



Public Service Broadcasting: Impact on the Economy and Creative Culture

Debate on 5 March 2020

On 5 March 2020, the House of Lords is due to debate a motion moved by Lord Young of Norwood Green (Labour) that “this House takes note of the role of the BBC and public service broadcasting to the United Kingdom’s economy and creative culture”.

Summary

Public service broadcasting in the UK includes not only the output of the BBC, but also the programming broadcast on Channel 3 (licensed to ITV and its regional subsidiaries), Channel 4, Channel 5 and the Welsh-language channel S4C. The public service broadcasters (PSBs) have a large market share of television audiences and studies have shown that viewers value them highly. However, they also face challenges. These include changing viewing habits because of increased competition from subscription video-on-demand services such as Netflix and Amazon Prime.

The BBC has recently faced criticism for alleged bias in its journalism and there has been speculation about the long-term future of its funding model. On 5 February 2020, the Government [launched a consultation](#) on decriminalising non-payment of the TV licence fee. The BBC has estimated that this could cost it £200 million a year in lost revenue.

The creative industries are a significant contributor to the UK economy. In 2018, they contributed £111.7 billion in gross value added (GVA) to the UK economy. Of that figure, £20.8 billion was contributed by the film, television and radio sector. The creative industries are also a major employer. In 2018, they employed just over 2 million people, with 245,000 employed specifically in the film, TV and radio sectors.

In November 2019, the House of Lords Communications and Digital Committee published its report, [Public Service Broadcasting: As Vital As Ever](#). It concluded that the UK’s PSBs had a central role in providing investment to the wider economy and creative sector. The committee described the UK’s film and television production sector as a “national success story”. The PSBs significantly contributed to its “mixed ecology”—a “mutually reinforcing” system of specialist skills, production companies, and broadcasters.

A 2015 study of the BBC’s impact on the creative sector concluded that it invested £3.7 billion of its income directly into the creative sector. However, there have also been concerns that the BBC’s activities could crowd out commercial competitors.

James Goddard | 26 February 2020

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I. What are Public Service Broadcasters?

Public service broadcasters (PSBs) include not only the BBC, but a range of commercial companies that broadcast on television channels with public service obligations. All BBC television channels are defined as public service broadcasting.¹ In addition, programming on the following channels has the status of public service broadcasting:²

- Channel 3 (licensed to ITV in England and Wales, STV in Scotland, UTV in Northern Ireland)
- Channel 4
- Channel 5
- S4C (Welsh-language channel)

The BBC's public purposes are set out in its royal charter.³ The Communications Act 2003 defines the public service obligations of the other PSBs.⁴ It also provides powers for Ofcom to regulate all PSBs and report on their compliance with their public service remit. The purposes and characteristics of PSBs, as summarised by Ofcom, are shown in table 1:

Table 1: PSBs Public Purposes and Characteristics⁵

Purposes	Characteristics
Informing our understanding of the world	High quality
Stimulating knowledge and learning	Original
Reflecting UK cultural identity	Innovative
Representing diversity and alternative viewpoints	Challenging
	Widely available
	Distinctive

In addition, the Communications Act 2003 imposes on PSBs a minimum 25% quota on the proportion of their television programming which must be independently produced (ie commissioned from independent production companies, not made in-house).⁶ Ofcom also imposes quotas on the proportion of broadcast content that must be “original” (ie not repeats) and regionally produced (ie made outside London in England, or in the other nations of the UK).

Ofcom's 2018 report, *Public Service Broadcasting In The Digital Age*, stated that the BBC was the “cornerstone” of UK public service broadcasting.⁷ It said that all PSBs had a “long and proud

¹ Ofcom, [‘Public Service Broadcasting \(PSB\)’](#), accessed 18 February 2020.

² Ofcom, [PSB Annual Research Report 2017](#), 7 July 2017, p 7. NB Only content broadcast on the main channel of the listed broadcasters has a statutory definition as public service broadcasting.

³ BBC, [‘Charter and Agreement’](#), accessed 18 February 2020.

⁴ Communications Act 2003, s 264.

⁵ Ofcom, [PSB Annual Research Report 2017](#), 7 July 2017, pp 8–9.

⁶ Communications Act 2003, s 277.

