ippr Public Service Communications Project
Discussion paper:

A Progressive Licence Fee?

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The television licence fee is a tax levied by government applicable to all households (broadly defined), with few exceptions (see below), who own a ‘television receiver’ (Communications Act 2003: 363). Currently the whole of the licence fee is granted to the BBC under the terms of the Agreement between the BBC and government. The annual payment of £116\(^1\) contributes revenue of approximately £2.6 billion, contributing to *circa* 75 per cent of the BBC’s total income.

The Government has indicated that the current review of the BBC’s Charter, which must be concluded by 2006, is the appropriate time to consider the financing of the Corporation. Public funding through a licence fee is perceived by many as the most appropriate means of financing public service broadcasting - ensuring independence from the state, advertisers or shareholders. Recent discussion, as in the past, has focussed on the total amount of the licence fee – too much, too little or just right? This paper does not examine these questions rather we look at the nature and impact of the licence fee as a poll tax that funds a public service. All too often discussion of the licence fee is seen as either an attack or a defence of the BBC - questioning the appropriate level of the licence fee has a direct impact on the Corporation’s finances – obscuring a crucial question for government of whether the current method of taxation, a poll tax, is appropriate. Whilst, we are aware that criticism of the licence fee on “moral grounds” often masks deeper political and commercial motives we hope that our independent report will provide a positive contribution to the discussion.

Despite the introduction of concessions and payment schemes to assist low-income households, the licence fee remains a regressive tax that falls most heavily on the most vulnerable in society.

This report brings together a range of evidence examining the impact of the licence fee. Our findings show that:

- The licence fee presents a much higher proportion of income for low-income households. For households in the lowest income decile, the licence fee represents 1.79 per cent of their income. This is three times the national average (0.46 per cent) and almost 11 times that for households within the highest income decile (0.18 per cent).
- The characteristics of low-income households tend to compound the regressive nature of the fee. Low-income households are more likely to be composed of single parents, lone tenants, pensioners any the economically inactive.
- Even with the introduction of the weekly payment scheme designed to make payment of the licence fee ‘simpler’ for low-income households, difficulties arise. For income related benefit recipients (of which there are around 4 million), the weekly fee remains a large proportion of their welfare payment – representing 6.46 per cent of the average annual income support payment.
- The difficulties in paying the licence fee are compounded by the penalties enforced for non-payment. It is not surprising to note that licence fee evaders are most likely to be low earners and lone parents. Though the number of individuals imprisoned is falling, this penalty still occurs – especially for those who find the payment of fines and court expenses impossible.
As with most crimes of poverty, licence fee evasion has a gendered as well as classed dynamic. Women in particular are likely to be on income support and/or head single parent families. They therefore face difficulties paying the licence fee, and the fines incurred for evasion.

The BBC Charter Review panel\(^2\) will be chaired by Lord Burns, and will include the publication of key questions, public and industry consultation and reviews, a Green Paper in 2004-5, and finally White Paper following such wide-ranging consultation, that will be presented to Parliament and the public before the Charter expires in 2006.

It is crucial that questions around the method of taxation used to finance public service intervention in broadcasting markets are not lost in the milieu of market impact assessments that will inevitably feature in the process of Charter review.

This paper sets out why we believe that there are four the key questions around the television licence fee the panel should consider. These are:

- **Is there a case for extending television licence fee concessions beyond the current?**
- **If so for whom?**
- **If so, how should this be funded?**
- **Is there a danger that any extension of concession would undermine public support for the licence fee as a whole?**

### 2.0 - Brief History of the Debate

#### 2.1 - Crawford Committee
Crawford (1926) rejected competition in early radio arguing that a single monopoly provider would be more desirable.

#### 2.2 - Annan Committee
Annan (1977) evaluated the future of the BBC, its services, funding and organisation in the face of a changing broadcasting environment but concluded that the BBC should remain the *main instrument of broadcasting in the United Kingdom* (Annan 1977: 476).

