

Free the Airwaves

A review of the BBC and the Licence Fee

Tom Waters





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Executive Summary

- The BBC has come under increasing criticism in recent years for a number of good reasons. It's appropriate that we take the time to decide whether we want public service broadcasting, and what form it should take.
- Public services should only exist to provide something when the market cannot fully or properly provide it itself. A fully private system may underprovide broadcasting which builds up civic-mindedness, aids democratic debate and is of interest to disadvantaged minorities.
- The purpose of public service broadcasting, then, should be to provide those things which the market does not. However, public service broadcasters must avoid the pitfalls of partiality, being overly costly and pushing private firms out of the market.
- The BBC's broadcast output goes far beyond just providing what the market cannot, also including drama, comedy, entertainment and more. As a result it spends little time on the necessary elements of public service broadcasting which the market does not provide. When it does provide them, it does so with mixed results at best.
- The BBC also fails in the goal of not being costly, employing 23,000 staff (the biggest broadcaster in the world), and being terribly wasteful.
- It also is subject to bias – by its own admission being partial to left-wing issues and movements, pro-Europe and anti-Israel. Others have accused it of being pro-global warming as well. This bias severely harms its ability to aid democratic debate.
- We find that the method used to raise BBC funds – the licence fee – is cruel and unusual. Only one other country in Europe uses the same system as us, and the licence fee is a curious way of getting revenue – charging people for owning a broadcast receiving TV, rather than how much they watch, or how many channels they want. Furthermore, because it is a tax levied on anyone with a TV, it is also highly regressive, making the poor pay a much larger proportion of their income than the rich.
- We analyse the systems in New Zealand, The Netherlands and Hong Kong. These countries have had success with systems which try to distance the broadcaster from the government, and focus on providing the important elements of public service broadcasting.

- As a remedy, in Section VIII we suggest the outline for a radical change. To introduce competition in public service broadcasting, there should be no government owned broadcaster, but instead a fund (paid for through general taxation) run by the Department for Culture, Media and Sport which publicises programmes it needs produced which are of a public service nature. Private broadcasters can then make competing offers to deliver them. The DCMS then deliberates between the offers, basing its choice on the quality of the proposal made, the broadcaster's track record with past programmes, and the remuneration it demands. As well as improved quality and decreased cost from the introduction of competition, distancing the provision of public service broadcasting from government also reduces the danger of bias.

About The Freedom Association and the author

The Freedom Association is a non-partisan, libertarian pressure group dedicated to fighting for individual liberty and freedom of expression. Other campaigns which the organisation has fought include 'Better off Out', in favour of Britain leaving the EU, and libel reform. Notable council members include Tim Congdon CBE, Robert Halfon MP, John Whittingdale MP and Daniel Hannan MEP.

'Free the Airwaves' was written and researched by Tom Waters. Tom is an undergraduate studying philosophy, politics and economics at Pembroke College, Oxford, and interned with TFA over the summer of 2011. Tom takes a keen interest in civil liberties as well as the market economy.

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I. Introduction

On 18th October 1922 the British Broadcasting Company was formed, as the world's first national broadcasting organisation. Receiving its radio broadcasts required a licence costing ten shillings. The first television licence was introduced in 1946 at £2. Today, the licence fee stands at £145.50 per household.

The BBC's mission statement is, "To enrich people's lives with programmes and services that inform, educate and entertain." However, there is a growing sentiment in Britain that although the cost of the licence fee has been continually increasing, the quality of the BBC's output has not necessarily followed. The question of whether we ought to have a public service broadcaster and how it should be run is becoming an important one in the public debate.

As the cost of living goes up with price inflation being markedly higher than wage inflation, the licence fee is becoming increasingly cumbersome for working families. It is time to question what the role of the BBC and the licence fee is in our society.

We shall firstly consider whether we want public service broadcasting, and, if we do, what it should look like. With that standard in place, we will see how the BBC's record measures up. After looking at the experience of other countries, we can finally make some suggestions for effective and efficient public service broadcasting in the 21st century.

II. What do we want out of Public Service Broadcasting?

Given that the ‘default’ stance towards the provision of any good or service is that businesses and individuals, rather than the government, should provide it, we must make a strong case if there is an instance in which we think the state ought to involve itself. Rather, then, than merely *presuming* that public service broadcasting (PSB) should exist, we ought to present exactly the case for government involvement in media, so we can illuminate precisely what its role is to be.

To help elucidate the case for PSB, we turn first to an influential report which argued particularly strongly for a large PSB¹ – *The Public Service Idea in British Broadcasting – Main principles*², published by the Broadcasting Research Unit of 1985. This report identified eight principles by which PSB should be run. We shall look at them in turn:

1. *Geographical universality*. Broadcast programmes should be available to the whole population.

It is worth noting that this isn’t currently satisfied with the BBC; since one can only receive BBC Wales in Wales, BBC Alba in Scotland, etc. But this makes sense – there are certainly going to be different tastes and interests in different areas, and thus there’s no clear reason why the same programmes ought to be available everywhere. Doubtless there are some programmes which will be of great interest to the whole nation; but there’s no particular reason why there should be a hard and fast rule about the same items being broadcasted everywhere.

2. *Universality of appeal*. Broadcast programmes should cater for all tastes and interests.