⁷ Ofcom, [Public Service Broadcasting in the Digital Age: Supporting PSB for the Next Decade and Beyond](#), 18 March 2018, p 1.

tradition” of “delivering impartial and trusted news, UK-originated programmes and distinctive content”.⁸ Ofcom said that its research had found that “audiences value public service broadcasting highly, and believe it is broadly delivering its purposes”.⁹ Specifically on PSBs’ impact on the wider economy, the report found:

PSBs provide substantial benefits to the wider broadcasting industry and the economy. Public service broadcasters support the capability of the entire broadcasting sector by investing in new talent, training, and research and development [...] Public service broadcasters have also helped to create a flourishing independent sector.¹⁰

However, the report also said that PSBs would face several challenges over the next decade. These included increased competition from subscription video-on-demand services (SVODs), such as Netflix and Amazon Prime Video, and changes to the public’s viewing habits as a result. The SVODs were “investing billions of pounds in programmes, dwarfing domestic UK budgets” and were subscribed to in more than a third of UK homes.¹¹ SVODs were found to be particularly popular among younger viewers (children and adults under 34). These groups watch less linear (ie live broadcast) programming on PSB television channels and increasingly consume content on devices such as smartphones and tablets.¹²

2. PSBs’ Contribution to the UK Economy

The creative industries are a significant contributor to the UK economy. Over the past decade, the sector has grown at a faster rate (in terms of gross value added (GVA) and as a generator of employment) than any other sector. In 2018, the Creative Industries Federation stated that the sector was worth more to the UK economy than the automotive, aerospace, life sciences and oil and gas sectors combined.¹³

2.1 Gross Value Added

Figures from the Department for Digital, Culture, Media and Sport showed that, in 2018, the creative industries contributed £111.7 billion in GVA to the UK economy.¹⁴ This accounted for 5.8% of total UK GVA in 2018. Of the total figure, £20.8 billion was contributed by the film, television and radio sectors.¹⁵ Total creative industries GVA has grown by 43.2% in real terms since 2010.¹⁶

⁸ Ofcom, [Public Service Broadcasting in the Digital Age: Supporting PSB for the Next Decade and Beyond](#), 18 March 2018, p 1.

⁹ *ibid.*

¹⁰ *ibid.*, p 5.

¹¹ *ibid.*, p 1.

¹² *ibid.*, pp 6–7.

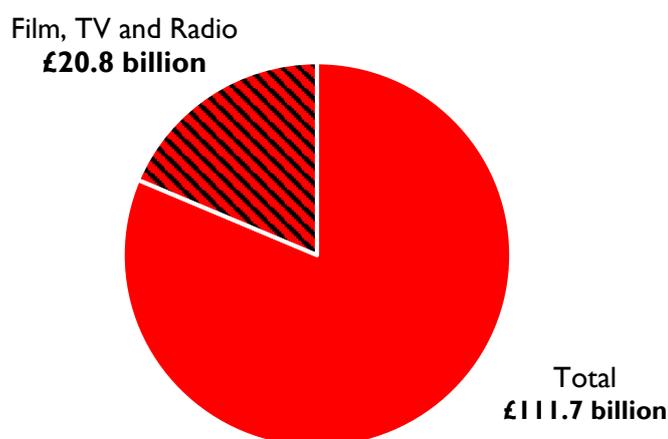
¹³ Creative Industries Federation, ‘[Growing the UK’s Creative Industries](#)’, 7 December 2018.

¹⁴ Department for Digital, Culture, Media and Sport, [DCMS Sectors Economic Estimates 2018 \(Provisional\): Gross Value Added](#), 5 February 2020, p 9.

¹⁵ *ibid.*

¹⁶ *ibid.*, p 1.

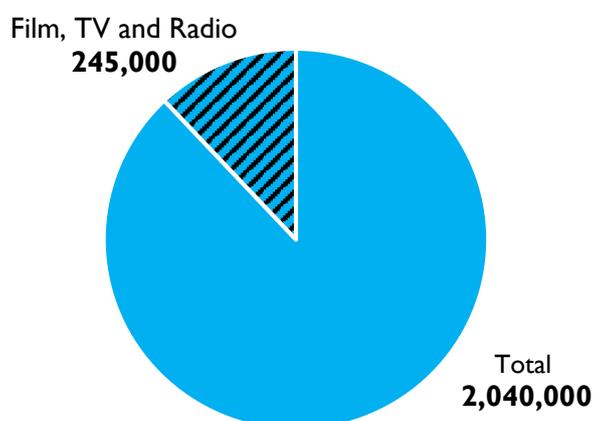
Figure 1. UK Creative Industries Gross Value Added, 2018



2.2 Employment

In 2018, the creative industries employed just over 2 million people, approximately 6% of total UK employment.¹⁷ The number of people employed in the sector has increased by 30.6% since 2011, three times the growth rate of employment in the UK overall.¹⁸ 245,000 people were employed specifically in the film, TV and radio sectors in 2018.