#### 2.3 - Peacock Report
The Peacock Committee report (1986) in 1986 in response to the changing political climate and called for alternative funding arrangements to be made for the BBC. The committee’s general proposals favoured privatising the BBC in order to foster competition. Though advertising and sponsorship was rejected, Peacock suggested subscription revenue as a strong alternative to the licence fee in the future. The report reflected changing attitudes toward the broadcasting market, however an overhaul of funding at the BBC did not occur and the licence fee remained intact.

#### 2.4 - Davies Review Panel
The Davies Report (1999), like the Peacock report before it, sought to ‘consider ways of extending funding for public service output from other sources’ (Davies 1999: 8) alongside the licence fee, taking into account the objectives of public service broadcasting and the changing environment (particularly the planned digital switchover in 2010). The panel recommended that most additional funding for digital
switchover should come from in-house efficiency savings and commercial revenues. However digital subscription charges until 2010 were also proposed.

2.4.1 - The Case for Concessions
Access was a key issue for the Davies panel. It was accepted that 'whilst the licence fee is a good way of financing public service broadcasting it is a very bad way of taxing the public'. The panel considered that the licence fee, due to its regressive nature, 'bears most heavily on those with the lowest incomes in our society' (Davies 1999: 8-9). This consideration was reflected in many of the Davies panel's recommendations. Suggestions included improving the concessionary scheme for those in sheltered housing, the introduction of half-price licences for the blind, and free licences for the over-75s to be reimbursed by the Department of Social Security (now the Department for Work and Pensions).

Within the Davies Review, a number of organisations suggested that other low-income groups were even more vulnerable and in need of concessions than pensioners (Davies 1999)³. However, though the Davies review acknowledged 'a case for considering ways of alleviating the burden of payment on poor households', they also stated that the BBC is not a 'benefits agency' (Davies 1999: 112). The Davies panel found that though when asked if certain vulnerable groups should be given a reduced licence fee, nearly all agree that such entitlement is justified. However when asked if these reductions should be funded by a raise to their licence fee, support fell to just over half (Davies 1999: 121). Presenting the clear danger that any extension of concessions may reduce the willingness to pay of others who do not benefit. The panel also identified practical questions such as how will concessions be administered, who exactly should be entitled, how lost revenue will be recouped, and how this may affect the quality of the BBC's services. In evaluating the effect of extending concessions to all pensioners (not just those over 75), they found that:

'If the licence fee were abolished for all pensioners, the rest of the population would incur a 39 per cent increase in the licence fee levels. This would hit many people in the poorest two income deciles very hard….57 per cent of households in these bottom two income deciles would lose, while only 32 per cent would gain…Thus there would be many more low-income losers than gainers as a result.'

(Davies 1999: 113)

This, however, is based on the assumption that the lost revenue would be recouped by an increase in the full licence fee for the rest of the population – rather than becoming a responsibility of the Department for Work and Pensions, as it is for those over 75 (see below).

In 2000 the Government responded (DCMS 2000). The Government considered that the BBC required additional revenue to fund the transition to digital broadcasting. The BBC fund the transition to digital through efficiency savings and an increase of the licence fee by 1.5 per cent above inflation per annum; the concessionary schemes were extended as recommended; payment schemes were made simpler.

However a number of proposals were abandoned. The idea of digital subscription charges was thought to be a potential disincentive for digital take-up that would bear most heavily on disadvantaged groups and was therefore rejected; premiums on the quarterly direct debit payment scheme were maintained; and the decriminalisation of licence fee evasion was rejected.

The Government addressed the issue of access and fairness through the scope of just some marginalised groups, and failed to address other groups in society who have difficulty receiving public service broadcasting. Both the BBC and the DCMS
refuted any responsibility in tackling social exclusion and equity, stating that the BBC ‘should not be used as a surrogate social security department’ and refusing to ‘comment on the merits of a social security measure concerned in part with the alleviation of poverty’ (DCMS 2000: 28).

2.5 - Recent Opinion

At the 2003 Guardian Edinburgh International Television and Film Festival Tony Ball – ex Chief Executive Officer of BSkyB – suggested a number of changes in how the licence fee is organised and spent. These included a 5 per cent fall in the fee each year up to 2006; the creation of a clear public service remit to judge value for money; setting limits on what programming the licence fee funds; and a ‘Programme Syndication’ of BBC productions to other broadcasters (Ball 2003).