Obviously this requirement cannot be satisfied with every single programme; the objective here is that every taste (as far as reasonably possible) should be catered to by at least some programmes. We should firstly question whether this goal could be achieved by the market. Advertisers are interested in reaching as many parts of the population as possible, and thus there is an incentive for channels to broadcast programmes of a wide variety of interest. However, it may be the case that some sections of society – the elderly, the underprivileged and possibly minorities – may not have a large quantity of disposable income and thus advertisers will not be particularly interested in reaching them. In a purely market based system, it is possible that these people could find little of interest in what is broadcast on TV and radio, which may isolate them to some extent from what makes up a large part of British culture. If the market fails to deliver programmes for these people, this may

¹ Whilst we could examine the BBC’s ‘Six Public Purposes’, we have chosen to look at the BRU’s report instead. This is because the Six Public Purposes are vaguely defined and are approximate distant end goals, rather than principles by which the PSB ought to operate, and so are less useful for understanding what we want a PSB to do.

² James McDonnell, *Public Service Broadcasting: A Reader* (London: Routledge, 1991), 94-95

well be a legitimate area where PSB can step in to rectify the problem and engage these sections of society.

3. *There should be special provision for minorities, especially disadvantaged minorities.*

Beyond the above goal (every taste and interest being catered for), it doesn't seem clear why minorities ought to have *further* provision for them, unless TV and radio is seen as some form of welfare payment. Resources used for extra programmes for minorities of course can't be used for the public at large, which does after all benefit more people.

4. Broadcasters should recognise their special relationship to the sense of *national identity and community.*

This seems to be one of the strongest arguments for PSB. There is a positive externality³ with community-building TV – namely that people may feel more positively disposed towards their neighbours, which is a benefit to the neighbours and the community as a whole. A similar benefit is found in programmes which provide education in important matters of public interest (such as elections), as where people vote influence affect the country at large, rather than just the watcher/voter. But this value isn't 'seen' by the advertisers, who enjoy only the benefit of the person watching the advert. Thus, in a purely market based system there will be an under-provision of programmes encouraging a sense of national identity and civic engagement. This creates a clear role for PSB.

5. Broadcasting should be *distanced from all vested interests*, and in particular from those of the government of the day.

As will be discussed later, this is an area where the BBC has clearly failed. Independence from vested interests is an especially valuable element in broadcasting, in particular in those programmes which play an important role in democratic debate. It will certainly be difficult for a broadcaster to be impartial if it is largely dependent upon one organisation for its funding; but this includes government as well as businesses and individuals, and thus, whilst independence may well be an area for governments to step in with PSB, it must be done carefully.

6. *Universality of payment.* One main instrument of broadcasting should be directly funded by the corpus of users.

It isn't clear at all why this ought to be a goal of PSB, unless it's as a means to another one of the objectives listed. We should ask why it should be directly funded; rather than consumers indirectly 'paying' for the service by watching adverts.

³ A positive externality is when benefits spill over to a third party not involved in the production or consumption of the good or service. Here, the third party is the community which enjoys the benefit of the TV watcher becoming more civically minded.

7. Broadcasting should be structured so as to encourage *competition in good programming* rather than competition for numbers.

This aim, whilst certainly noble, is a particularly tricky one. It presupposes an objective definition of what is 'good programming', other than the programme in question being popular (which it explicitly rejects as a metric). The difficulty is that what constitutes 'good programming' is highly subjective, and thus whoever gets to define it will be the influence in what gets broadcasted; it will be *their* taste that is represented. Furthermore, 'competition' requires groups competing *for* some goal, through some *means*. The *means* may be good programming, and the goal numbers; but, short of a commission being set up to adjudicate the winner, the competitive *goal* cannot be good programming.

It is also particularly problematic that the subjective definition of 'good programming' can end up forcing people to pay for things which, not only are they not interested in, but which they find thoroughly offensive. Charles Moore and the Jonathan Ross controversy is a case in point⁴; Moore (and many others) were shocked by Ross's comments on Radio 2, and were particularly outraged that they were forced to subsidise it. With channels not funded through licence fees or taxation disgruntled viewers can stop supporting them by cancelling their subscription or not watching the channel (and therefore adverts); but there is no such choice with the BBC, short of getting rid of your TV.

Furthermore, it is worth noting as well that there isn't really any clear indication that many people actually consider the BBC to produce better quality material than the commercial broadcasters; so even if this were a legitimate goal, the BBC is hardly vindicated.

8. *The public guidelines* for broadcasting should liberate rather than restrict broadcasters.

This somewhat abstract and unspecific platitude doesn't seem particularly helpful at all. Guidelines can't liberate; they are rules. If they are to direct broadcaster's actions at all, they must shut off some options to them. This needs no further consideration.

From these reflections regarding what PSB *ought* to provide (rather than retrospectively justifying previous decisions), we conclude that its role should be to deliver valuable things which the market is unable to (fully) offer. We must demand from PSB, then, that it:

- Enables democratic debate through providing education on relevant matters
- Advances a sense of community and national identity.
- Ensures that everybody has their tastes catered to by some programmes, so that they can be involved in cultural life.
- Safeguards independence in matters of democratic importance.

⁴ Charles Moore, "Dear BBC: "No, you can't have my £142.50. Will I see you in court?", *The Telegraph Online*, 10th July 2009

Although it is not noted by the Broadcasting Research Unit's report, we might also add that PSB:

- Should work together with the Department of Education, if doing so would be helpful in its education programme.

In addition to these positive prescriptions for PSB, we should also specify some pitfalls to be avoided. Firstly, clearly we want PSB to be as cheap as is reasonably possible. Secondly, the funding of PSB ought to be fair in as far as people who do not use it should, all other things being equal, not be forced to pay for it. Lastly, PSB should distort the media market as little as possible, particularly with regard to crowding out private firms.

It should be clear that, in addition to not achieving these objectives particularly well, the BBC has gone far beyond the desirable aims of a PSB. We now turn to the successes and failures the BBC has had in achieving these goals.