Figure 2. UK Creative Industries Employees, 2018



2.3 UK Film and TV Production

In November 2019, the House of Lords Communications and Digital Committee published the outcome of its inquiry into the future of the UK's public service broadcasters.¹⁹ The committee's report, [Public Service Broadcasting: As Vital As Ever](#), stated that the evidence it had received

¹⁷ Department for Digital, Culture, Media and Sport, [DCMS Sectors Economic Estimates 2018: Employment](#), 26 June 2019, p 6.

¹⁸ *ibid.*

¹⁹ House of Lords Communications and Digital Committee, [Public Service Broadcasting: As Vital As Ever](#), 5 November 2019, HL Paper 16 of session 2019.

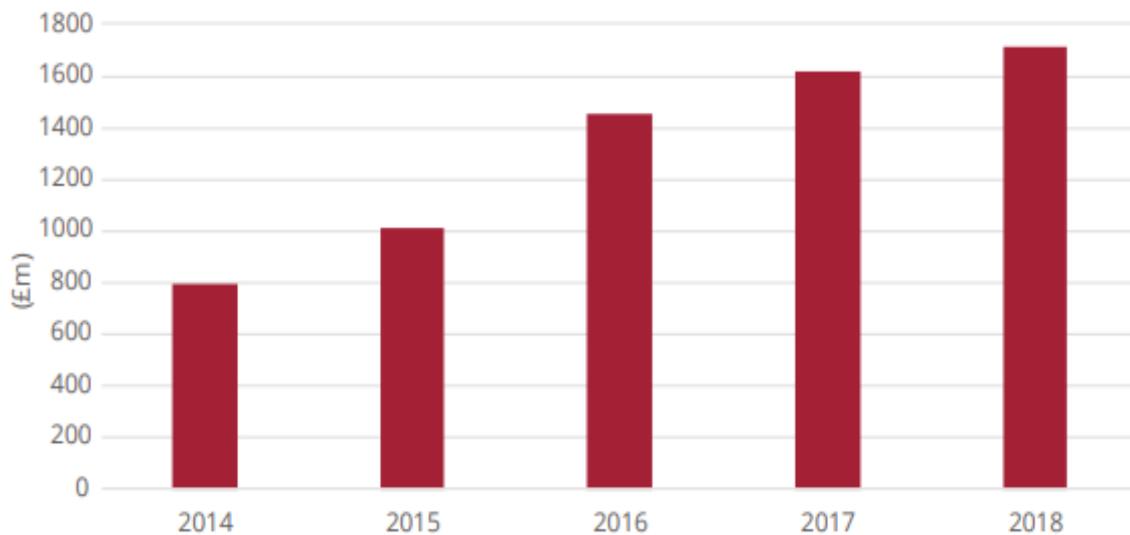
“overwhelmingly indicated” the importance of PSBs to the UK’s democracy, culture and its “image on the world stage”.²⁰ The report found that PSBs “contribute to the economic health of the UK and support the wider creative industries”.²¹ They created “demand for workers across a range of specialist fields (acting, music, visual effects, production, etc), provide training and development opportunities, and ensure the viability of lifelong careers in the sector”.²²

The report described the UK’s film and TV production sector as “a national success story”.²³ Its success was attributed to its “mixed ecology”:

A mutually reinforcing system of specialist skills, labour, production companies, broadcasters and other assets which are supported by both public and private investment. This ecology is integral and critical to the wider creative industries. It nurtures creative and other skills used in film making, and it is a vehicle for exhibiting British talent to an international audience. PSBs are at the heart of this ecology.²⁴

The report stated that the UK is the world’s second biggest exporter of television content. In 2018, the independent production sector’s revenue totalled £3 billion, its highest ever.²⁵ The report quoted data from the Commercial Broadcasters Association (reproduced in figure 3 below) which showed that UK production spending on “high-end” television drama by domestic commissioners (mainly PSBs) had more than doubled between 2014 and 2018.