In 2003 Barry Cox advocated the idea of redistributing funding for public service broadcasting amongst other broadcasters, via an establishment like the Arts Council. Cox proposes abandoning the licence fee, and replacing it with subscription television (Cox B. 2003).

The Conservative party have recently stated that the licence fee is ‘crude and undiscriminating....limiting the power of consumers to determine what they are offered’ (Yeo 2002). In 2003 the party announced its own review of the BBC that would ‘identify the issues and policy options that Parliament will need to assess’ for Charter Review (Conservative Party 2003). In an article in the New Statesman in 2002, a member of the Conservative Party review panel, stated that ‘since the BBC’s output is consumed disproportionately by the middle classes, the system picks the pockets of the poor to fund the pleasures of the better-off’ (Cox D. 2002).

The 2003 TUC Congress reiterated the need to fight anti-BBC proposals, stating that any changes to the funding of the BBC would be a ‘complete disaster’ (TUC 2003).

In 2002 Rt. Hon. Tessa Jowell MP, Secretary of State for Culture, Media & Sport stated that the prospect of abandoning the licence fee was ‘somewhere between the improbable and the impossible’ (Grande 2002). However, in 2003 Tessa Jowell stated that the ‘door is not closed’ to alternative funding arrangements (Jowell 2003).

3.0 - The Television Licence Fee: The Current Situation

In March 2003 there were 24.1 million licences in force contributing a total revenue of £2658.5 million (BBC 2003a). The colour television licence fee costs £116 and £38.50 for a monochrome television licence. The television licence fee is an annual payment. Following the Davies Report (above) the licence fee currently rises at RPI+ 1.5 per cent (as of 2000). The 2003 Communication Act (Communications Act 2003) has reconfirmed that licences must be paid for every premises that owns any television-receiving equipment - but only one licence is required for multi-person households. Concessions are currently available for a limited number of groups (the blind, over 75s and those in sheltered accommodation). This framework is supported by a series of legislation between the BBC, the DCMS and Parliament Government that establish the role, remit and responsibilities of each party: these include The Wireless Telegraphy Regulations 1998; The BBC Royal Charter; The BBC Agreement and The Communications Act 2003. The Wireless Telegraphy Regulations does not determine which broadcaster should receive licence fee revenue. The BBC Agreement between the BBC and the Government provides for licence fee funds to go to the BBC sets out the responsibilities of the BBC in return.

The BBC states that the licence fee provides for a range of services – including 8 television channels, 10 radio networks and over 50 local stations - driven by the
public service principles of universality, independence, fairness, education, information and high quality (BBC 2003b).

The latest BBC Annual Report and Accounts suggest that, licence fee revenue is 75 per cent of the BBC's £3,532m total revenue. Of the £3,012.4m of total expenditure by the UK Public Service Broadcasting Group, programming expenditure was £2378.3 in 2003. Other costs included £146.4m on Licence Fee collection. Of this programme expenditure, £1755.8m, 86 per cent, went to analogue programming (BBC 2003a: 95).

The Broadcasting Act 1990, passed responsibility for licence fee administration to the BBC. Money collected by the BBC is then passed to the Department of Culture, Media and Sport and then on to the Exchequer. A grant is issued from the Secretary of State to the BBC for the net income of the licence fee (Broadcasting Act 1990). The BBC subcontracts collection duties to Capita. Capita is responsible for a range of administrative duties including issuing licences, collecting fees, maintaining databases, renewing licences, identifying evaders and pursuing enforcement action, and publicising the licence.

In 2000-01, the total cost of collecting the licence fee was £132 million, 5.6 per cent of the net revenue collected (NAO 2002: 16). Almost 90 per cent of this is labour costs. 9.2 per cent was spent on advertising campaigns. In 2003 the administration cost increased to £146.4 m (BBC 2003a: 95).