III. The BBC's Record – Service Provision

In the last section we determined what we want out a PSB. We will firstly look at how well the BBC has achieved the positive goals set out for the ideal PSB, before turning to its misgivings in waste and bias. Since the important question of provision is the quality of the service getting to the participants, survey data will be useful here.

In this area, the BBC has had mixed results⁵. Let us look at its record in each area in turn.

Enabling democratic debate through providing education on relevant matters.

In this matter, the BBC has been reasonably successful in the eyes of the public. 77% of people say that the BBC helps them understand what's going on in the wider world; 71% say it's made current affairs interesting for them; and 65% say that it has helped them understand UK politics. Slightly less impressive numbers are seen for its performance on local and European politics; but a moderately pleasing 62% of people say that BBC coverage of news and events has got them talking about them. On the other hand, just 15% of its total airtime, and just 10.5% of peak airtime is spent on all current affairs, news and weather combined⁶. By spending so much of its time on other issues, especially during peak hours, it would be very hard to argue that the BBC is doing even close to as well as possible in the realm of enabling democratic debate.

Safeguarding independence in matters of democratic importance.

The successes the BBC has had in democratic education are soured if it was to transpire that the BBC is unable to fulfil the important objective of impartiality. There is much to discuss in this area, and so will be considered fully in Section V.

Advancing a sense of community and national identity.

Probably the best case for PSB is to be made on the basis of promoting civic-mindedness. Unfortunately, the BBC's achievement here is dismal. Just 36% of people say that the BBC has helped them feel more involved and interested in their local community; and only 37% think that the BBC is good at portraying their community to others in the UK. The survey data also asks people how much they value these different elements of the BBC; and it's worth pointing out that these two just mentioned – interest in community and portraying communities – have the second and third largest deficit between performance and importance.

⁵ Survey data from BBC Trust, "Purpose Remit Tracking Study 2010-2011", 29

⁶ Ofcom Public Service Broadcasting Annual Report 2011, Part B – PSB Output and Spend, Fig. 16

Ensuring that everybody has their tastes catered to by some programmes, so that they can be involved in cultural life.

The BBC has certainly made some efforts in this area; providing local radio stations and television news, as well as stations such as BBC Asian Network and BBC 1Xtra. However, its record here is difficult to determine. Whilst a passable 66% of people say that the BBC has a wide range of cultural activities, it is likely that those who aren't in the minorities which PSB ought to cater for wouldn't recognise if it *wasn't* offering programmes for those minorities.

More disappointingly, only 54% of people say that the BBC reflects a range of religious and other beliefs. An Ipsos-Mori poll found that 57% of people agreed with the statement, "broadcasters often fail to reflect the views of people like me", with only 15% disagreeing with it⁷. This is indicative of the failure to cater to those minority viewers. However, proper judgement on this area of the BBC's work will be hard to make without stratified survey data from the minorities in question.

Working together with the Department of Education to aid its education programme.

The BBC's record here is reasonably good. Whilst only 64% of people said that the BBC helps children and teens with what they learn at school, that number rises to 72% amongst 15-24 year olds and 73% for adults responsible for children under 18 years old.

It is worth noting that in addition to the BBC's mixed results in these positive goals, it has gone far beyond them as well, spending much of its budget and airtime on other matters not suitable for PSB. This shall be discussed further later in Section VII in comparison to Hong Kong's output.

⁷ BBC Trust, "From Seesaw to Wagon Wheel", 21

IV. The BBC's Record – Waste

Having looked at the BBC's successes and failures in most of the positive PSB goals, we look now to its ability to avoid negative side-effects – spending and crowding out.

The BBC enjoys an enormous budget – last year spending £3.56bn⁸. Whilst this figure is very large on an international scale (Britain has the third most expensive PSB per capita in Europe⁹), it is difficult to make meaningful comparisons across countries, because of the widely different job description PSBs are given in different nations. The relevant comparison is between the costs of certain functions of the BBC and costs of similar functions (achieved to similar quality) by other entities.

It's worth noting firstly that the BBC is the biggest broadcasting organisation *in the world*¹⁰ – with almost 23,000 staff¹¹. It is difficult to see why any organisation which serves a 65 million person island should be the 'biggest in the world'.

Comparisons with other channels

It is hard to make direct comparisons between elements of the BBC and other channels, because of different remits, costs and viewing figures, as well as the ability of the BBC to rebroadcast from its other channels. For example, one couldn't just claim that Channel 4 is more efficient than BBC 1 because it spends less, because BBC1 has higher viewing figures. And even though BBC 2 and Channel 4 spend similar amounts and have similar viewing figures, it's hard to draw any conclusions from this because BBC 2 gets to show many programmes which BBC 1 paid to produce. On top of that, the BBC doesn't have to show any adverts because its watchers are forced to pay, through the licence fee.

The clearest comparison which avoids these problems and isolates the comparison is to look at BBC News 24 (as it was then) and SkyNews. Both operated 24 hour news channels, but in 1999 (only figures available) SkyNews was just a third of the cost of BBC News 24¹².

The trade body RadioCentre compared BBC radio stations and commercial ones in 2010, and found that there were "significant inefficiencies" in the BBC, who have a habit of, "over-manning in programming, excessive levels of talent and management

⁸ BBC Full Financial and Governance Statements 2009/10, F30

⁹ BBC Trust, *BBC Response to Ofcom's Second Public Service Broadcasting Review, Phase 1: An International Perspective*, 3

¹⁰ Recovered from <http://www.bbc.co.uk/aboutthebbc/purpose/what.shtml> on 08/08/11

¹¹ BBC Full Financial and Governance Statements 2010/11, F44

¹² John Arlidge, Patrick Wintour and Emily Bell, "'Wasteful and greedy' BBC faces bitter attack by MPs", *The Guardian*, 19th December 1999

pay, and a tendency to over-engineer”¹³. Again, we see that the BBC is subject to considerable waste.

