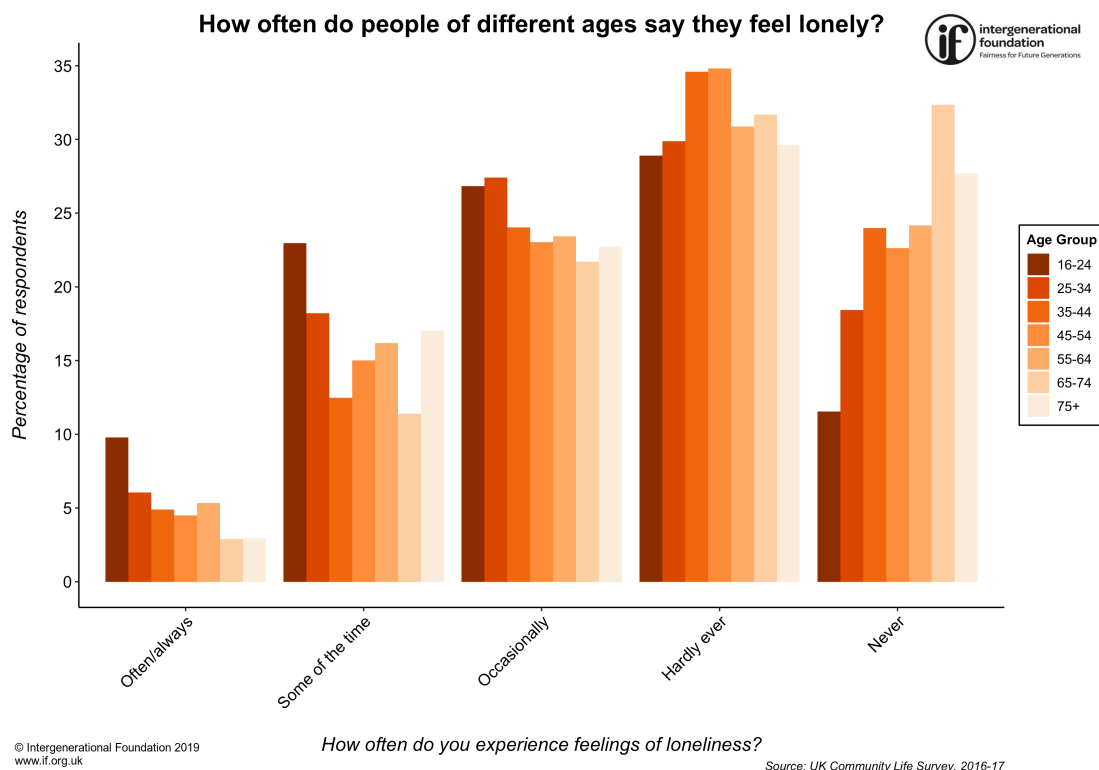


**Fig.1 Poverty rates among different social groups<sup>1</sup>**

Firstly, on the issue of poverty, there has been a remarkable (and extremely welcome) decline in pensioner poverty over the period in which the free TV licence has been in existence (Fig.1). According to government data, in 1999/2000 28.7% of pensioners lived below the government's official poverty threshold, whereas the latest available data (for 2016/17) show that only 15.8% are currently living in poverty.

<sup>1</sup> DWP (2018) *Households below average income: 1994/95 to 2016/17* London: DWP

By contrast, a higher proportion of working-age adults are now living below the poverty threshold than was the case when the TV licence concession was introduced. Clearly, poverty has not been eradicated among retired households, but the key point is that – given that the TV licence is effectively a form of poll tax (in the sense that everyone who wants to watch television has to pay the same amount, regardless of income) – there doesn't seem to be a convincing case for giving pensioner households alone a TV licence concession in order to alleviate poverty without giving one to working-age households who are also poor. There is also a strong argument that it should not be the BBC's job in the first place to try to alleviate poverty, when it has so many other duties which it is expected to perform on a relatively limited budget.



**Fig.2 Loneliness by age<sup>2</sup>**

Secondly, on the issue of loneliness, there are undoubtedly many older people who are socially isolated for whom BBC television services provide a source of comfort. However, IF would make two observations about this: a) loneliness is by no means exclusively a problem which affects older people; indeed, some of the best available evidence which we have suggests that it is actually more likely to affect the young (see Fig.2, which is based on data from the most recent UK Community Life Survey), and b) Frontier Economics also found that there is very little evidence that the amount of money that is spent on free TV licences uniquely for the over-75s justifies the impact which it appears to have on alleviating loneliness. They argued that:

*“...while it is credible that television can be a form of companionship and help reduce feelings of isolation, as reflected by the comments made by a number of stakeholders, there is as yet little compelling evidence that there are significant*

<sup>2</sup> ONS (2018) *Loneliness - What characteristics and circumstances are associated with feeling lonely?* Newport: ONS

*external benefits which would support a case for a universal concession for over-75s. This does not mean that television does not help promote improved quality of life or well-being for those who rely on it, and being older (over 75 or particularly over 80) appears to be an imperfect proxy for relying on television. Of course, other groups vulnerable to social isolation, such as younger people with disabilities, do not benefit from a concessionary licence.”<sup>3</sup>*

In other words, while loneliness undoubtedly affects a certain proportion of older people, it also affects younger people as well, and there is little evidence that providing free TV licences is a cost-effective means of combating it compared to alternative interventions which may be available.