Figure 3. Total UK Television Spending by Year of Production (£ Million)



(Source: House of Lords Communications and Digital Committee, [Public Service Broadcasting: As Vital As Ever](#), 5 November 2019, HL Paper 16 of session 2019, p 30)

²⁰ House of Lords Communications and Digital Committee, [Public Service Broadcasting: As Vital As Ever](#), 5 November 2019, HL Paper 16 of session 2019, p 3.

²¹ *ibid.*

²² *ibid.*, p 13.

²³ *ibid.*, p 29.

²⁴ *ibid.*, p 11.

²⁵ *ibid.*, p 29.

The committee report argued that public policy had contributed to the success of the film and TV production sector, via the 25% independent producer quota for PSBs in the Communication Act 2003, and the introduction of high-end TV tax relief by the Coalition Government in 2013.²⁶

High-end Tax Relief (HETR)

High-end TV tax relief (HETR) allows production companies to claim tax relief at 25% of their UK core expenditure on programmes with a production cost of over £1 million an hour.²⁷ HMRC set a range of other criteria that must also be met, including a culture test for the programme to show relevance to the UK. The committee found “universal agreement” from witnesses that HETR had incentivised investment in the UK and created jobs in the production sector.²⁸ In 2016, the British Film Institute estimated that £1 of HETR generated £6.10 of value to the UK economy.²⁹ However, the committee recommended that the Government review the operation of the tax. It argued that companies were disincentivised to make lower-budget programmes (at, for example, £800,000 an hour), which were “crucial to the development of skills in the production sector”.³⁰ The committee recommended the Government taper the tax from £800,000 to remove this disincentive.

Training and Skills

On skills in the production sector, the report stated that PSBs:

Play a key role in training and nurturing talent which underpin the success of the TV sector. Independent production companies benefit from their investment as they rely on a broad pool of skilled workers for the range of roles involved in production.³¹

Philippa Childs, head of the production staff union Bectu, told the committee that the PSBs were “providing the training and skills that the likes of Netflix and others are then happily accepting”.³² The committee highlighted the success of the high-end TV skills fund, a system in which companies in receipt of HETR could voluntarily contribute a proportion of their production budget to support the training and development of those working on high-end programmes. The committee noted that the fund had “reached £3.3 million a year” and a high proportion of companies contributed. However, the committee recommended that contributing to the skills fund should be made compulsory for companies in receipt of HETR.

The committee also highlighted witnesses’ dissatisfaction with the Government’s apprenticeship levy, which was launched in 2017. The main complaint was the condition that apprenticeships must last a minimum of 12 months. This was often “too long a commitment for businesses in the creative

²⁶ House of Lords Communications and Digital Committee, [Public Service Broadcasting: As Vital As Ever](#), 5 November 2019, HL Paper 16 of session 2019, p 29.

²⁷ *ibid.*

²⁸ *ibid.*, p 30.

²⁹ *ibid.*, p 29

³⁰ *ibid.*, p 33.

³¹ *ibid.*, p 34.

³² *ibid.*

industries”.³³ The committee claimed that the levy had “failed the creative industries” and it recommended that the Government reform the system to introduce greater flexibility.³⁴

Regional Production

On the subject of regional production, the committee stated that making programmes outside London, and in the other nations of the UK, “spreads the economic benefits of TV production and helps to ensure viewers feel represented”.³⁵ The committee said that PSBs “play a crucial role” in supporting regional production and it highlighted the role of Ofcom’s regional quotas, which had acted as a driver of increased regional production.³⁶

3. How Does the BBC Contribute to the Economy and Creative Industries?

Due to the size and scale of the BBC, much of the debate on public sector broadcasters’ impact on the economy centres on the role of the corporation. The rest of this briefing therefore focuses exclusively on the BBC’s impact on the UK economy.

Most of the detailed studies of the BBC’s impact were published prior to the eleven-year renewal of the corporation’s royal charter in 2016.³⁷ This section summarises the findings of two of the most recently published reports prior to the charter renewal:

- A report commissioned by the BBC from Frontier Economics, [The Contribution of the BBC to the UK Creative Industries](#), April 2015;
- Chapter four of HM Government’s charter renewal white paper, [A BBC for the Future: A Broadcaster of Distinction](#), May 2016, which contained a summary of the positive and negative impacts of the BBC’s role in the UK media market.