A Culture of Waste

Another example of BBC waste is its famous spending of huge sums on salaries for its top stars, last year handing out £22m on just 19 of them¹⁴, including a reported £2,000,000 on Graham Norton for his appearances in *The Graham Norton Show* and the yearly *Eurovision Song Contest*. Despite its pledge to pay ‘talent’ less, the pay roll for stars’ salaries fell just £9m between FY2010 and 2011, to £212m – providing further indication that it is just unable to keep down cost. Even in the midst of the recession top wages increased – in the past year the number of people in the £250k-£500k bracket increased from 26 to 33, and the number earning £100k-£150k increased from 129 to 142.

More anecdotal evidence of the BBC’s waste is plentiful and well known. As Mark Thompson, now Director-General of the BBC, one admitted, the organisation is “awash in a jacuzzi of cash”¹⁵. This has led to campaigns such as spending £5.1m over three years on a series of advertising balloons¹⁶. It is curious that an organisation which doesn’t need to attract customers in the conventional sense of the word but merely is supposed to provide a public service should need to advertise. The BBC also attracted attention for its spending profligacy when it spent £700,000 on a few short programme links to replace its previous hot air balloon ones¹⁷.

Furthermore, whilst not funded by the licence fee (but instead out of general taxation), BBC World Service received £265.5m of taxpayer money last year¹⁸. Whilst there is doubtless a good case for foreign aid, it should be noted that foreign aid is essentially what the World Service is.

One particularly wasteful part of the BBC relates specifically to the nature of its funding. Because it is funded by the licence fee – rather than general taxation or advertising, it incurs a considerable cost regarding collection and evasion. Over the past five years, it has, on average, spent 7.75% of the licence fee on this activity¹⁹. This cost is a deadweight loss to society – it is a problem created by the licence fee, which then has to be solved.

¹³ John Plunkett, “Commercial radio criticises BBC pay and ‘inefficiencies’” *The Guardian*, 13th October 2010

¹⁴ Reporter, “BBC paid £22m to 19 stars...” *The Daily Mail*, 12th July 2011

¹⁵ Sarah Ryle, “C4 boss embarks on awfully big ad venture”, *The Observer*, 27th April 2003

¹⁶ Alison Boshoff, “Balloon goes up with BBC logo”, *The Daily Telegraph*, October 4th 1997

¹⁷ Tara Conlan, “Nothing to watch on TV and the BBC spends £700,000 of your money on this new image of itself.” *Daily Mail*, March 27th 2002

¹⁸ BBC World Service, Financial Statements and Governance Reports 2010/11

¹⁹ BBC Full Financial and Governance Statements

Crowding out the private sector

A slightly different problem with the BBC is that of 'crowding out' other TV and radio channels. There is a danger that by the BBC providing too much in the way of broadcasting, they may actually reduce the number of private broadcasters. As the BBC has gradually increased in size – from just radio to radio and one TV channel, to radio, a dozen TV channels and a huge internet presence – it risks harming the ability of private companies to operate. Research into this is has returned varying results²⁰, but it certainly something worth considering.

Whilst the jury is still out regarding crowding out in TV and radio, it is certainly occurring in online news. Many of the top UK newspapers are losing money, and have been doing so for some time. Since providing news on the internet is considerably cheaper than in print, it would make sense for the newspapers to charge for online access and try to move much of their operations onto its website. However, because the BBC News website is free to access, newspapers find it hard to charge for their services as customers can just move to the BBC site instead. Since it seems unlikely that print media will become profitable again, the future for newspapers is moving online and charging there; but the BBC is preventing this from happening.

Government organisations are well-known to struggle somewhat in keeping costs down. But the BBC is a remarkably bad example of this phenomenon. Its spending tendencies are not only wasteful, but are insulting to the taxpayer, especially in the current tight economic climate; moreover, they are in danger of crowding out private providers.

²⁰ For example, Armstrong & Weeds, "Public Service Broadcasting in the Digital World" argue that the BBC crowds out private television; and Steven Berry & Joel Waldfogel, "Public radio in the United States" *Journal of Public Economics* find similar results about PSB; but McKinsey & Company, "Review of Public Service Broadcasting around the World" do not find any such evidence.

V. The BBC's Record – Bias

Whilst the BBC scores well on survey data regarding educating people about important political matters, the value of this education would be somewhat diminished if it were to transpire that it was subject to bias.

We should note first that, whatever its partiality, the BBC is undeniably well trusted in the UK. An Ipsos-Mori poll²¹, paid for by the BBC, asked people which organisation they trusted the most between the BBC, the NHS, the Church of England, the military, the media in general, the government and big British companies. 50% of respondents put the BBC in the top two most trusted. When asked about the extent to which they trusted TV and radio channels, 'Radio 4', 'BBC One', 'BBC Two', 'other BBC radio' and 'other BBC TV' all received over 80% 'trust a great deal' or 'trust somewhat' responses. Every other channel received under 80%. However, whilst people may trust the BBC, that doesn't prove that it's impartial; it would only show that they aren't *aware* of its bias (should it have any), which is even worse than it being partial and people knowing about it. Hence, it is still worth considering the case for whether the BBC truly has been impartial.

Although there are many areas which could be covered regarding the BBC's bias, we shall examine just a few of them in turn.