That the costs of collection seem to remain high in the UK may be due to inefficient collection methods that contribute to lost revenue. Of the 3.5 million visits that were made by agents (the information publicly available does not specify whether this is 3.5 different properties visited, or if it includes repeat visits) in 2001-2, 459,000 suspected evaders were caught – just 13 per cent of all visits made. The majority of visits were wasted visits in which no one was at home, premises were vacant, or even non-existent. In 71,000 cases the household already had a licence (HM Treasury 2003).

The last National Audit Office (NAO) report, The BBC: Collecting the Television Licence Fee, states that the BBC and Capita are trying to increase the efficiency of collection by improving their databases, using high capability detection equipment, increasing awareness and obligations by retailers to notify agents, and making more visits to household at ‘prime time’ when there is more chance of someone being at home (NAO 2002).

Evasion is another factor that reduces prospective revenue. The DCMS states that evasion rates for January 2003 were 7.5 per cent, falling from 7.9 per cent in May 2002, and represent an approximate £200m in potential revenue (HM Treasury 2003). The BBC aims to give evaders as many opportunities to pay as possible, however the maximum fine for failure to buy a television licence is £1000. If this is not paid, a last resort is imprisonment for up to 28 days for non-payment of the fine. The introduction of a range of ‘simpler’ payment schemes is another attempt to make payment easier for low-income households, and in turn reduce evasion. Recent schemes include the introduction of the Direct Debit facility, schemes allowing payment on a yearly, quarterly, monthly and weekly basis, and the availability of a number of payment points. However, these new methods have failed to remedy the difficulties faced by low-income families.

Concessions currently exist for only a small number of groups. Free licences are available for those over 75 years old, half-price licences for the registered blind, and a £5 fee for those over 60 or disabled in residential homes or sheltered accommodation, known as the ARC scheme. The ARC scheme has been repeatedly
criticised in view of changing housing policy and the falling proportional value of a £5 income, but has remained intact. Concessions are not automatically received but must be formally applied for. The Department for Work and Pensions (DWP) reimburses the BBC for the revenue shortfalls derived from free licences for the over 75s.

4.0 - The Television Licence Fee and Low-Income Households: A Case for Extending Concessions?

Because the licence fee is a *hypothecated ad rem tax* – a set payment, collected by the State for a specific purpose – there are various problems that arise over the fairness of the fee. There are ‘*vertical equity problems*’ with the fee that are of particular concern (O’Hagan & Jennings 2003: 50). Because the licence fee is a dichotomous payment (the fee must be paid in order to receive TV programming – not just the BBC), low-income families cannot choose the level or source of programming by paying a percentage of the fee, but must pay a standard amount regardless. Also, because TV is no longer a luxury item but one that can aid social inclusion (Thomson 2003; DTI/DCMS 2001), the choice to consume it is not just an act of consumer choice but one with social, cultural and political outcomes.

In 1999, the Davies panel examined the distributional effects of the licence fee using a tax and benefit model and data from the family expenditure survey. This was done by dividing UK households into 10 income deciles (1 as the poorest, and 10 as the richest). Their net income (after taxes and benefits) was weighted against the licence fee. They found that the licence fee as a proportion of net income is much greater for those in the lowest income groups - representing 1.7 per cent for income decile 1 and just 0.28 per cent for income decile 10 (Davies 1999). If we re-examine the distributional effects of the licence fee we can see these disparities are in fact widening (see Figure 1 below).

**Figure 1 – TV Licence as a Proportion of Net Income**

As of February 2003 there were around 4 million income support claimants claiming an average of £71 per week. Assuming that these citizens were on the CashEasyEntry plan – paying £4.50 a week – we can see that in comparison to the 0.46 per cent that the licence fee represents of the average British households annual income, when taken directly out of social security benefits alone, the licence
fee is a much higher outgoing.\textsuperscript{9} For example, at current benefit levels\textsuperscript{10}, for a lone parent aged 16 on a basic income of £32.90 per week, a weekly payment of £4.50 on the CashEasyEntry scheme takes over 14 per cent out of their income. Though the licence fee has increased at an annual 1.5 per cent above inflation since 2000, this has not been matched by a corresponding rise in social security benefits. In 2003 income-related benefits, such as Job Seekers Allowance, increased by \textit{circa} 1.3 per cent. Some pension payments increased by up to 2.59 per cent.\textsuperscript{11}