Loneliness and social isolation are obviously extremely emotive subjects, but the same point from above could also be reiterated: should it be part of the BBC’s core mission to specifically try to alleviate loneliness among the older population when we already expect it to do so many other things on a relatively limited budget?

### **3. The BBC needs to do more to cater to younger viewers**

As the BBC’s Consultation Document observed, the BBC is currently facing a significant degree of competition for the attention of its younger audience members from its existing commercial rivals and also newer entrants to the UK media landscape, such as Amazon and Netflix. The BBC is clearly well-aware of the scale of the challenge which it faces when it comes to engaging with younger viewers, as this has been emphasised by previous research: for example, a major piece of audience research which was commissioned by the Department for Culture, Media and Sport about public attitudes towards the BBC reported the following finding in 2016:

*“Overall, young people did not feel that the BBC was aimed at their age group as it did not provide the type of entertainment they found appealing – comedy programmes, documentaries that explored taboo topics and reality television. Whilst they agreed that this type of content would attract them to the BBC, they were unsure whether this was a good ‘fit’ for the BBC...Young people also struggled to identify young presenters apart from those noted for BBC Radio and therefore felt that the BBC could be difficult to relate to.”<sup>4</sup>*

It seems fairly self-evident that retaining the free TV licence for the over-75s in its current form would have made it harder for the BBC to appeal to its younger audience members in two ways: firstly, on a practical level it would have reduced the BBC’s ability to invest in making high-quality programmes and redesigning its web and radio services to make them more attractive to young people; and secondly, it would also have sent out a strong message that the BBC is more concerned about the wishes of the older section of its audience than it is about the young. Given that the BBC relies upon broad-based public support in order to continue to play its unique role within British society, it needs the support of today’s young adults if it is going to carry on being funded by the licence Fee in the future.

## **Conclusion**

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<sup>3</sup> Frontier Economics (2018) *Review of Over-75s Funding* London: Frontier Economics

<sup>4</sup> GfK Social Research (2016) *Research to explore public views about the BBC* London: GfK Social Research

Taking the above arguments into account, IF believes that the BBC was left in a position where it had no real choice other than to retrench the free TV licence for the over-75s. Not to have done so would have forced the BBC to endure such a large cut to its budget that it would have significantly reduced both the scale and quality of the media output which the BBC is able to offer to the UK population.

IF believed that the only two serious options which the BBC had at its disposal were to either retain a means-tested free TV licence or abolish the over-75s' free tv licence completely. In our original response to the BBC's public consultation on this issue, we argued that the BBC could pursue either option, although there was a strong case for taking the latter course because the arguments for having a free TV licence for the over-75s at all are not particularly convincing. However, we acknowledged that this option could be politically unfeasible (and would harm the poorest over-75s), so we recommended that maintaining a residual means-tested free TV licence for poorer pensioners would get around these difficulties.

Overall, we think that the criticism which the BBC has received since it announced its decision to means-test the free TV licence for the over-75s has been unfair, for four reasons. Firstly, the BBC was put in a position by central government where it had little choice other than to reduce the generosity of the scheme or face huge cutbacks at a time when it is facing ever-increasing competition for the attention of UK media consumers.

Secondly, the case for having a TV licence concession which only benefits one age group is unconvincing, for the reasons which were explained above.

Thirdly, the results of the BBC's public consultation demonstrate that the public was opposed to major cutbacks to the BBC and in favour of means-testing the free TV license if it meant that they could be avoided.<sup>5</sup>

Fourthly, the BBC appears to have made a massive effort to make sure it got public input into its decision-making process (its consultation exercise engaged with over 190,000 people, the majority of whom did not support copying the existing scheme),<sup>6</sup> and has also announced that it will make a number of changes to how the TV licence scheme operates which should make it easier for current over-75s who will need to start paying the TV licence fee to handle the transition. These include pledges to provide a new telephone helpline and enabling people to pay the licence fee in instalments for the first time. Although resolving the future of the free TV licence was clearly a very challenging conundrum for the BBC, they cannot be accused of having made their decision arbitrarily, and they clearly went to great lengths to consult a wide range of both expert stakeholders and members of the BBC's audience.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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<sup>5</sup> BBC (2019) *Age-related TV licence Policy: Decision Document* London: BBC

<sup>6</sup> Ibid.