Political Bias

Mark Thompson, the Director General of the BBC, admitted that when he joined the organisation there was, "a massive bias to the left"²², although argued that nowadays there was "much less overt tribalism". Peter Sissons, an ex-news presenter who worked at the BBC for twenty years has been incredibly scathing about the corporation, writing that, "In my view, 'bias' is too blunt a word to describe the subtleties of the pervading culture. The better word is a 'mindset'. At the core of the BBC, in its very DNA, is a way of thinking that is firmly of the Left."²³ He went on to claim that in the later stages of his career, there were many occasions when he would "[ask] a producer for a brief on a story, only to be handed a copy of The Guardian and told 'it's all in there'".²⁴ That there is a 'mindset' guided in favour of left-liberal viewpoints is confirmed by an Ipsos-Mori poll which found that Liberal Democrat voters were more likely to disagree with the statement that, "broadcasters often fail to reflect views of people like me"²⁵.

²¹ Ipsos-Mori, "BBC Survey on Trust Issues", 22nd January 2008

²² "BBC chief Mark Thompson admits 'Left-wing bias'" *Evening Standard*, 2nd September 2010

²³ Peter Sissons, "Left wing bias? It's written through the BBC's very DNA, says Peter Sissons" *Daily Mail*, 22nd January 2011

²⁴ *Ibid.*

²⁵ BBC Trust, "From Seesaw to Wagon Wheel", Appendix C, 2

This sort of ‘mindset’ type bias means that much BBC partiality is not deliberate; it is, as Daniel Hannan MEP has described it, “unconscious, reflexive, unplanned”. As a result, much of it is relatively minor and not easily noticed – such as describing both free-marketeers and fascist leaders as ‘right-wing’²⁶ – but works its way into the public mind.

Other examples of bias indicate more deliberate action, such as saying that graduates could pay back double their student loans under the new tuition fee system – but neglecting to mention that that’s in nominal terms, over thirty years²⁷. Obviously if inflation is accounted for a rather different story is told.

Perhaps one of the most overt areas of BBC political bias is regarding the Israel-Palestine conflict. After several claims of anti-Israel bias, the BBC commissioned what would come to be known as the *Balen Report*. However, the report, suspected to be highly critical of the BBC, has never seen the light of day because the BBC has spent £200,000 blocking a freedom of information request for it²⁸! Not only is the Beeb biased on this matter, but it plainly doesn’t want people to know that to be the case.

Lastly, a report issued by the BBC itself²⁹ found that the BBC was particularly biased with regards to single issue political causes, such as poverty and Live 8³⁰.

European Union Bias

The BBC’s bias in favour of the European Union is perhaps its worst. As with political bias, the partiality is mostly probably not deliberate, but is, as an independent report led by Lord Wilson found, part of an “institutional mindset”. Although there is a “genuine wish to be seen as impartial... nobody thinks that the outcome [is]”³¹. This mindsets manifests itself in ways such as introducing Daniel Hannan as a ‘hardline Eurosceptic’³², but of course never affording the same adjective to Europhiles.

On the other hand, some of the instances of bias regarding the EU is more suspect. In the 2009 Norwich North by-election, the BBC ran a hustings programme, including the Conservative, Labour, Lib Dem and Green candidates. When UKIP made a complaint, the BBC replied that they were only hosting candidates who had a history

²⁶ Although in fairness, this problem is not limited to the BBC, but to much political vocabulary

²⁷ Daniel Knowles, “Do we need any more proof of BBC bias than this stupid tuition fees story?”, *Telegraph Blogs*, 17th March 2011

²⁸ Paul Revoir, “BBC pays £200,000 to ‘cover up report on anti-Israel bias”” *Daily Mail*, 22nd March 2007

²⁹ BBC Trust, “From Seesaw to Wagon Wheel”

³⁰ Gary Cleland, “BBC report finds bias within corporation” *The Telegraph*, 17th June 2007

³¹ BBC Independent Panel Report, “BBC News Coverage of the European Union”

³² Daniel Hannan, “Unconscious bias, and a handsome apology, from the BBC” *Telegraph Blogs*, 20th July 2011

of electoral support³³. However, in the most recent national test of public opinion (at that point the 2009 European elections), UKIP had come second, ahead of Labour, the Lib Dems and considerably ahead of the Greens. Perhaps the BBC was justified in its actions here, though, since in the 2005 general election in Norwich North, the Green candidate had actually come fourth, edging out the UKIP candidate by 0.3%.

However, what was plainly unacceptable, and indicative of *deliberate* bias by the BBC was its reporting of the results of the by-election. UKIP came fourth, but the news reported the outcome in a chart with four lines – one for the Conservatives, one for Labour, one for the Lib Dems, and one for the Greens, who had come in at fifth place.

In addition to this anecdotal evidence, more rigorous reports have come to the same conclusion. As well as the Wilson Report mentioned above, Minotaur Media Tracking found that, during the period it examined, there were 87 pro-European speakers and just 34 Eurosceptic ones. And this isn't the BBC reflecting public opinion; an OpenEurope poll in March 2007 discovered that 58% of people in the UK want the EU to have less power, compared to just 11% wanting it to have more power³⁴. Similarly, Robert Aikin noted in his 2007 book, *Can we trust the BBC?* that, "during the European elections of 1999, in more than 250 hours of main national news coverage by the BBC, not a single Labour Eurosceptic had appeared on air."³⁵ For whatever reason, the BBC has clearly leant in favour of the Europhiles.

Global Warming Bias

Bias with regards to global warming is slightly harder to measure, since, unlike with some political matters, there is an objective scientific truth on the matter which can be determined through normal empirical means. Whilst a PSB ought to give air time to different *opinions*, it shouldn't necessarily give airtime to things which are *false*; nobody is agitating for the BBC to rectify its partiality towards the Earth being round. This sort of reasoning has led Professor Steve Jones to argue in an independent report for the BBC Trust that the Beeb *should be* biased towards global warming, to better reflect the scientific consensus³⁶.