Table 1 - Average Weekly Income Support Payments 2002 and Licence Fee CashEasyEntry Plan as a Percentage of Benefit Income

<table>
<thead>
<tr>
<th>Benefit received</th>
<th>Average Recipient benefit type</th>
<th>Average income/week</th>
<th>LF as % of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>All income support</td>
<td>A</td>
<td>£69.64</td>
<td>6.46%</td>
</tr>
<tr>
<td>All aged 60 and over (MIG)</td>
<td>B</td>
<td>£49.69</td>
<td>9.06%</td>
</tr>
<tr>
<td>Lone Parents</td>
<td>C</td>
<td>£105.39</td>
<td>4.27%</td>
</tr>
<tr>
<td>Disabled</td>
<td>D</td>
<td>£76.92</td>
<td>5.85%</td>
</tr>
<tr>
<td>Others</td>
<td>E</td>
<td>£56.15</td>
<td>8.01%</td>
</tr>
</tbody>
</table>

Figure 2 – Weekly Licence Fee Payment as a Proportion of Average Weekly Benefit Income

4.1 - The characteristics of low income households
The characteristics of low-income households impact on the ability to pay the licence fee. Payment of the licence fee is made more difficult by the economic and social make-up of these households. Low-income households are more likely to be economically inactive and with dependent children than retired.\textsuperscript{12} The Office for National Statistics Family Spending survey 2001-02 (ONS 2003), suggests that there are certain characteristics that may compound the burden of the licence fee. Those in
low-income households are more likely to be lone parents, and unemployed. There is consequently a gendered dynamic to low income in so far as women are more likely to head single parent household and are up two thirds of income support claimants.\textsuperscript{13}

**Figure 3 – Employment Status of Individuals Per Household by Income Decile**

![Graph showing employment status by income decile](image)

The financial and social cost of evasion is higher for low-income groups. Though the maximum fine of £1000 is not automatic, fines for non-payment average £100.26 with additional court costs. Further, the social and financial costs of possible imprisonment, problems in finding childcare to cover court appearances, and even the difficulty of avoiding this through swift payment of the fee upon being caught, reflect a severe disadvantage placed upon low-income groups.

Those on low incomes are more likely to evade the licence fee. Evasion profiles by Capita – produced to increase the efficiency of locating evaders – claim that areas with higher proportion of non-payers are likely to have a high proportion of young people; be low income households; view the licence fee as unfair or unnecessary; have a large number of student residents and single parent families; have a higher than national level of County Court judgements.

Some of the evasion profile indicators correspond closely to the indices of deprivation used by the Government to effectively identify communities in need of assistance. For example, a low income is considered by the Office of the Deputy Prime Minister ‘to be one of the most important aspects of deprivation’ (DETR 2000 :6). The current consultation on updating the 2000 indices suggests including the number of individuals in receipt of the New Deal for Lone Parents benefit (ODPM 2003) as a measure of deprivation.

Reflecting the BBC’s commitment to giving individuals every opportunity to buy a licence once caught, prosecution only occurs when individuals have ‘consistently refused to pay’ for a licence (NAO 2002: 19-20). A fine is the most likely result of a prosecution – a maximum penalty of £1000 can be levied but this is at the discretion of the court and dependent on the individual case and the offender’s ability to pay. Courts can therefore choose to give a conditional or absolute discharge. They can waive all or part of a fine if the offender’s circumstances have changed since the
conviction, or if the fine was fixed without details of the offender's means. They can also make an attachment of earnings order if the offender is in work, or ask the DWP to make deductions direct from social security benefits to pay off a fine (CAB 1998). It is the failure to pay the fine that results in more serious enforcement action, such as the use of bailiffs, seizure of the offender's property. Ultimately offenders can be imprisoned for up to 28 days. However it has been noted that the current system of fines is not acting as an effective disincentive, as many caught have gone on to re-offend. In 2000-01, the breakdown of evasion is as follows:

- 3.2 million visits made;
- 398,000 suspected evaders caught (12.4 per cent of visits);
- 366,388 prosecution statements were taken, with 151,312 cases heard;
- 128,894 people convicted;
- average fine £100.26;
- average costs awarded £40.57;
- 46,983 prosecution follow up visits made, in which second prosecution statements were taken in 32 per cent of visits (NAO 2002).

Figure 4 below shows the latest available Home Office statistics on prosecution showing the numbers prosecuted against, for offences under the Wireless Telegraphy Act 1949\(^\text{14}\), by gender. Statistics on imprisonment are harder to locate, however those available indicate that a number of individuals do serve prison sentences for failure to pay the fine imposed:\(^\text{15}\)

**Figure 4 – Number of Individuals Imprisoned for Non-Payment of the Licence Fee Evasion Fine 1991 - 1998**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>258</td>
<td>136</td>
</tr>
<tr>
<td>1992</td>
<td>405</td>
<td>163</td>
</tr>
<tr>
<td>1993</td>
<td>553</td>
<td>292</td>
</tr>
<tr>
<td>1994</td>
<td>487</td>
<td>243</td>
</tr>
<tr>
<td>1995</td>
<td>493</td>
<td>493</td>
</tr>
<tr>
<td>1996</td>
<td>238</td>
<td>89</td>
</tr>
<tr>
<td>1997</td>
<td>173</td>
<td>61</td>
</tr>
<tr>
<td>1998</td>
<td>107</td>
<td>41</td>
</tr>
</tbody>
</table>

Although the numbers of individuals prosecuted is decreasing, and consequently a fall in the number imprisoned, there remain a number of women who are prosecuted for licence fee evasion, or imprisoned for non-payment of fines. (The large fall since 1995 has been due to BBC measures to increase the ease of payment, such as the introduction of easy payment schemes increasing the opportunities to avoid prosecution).
A number of both Parliamentary and independent bodies have called for changes in the legislation surrounding licence fee evasion. Despite efforts to cut evasion, the BBC has failed to implement measures that tackle the root of the evasion problem. In 2003 the Public Accounts Committee (PAC) concluded that prosecution is ineffective, as more than half of those convicted for evasion do not pay the fines imposed, while a third are prosecuted a second time. The PAC recommended reforms such as creating more incentives to pay fines promptly and widening the choice of sentences available. The DCMS acknowledged these problems, and stated that alternatives would be explored, with a view to improve enforcement of penalties. Thus far however, there have been no further changes made (PAC 2002).

Research conducted for the National Consumer Council by MORI in 1999, found that satisfaction with the licence fee was closely linked to household income (cf. NCC 2000). The NCC show concern that low-income households may be excluded from the benefits of the new communications services being made available. The National Consumers’ Council state that:

‘While maintaining that public service broadcasting must survive and be available to everyone on a free-to-air basis, we are aiming for a fresh framework for its delivery and funding. For a start, there should be more opportunities for providing universal access to public service broadcasting’.

(NCC 2003)

The Citizen’s Advice Bureau (CAB) report ‘TV Sinners’ states that a large number of those who seek advice from CAB when facing prosecution are from vulnerable groups such as the mentally ill, single parents (mostly women), and those for whom English is their second language (CAB 1998). The CAB claim that their clients are, in general willing, to pay the fine, but face financial difficulties doing so, leaving them unable to escape the criminal justice system. Alternatives to imprisonment or the use of bailiffs, such as instalment schemes are preferable for low-income groups. They also suggest the option of ‘writing off’ liability to pay for a TV licence in cases where an individual’s income is so low that even small weekly amounts are impossible.

In ‘Gender, Crime and Poverty In England and Wales’ Christina Pantazis states that the high proportion of women who face prosecution is a result of a number of compounding social factors that not only make women more likely to be caught for evasion, but also face difficulties paying the fee or fine (Pantazis undated). For example:

- Women are less likely to work and are therefore more likely to be at home, particularly in the day when officers call. Because the person prosecuted will be the person interviewed by enquiry officers, women are more likely to be subject to prosecution;
- The increase in female-headed households means that more women are likely to become the household’s named licence holder;
- Because more women head single parent families, women-headed households are more likely to be in poverty.