However, given that the argument on global warming is not a closed case (in that there are educated scientists on both sides), it ought to be treated by the BBC like other matters where there are a variety of legitimate *opinions*, at least until that time when we have little-to-no doubt about the truth or falsity of global warming.

³³ Retrieved from <http://bloggers4ukip.blogspot.com/2009/07/bbc-response-to-complaint-about-anti.html> on 19th August 2011

³⁴ Open Europe, "Public Attitudes to the EU", 23rd March 2007

³⁵ Quote from http://conservativehome.blogs.com/torydiary/2007/03/dan_hannan_is_n.html, retrieved on 19th August 2011

³⁶ BBC Trust, "BBC Trust Review of impartiality and accuracy of the BBC's coverage of science", July 2011

Peter Sissons described the Beeb's broadcasts on this matter on as, "close to propaganda"³⁷, and noted how many statements regarding climate change would begin with the phrase, "scientists say...", without any concern for dissident voices in the scientific community. On one occasion in 2009, a Newsnight correspondent told listeners that, "scientists calculate that [Barack Obama] has just four years to save the world"; although it would emerge that just once scientist, from NASA, had made that claim.

The sense of bias was felt by Lord Monckton, who had been interviewed for 90 minutes for a BBC documentary entitled *Climate Wars*, in which he said he gave "sound scientific data"³⁸, but found that the aired programme had cut the interviews of him – and other prominent climate-sceptics – such that they sounded like personal opinions.

The problem with the BBC reporting of global warming, then, is that it presumes a total scientific consensus – which is currently non-existent. This makes this a tough issue for the BBC because it does have some sort of duty to reflect the consensus of the scientific community, and it's difficult to determine exactly what that consensus is. However, for as long as there are scientific voices on both sides of the debate, the BBC would be wise to broadcast both of them. It ought to be good science, not the BBC, which shuts the case on climate change.

There clearly is a considerable degree of bias in the BBC. This severely hampers its ability to be an educator and forum for democratic debate – especially when viewers do not recognise the partiality. We will look later at how best to solve this problem.

³⁷ Peter Sissons, "The BBC became a propaganda machine for climate change zealots", *Daily Mail*, 9th February 2011

³⁸ Tamara Cohen, "BBC investigated after peer says climate change programme was 'one-sided polemic'" *Daily Mail*, 27th September 2008

VI. The Licence Fee – Cruel and unusual

Almost Unique in Europe

The licence fee is not a popular system. Although many different methods for funding public service broadcasting have been used around the world – some of which will be looked at in Section VII – using a licence fee *alone* is particularly unusual. Indeed, in Europe, Denmark is the *only other country* which does so. Norway and Sweden’s PSBs are both predominantly funded through a licence fee, but both also have some form of advertising – sponsorship slots for Norway (“advertising light”³⁹), and adverts during sporting events for Sweden. Finland is also largely licence fee based, although the PSB also receives some funding from the commercial broadcasters; and they are considering changing the system anyway⁴⁰.

Licensing what?

The phrase ‘licence fee’ is a particularly inappropriate one. As Richard North points out, “The licence fee is, indeed... a very odd one... Licences are issued to people to allow them to do something potentially dangerous or harmful... They are not supposed to be mainly a revenue-raising device... They are in some degree regulatory devices”⁴¹. It turns out that what the licence fee ‘licences’ isn’t something harmful, or even using BBC services; it licences having a plugged in TV. Indeed, this has led some countries to use terms like ‘television tax’ or ‘television fee’.

Poor Targeting

One of the results of the licence fee just being a licence to have a TV is that payment is not correlated with anything sensible. You don’t pay according to how many BBC channels you want, or how often you watch those channels, or what time of day you watch them; nor do you pay indirectly by sitting through adverts. You pay simply for owning a TV which receives broadcast television. As a result, people who watch eight hours of BBC television per day pay exactly the same as people who just watch the Six O’Clock News, who also pay the same as those who only watch commercial channels. Now, the same can be said for other public services, like policing – you don’t pay more for (legitimately) calling the police often. But that’s a critical public service, which society ought to provide to all regardless of ability to pay – whereas it isn’t clear that the same can be said of re-runs of *Don’t Tell the Bride*. Hence, it seems curious that the payment of the licence fee is targeted just at those who own a TV, rather than something more specific.

³⁹ Johann Roppen, “Public Service Market? Commercial Activities of the Norwegian Broadcasting Corporation”, p. 83

⁴⁰ <http://www.itviikko.fi/talous/2009/04/07/yle-vero-korvaa-tv-maksun/20099075/7> Recovered 24th August 2011

⁴¹ Richard North, “Scrap the BBC!”, The Social Affairs Unit, 61

A regressive poll tax

Perhaps the worst part of the licence fee system is that it is essentially a poll tax. Not only is payment for the BBC not correlated with something like how often you watch it, but it also isn't correlated according to how much you earn, as it is with virtually every other public service. As a result, the licence fee is cruel, since it is a highly regressive tax, with the very poorest being forced to pay exactly the same fee as the very richest. For anything which claims to be a 'public service', this is an uncomfortable situation to be in.

VII. Other countries' experience

Briefly reviewing other countries' PSB systems will be instructive in looking at our own.

New Zealand

Television New Zealand (TVNZ), the PSB of New Zealand, has been running as its own separate organisation since 1988. Approximately 88% of its funding comes from non-governmental sources, almost all of which is advertising⁴². In 2003 it was made a 'Crown Entity Company', which means that it is a registered company fully owned by the government.