The evidence above suggests that licence fee evasion may be a vicious circle. For those who have difficulty to pay current policy may make escaping the criminal justice system even harder. Payment of the fee upon being caught by officers is harder for low-income families, and consequently payment of a subsequent fine. Those who fail to pay the fine are often unemployed, in debt and living on state benefits. Non-payment of fines can simply be a matter of necessity - clothes, food and bills are a more urgent outlay.

5.0 - Conclusions
Questions

- Is there a case for extending television licence fee concessions?
- If so for whom?
- If so, how should this be funded?
- Is there a danger that any extension of concession would undermine public support for the licence fee as a whole?

With the exception of the Davies Review panel little consideration has been given to the impact of the licence fee on lower income groups. Thus far government has neglected this issue at their expense. Tackling the regressive nature of the licence fee would have two direct benefits. First, it is clear that if evasion is to be tackled effectively, the financial barriers that lead low-income groups to evade must be addressed head on. Second, a progressive approach to the funding of public service broadcasting would prevent the criminalisation of a significant number of the poorest in society for receiving a public service.

To date, it is our belief that questions around the regressive impact of the licence fee have not been addressed because any discussion in this area is usually led by those who have most to gain from weakening the BBC. The irony is, of course, that changes to the methods of collection of the licence fee are not within the gift of the BBC. It is up to government to address this issue.

Table 2 - Analysis of Income by Different BBC Businesses

<table>
<thead>
<tr>
<th>Year</th>
<th>Licence fee</th>
<th>Other Public Service Broadcasting Group income</th>
<th>Total for Public Service Broadcasting Group</th>
<th>World service income</th>
<th>Commercial Business</th>
<th>TOTAL external income before interest and tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2533</td>
<td>34.9</td>
<td>2567.9</td>
<td>210.7</td>
<td>604.3</td>
<td>3382.9</td>
</tr>
<tr>
<td>2003</td>
<td>2658.5</td>
<td>22.7</td>
<td>2681.2</td>
<td>223.7</td>
<td>627.1</td>
<td>3532</td>
</tr>
</tbody>
</table>


Endnotes

1. The fee for a colour licence was raised to £116 from April 2003. The fee for a Monochrome licence was also raised to £38.50.
3. These groups included the British Film Institute, The National Viewers and Listeners Association and Age Concern.
The latest figures were provided within the Treasury Minute on the First Report from the Committee of Public Accounts 2002-2003; ‘Collecting the licence fee’; 05.03.03. Note that the estimated level of evasion is reached by subtracting no of licences in force from estimated no of potential properties in which Licence should be held. This rate is calculated by the DCMS and has been subject to a number of revisions in calculation methods. Thus, there are discrepancies. The NAO report for example state that the rate was 7.6 per cent in March 2001 suggesting a rise then fall in rates over the subsequent year. See National Audit Office – The BBC: Collecting the television licence fee. Report by the Controller and Auditor General. HC 821 Session 2001-2002: 15 May 2002, Pg19

The distributional effects of the licence fee are based on the latest figures available on net income for 2001-2. Report by Caroline Larkin; ‘The effects of taxes and benefits on household income, 2001–02’. A report for the Office of National Statistics. This data was weighted against the licence fee as set in 2001-2002 at £109.

Statistical Summery figures released by Department of Work and Pensions June 2003. Because benefits are highly dependent on the individual circumstances, the actual amount received varies considerably. There are also a number of premiums and allowances that are available. However these are figures available for the average income for benefit recipients.

These calculations are based on the latest figures for Average weekly amount of benefit for income support recipients in Great Britain in May 2002. Available on line at www.statistics.gov.uk, supplied by the Department for Work and Pensions. These are weighted against the current weekly payment of £4.50 on the CashEasyEntry scheme.


Figure 3 is developed from a report by Caroline Larkin; ‘The effects of taxes and benefits on household income, 2001–02’. A report for the Office of National Statistics.

See Statistical Summery figures released by Department of Work and Pensions June 2003


Statistics on imprisonment found on a Memo from the Rt. Hon MP Chris Smith, Secretary of State for Culture, Media and Sport 1999.
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