TVNZ has been very popular. 96.7% of New Zealanders watch TVNZ at least once a month, and all of the twenty most popular NZ programmes are shown on one of the two main TVNZ channels.

However, it was argued that its material had become 'tabloid', and focused much less on political matters⁴³. This led to a Charter being imposed on TVNZ (at the same time it became a Crown Entity). The Charter gave TVNZ certain requirements which it had to fulfil, including providing more in-depth coverage and analysis of news and current affairs, and featuring more New Zealand original material. It receives some taxpayer money in order to help it meet these obligations (although, there is some evidence that it has failed to do so⁴⁴).

The advantage of this system is that by making TVNZ somewhat closer to being a private company, it has to attract viewers in order to stay afloat, which means making programmes that people want; furthermore, it doesn't cost much to the public purse. However, as noted in Section II, the danger with commercial channels *purely* maximising popularity is that those programmes which offer positive externalities⁴⁵, such as those which are community-building and which contribute to the political debate, may be under provided; and furthermore, certain sections of the population might not have programmes appropriate for them. A well instituted Charter, then, can help to rectify these problems.

The first slight problem with this system is that it does require a government-owned company to produce a lot of material which is really outside the realm of PSB, in order to pay for itself (general programming, such as drama, comedy,

⁴² TVNZ Annual Report 2010, 30

⁴³ Margie Comrie & Susan Fountaine, "On Screen Politics: The TVNZ Charter and Coverage of Political News" *Journal of Political Science*, December 2005 57:29-42

⁴⁴ Ibid.

⁴⁵ A positive externality is when benefits spill over to a third party not involved in the production or consumption of the good or service. Here, the third party is the community which enjoys the benefit of the TV watcher becoming more civically minded.

entertainment). We might have reservations about the government controlling that much of the media, as it seems somewhat needless. The second difficulty is that the organisation, being government, run still runs the risk of not truly being independent, both in matters of bias with current affairs, and a conflict of interest when it comes to favouring TVNZ.

The Netherlands

The Netherlands has an interesting system for PSB. Public broadcasting associations (privately owned) are allocated taxpayer money and airtime on the government's television and radio channels according to the numbers of members they have. There is also a limited amount of advertising on the channels to supplement the funds from the government. The associations are largely split by political and religious lines, and as such most of their members tend to be those who support their creed. Each association must be approved by the government, in addition to having at a minimum number of members, in order to broadcast. There are also two 'task based' government run broadcasters who tend to specialise in news and sport.

The Dutch state also gives quotas to the associations to determine part of their broadcast schedule. Each association must have 25% of its airtime on news and information programmes, 25% on entertainment and general programming, 20% on cultural programmes, and 5% on education.

This system has a particular advantage in the Netherlands which is a culturally diverse society. Having multiple public broadcasting associations means that different sections of the population can be catered for. Furthermore, by giving member-based associations the control over output rather than the state, independence from the government of the day is more likely. However, the fact that the associations have to be approved will make true separation from governmental influence difficult; in addition, the fact that they mostly represent some sort of ideological principle may impinge somewhat on their impartiality.

A second defect with the system is that allocating money and airtime according to the number of *members of the organisation* is a rather indirect form of competition. Since it isn't required that you have to be a member of the organisation to watch its content, and different associations members won't all watch the same quantity of television, the number of hours watched per organisation won't correlate exactly with the number of members each organisation has.

Hong Kong

Hong Kong's public broadcaster is Radio Television Hong Kong (RTHK). On the radio side, RTHK provide seven public channels, offering news, information and

general programming, music, and some relays from international radio stations (including BBC World Service).

The more unusual part of its system is its TV policy. It produces or commissions programmes, and then airs them on the private commercial free to air channels. It distributes its output in the following proportions⁴⁶:

- Current Affairs – 29.5%
- Special interest groups (elderly, minorities, underprivileged) – 15%
- Youth and children – 10%
- Arts and culture – 19%
- Civic education – 10%
- Continuing education – 11%
- Mainland affairs – 4%
- Other – 1.5%

The programmes correspond quite closely to the ideal output of PSBs described in Section II – with a focus on matters of democratic importance (current & Mainland affairs), special interest groups, education and community building (civic education). RTHK also pushes out around 18 hours a day of news programmes on the radio, as well over 7 hours a day of phone in discussions of public affairs⁴⁷ - again, aiding the democratic debate.

This contrasts to the BBC's output, which, of its four main channels, devotes just 15% of its time to current affairs and news, and over half (51%) of its time to sport, comedy, entertainment, drama, film, reality TV and talk shows⁴⁸. The BBC's airtime, then, is far less focused than RTHK's and goes far beyond the right job of a PSB as discussed in Section II.

One point in favour of the Hong Kong system, then, is that it focuses on the important, desirable parts of PSB. Secondly, by concentrating on these elements, it does not become too burdensome. Although it airs on three different (commercial) channels, it takes up a *total* average of just 15.5 hours per day⁴⁹ – although perhaps still a little high, certainly quite low compared to the BBC which has multiple 24-hour a day channels. This avoids crowding out the private sector too much.

Furthermore, by restricting its job description, RTHK is not expensive. In 2010, it received HK\$474.5m of funding from the government⁵⁰, which works out as approximately £5.57 per person⁵¹.

⁴⁶ RTHK Controlling Officer's Report 2011, 5

⁴⁷ RTHK Controlling Officer's Report 2011, 2

⁴⁸ Ofcom Public Service Broadcasting Annual Report 2011, Part B – PSB Output and Spend, Fig. 16. Glossary of the terms can be found here – <http://stakeholders.ofcom.org.uk/binaries/research/statistics/mid.pdf>.

⁴⁹ RTHK Controlling Officer's Report 2011, 4

⁵⁰ RTHK Controlling Officer's Report 2011

The downside of the Hong Kong system is that there is still a large degree of state control, and as a result may be subject to bias. Furthermore, because the government commissions or produces the programmes and stipulates that the free to air channels *must* give them airtime to deliver them, there is a lack of competition in the system – there’s no particular need for government produced programmes to be of good quality, since they don’t have to worry about advertising revenue.

⁵¹ Average 2010 exchange rate taken as £0.0833 per HK\$ from oanda.com, 2010 population taken as 7,097,000 from US Department of State Background Note on Hong Kong

VIII. Suggestions for Change

After these reflections, what broad prescriptions for change can we make for the BBC and the licence fee? We suggest a radical reform, learning from the different systems considered.

Competition in Public Service Broadcasting production

The BBC is undeniably expensive, as we saw in Section IV. Part of the reason for this is that it has little reason to keep costs down – it doesn't have to worry about being efficient as it doesn't make a profit. Furthermore, since it's funded by the licence fee, its revenue isn't particularly sensitive to the quality of the material it produces – most people will just change the channel, rather than get rid of their TV, if they're unhappy with the BBC. This means that the BBC can produce programmes of low quality at high cost.

What is needed, then, is competition – which the Hong Kong, Netherlands and New Zealand system all have in their own way. But, as noted before, a purely competitive system is likely to underprovide programming which improves a sense of community, and may not cater for disadvantaged sections of society. Thus, we require a system which maintains competition and still provides PSB-type material.

Public Service Broadcasting Contracts

We propose that the BBC itself be fully privatised so there is no broadcaster owned by the government – as is the situation in The Netherlands and Hong Kong (for TV). In its place, a fund, financed out of general taxation, should be set up to pay for broadcasting of a public service nature. This fund, controlled by the Department for Culture, Media and Sport (DCMS), can be used to pay private sector broadcasters for broadcasting public service material. (This is similar to the system in The Netherlands, which distributes money and airtime to commercial broadcasters).

The state can offer contracts to broadcast public service type programmes which any free-to-receive commercial broadcaster can apply for. Private broadcasters can tender their proposals, specifying exactly what they will provide and how much from the fund they will require to do it. Using this information, as well as the broadcasters' past success in public service material, the DCMS can select the best value for money candidate.

Because multiple organisations can place their proposals for the same contract, there will be competition to drive quality up and prices down – because if firms want to get a certain deal, they will have to offer a better proposal than their competitors. This contrasts to the current situation, where the BBC can spend essentially as much as it wants on whatever quality programming with little penalty should it be wasteful and offer poor programmes.

Competition in Public Service Broadcasting delivery

A similar problem of waste exists in the delivery of broadcasting. The BBC, not having to worry about cost, can spend a large amount on actually delivering their programmes and advertising itself. Private sector broadcasters though can have no such luxury; and so by removing the BBC from the taxpayer's bill, we take away that layer of waste, too.

Limit Public Service Broadcasting's Job Description, Limit Cost

By restricting the programmes for which the DCMS should offer contracts to just those which come under the types discussed in Section II, we limit cost. As the BBC has grown over time in the number of channels and variety of programming which it offers, it has of course become increasingly expensive. If we ensure that the programmes paid for out of public money are restricted to those which can be legitimately described as a *public service*, we can considerably cut that element of government spending – doubtless a beneficial move in these times of austerity.

Maintaining impartiality by keeping the government out of broadcasting

The reason for the BBC's bias is its proximity to government. Despite its own admittance of its bias and attempts to make it more impartial, the very nature of its relationship with the state will naturally make unbiased broadcasting a difficult goal. Whilst our proposed model would not wholly remove government interference from broadcasting, it would limit it, since the actual production and distribution would be done by a different organisation. Furthermore, the DCMS should be mandated to publish its reports as to why it chose one proposal over another online, so any possibility of bias would be available to public scrutiny. This should aid the objective of impartial programming.

How would the DCMS decide?

By using this model, the government's role in public service programming is limited to just choosing between the offers private sector firms make. The DCMS may set out a contract for, say, a panel debate on a series of current affairs issues. Private sector broadcasters might make offers based upon the sort and number of people they would intend to have on the panel, whether they would have advert breaks and how long they would be, whether swearing would be allowed, what sort of audience participation there would be, and how much remuneration they want from the fund. The DCMS, in addition to using this information, can consult previous ratings and viewing figures from that broadcaster.

How the DCMS ought to deliberate between a cheaper programme with poorer quality material and a more expensive one with better, for example, is difficult to say. However, it's worth noting that this is not an *additional* problem to the current system – for the BBC already has to make those decisions under today's model! Under the

proposed system, though, however the DCMS chose to make these decisions, the options it deliberates between ought to be better quality and cheaper, thanks to the competition introduced into the system.

IX. Conclusion

We have considered, first and foremost, what we want out of public service broadcasting. We find that there is a role for public service broadcasting, to correct for the under provision of certain types of programming. However, we see that the BBC, in addition to not fulfilling that role particularly well, has become bloated far beyond it. In the process of doing so it has become subject to tremendous waste and considerable bias.

In order to reduce the damage of this problem, we propose seriously limiting public service broadcasting's job description. We looked at the experience other countries have had and the benefits and disadvantages of their systems. Learning from their successes as well as their mistakes, we suggest the outline for a system which can produce good quality, well targeted, and low-cost public service broadcasting. By emphasising competition and distance from government, we can minimise the damage of bias and of waste, and enjoy efficient public service broadcasting fit for the 21st century.

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