3.1 Frontier Economics Report 2015

The Frontier Economics report stated that one of the issues with analysing the impact of the BBC on the economy was establishing a robust estimate of the counterfactual—ie what would be the size of the UK creative industries sector if the BBC did not exist?³⁸ The report quoted a study published by the University of Oxford in 2014, which had attempted to model the counterfactual. That study said without the BBC television channels:

- Total TV industry revenue would most likely be lower, although there is a wide range of uncertainty about how much.

³³ House of Lords Communications and Digital Committee, [Public Service Broadcasting: As Vital As Ever](#), 5 November 2019, HL Paper 16 of session 2019, p 34.

³⁴ *ibid*, p 35.

³⁵ *ibid*, p 46.

³⁶ *ibid*, pp 43–4.

³⁷ See: Deloitte, [The Economic Impact of the BBC 2008/09: A Report for the BBC](#), 2010; BBC, [Helping Drive Growth in the UK Creative Economy](#), September 2011; BBC, [The Economic Value of the BBC: 2011/12](#), January 2013; BBC, [The Economic Return to the UK of the BBC’s Global Footprint](#), November 2013.

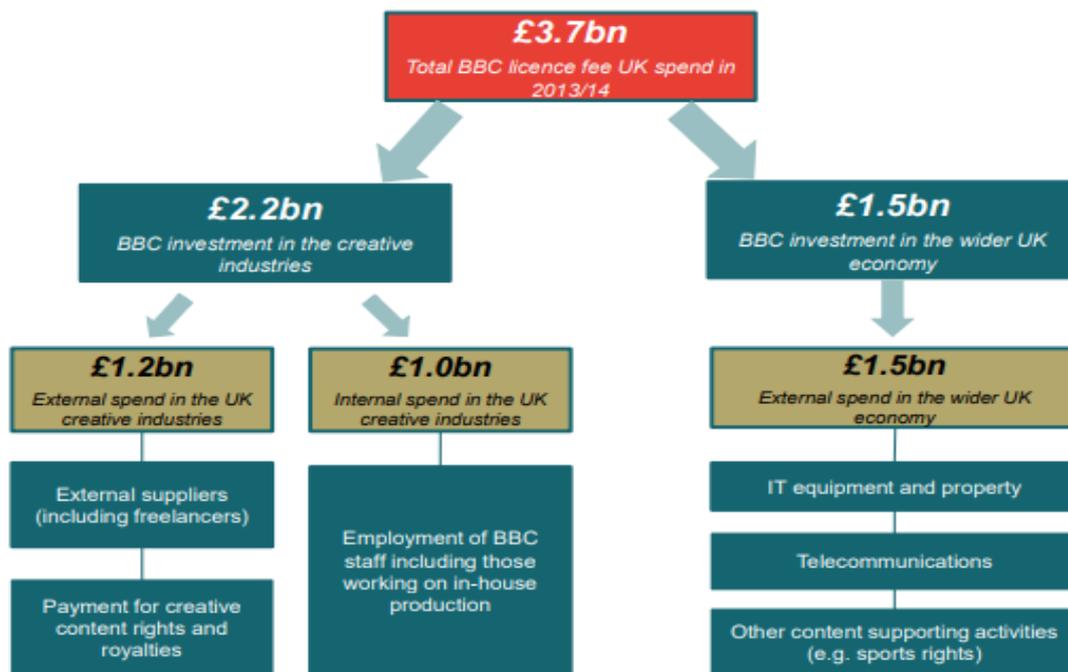
³⁸ Frontier Economics, [The Contribution of the BBC to the UK Creative Industries](#), April 2015, p 10.

- Total content investment would be 5–25% lower.
- Investment in first-run UK content would be 25–50% lower.
- The net impact on viewers would vary, but most would suffer a reduction in both choice and value for money.³⁹

The key finding of the Frontier Economics report was that the BBC was a “major investor in the creative industries”.⁴⁰ Based on analysis of the BBC’s 2013/14 financial data, the report found that of the £3.7 billion of expenditure the corporation made from its licence fee-derived income that year, £2.2 billion was directly invested in the creative industries.⁴¹ This comprised £1.2 billion of payments to external suppliers of creative content and £1 billion of internal expenditure on BBC staff producing in-house content. Of the £1.2 billion to external suppliers, the report found that £450 million was paid to small- and micro-creative businesses which employed fewer than 49 people.⁴² The remaining £1.5 billion of expenditure was invested by the BBC in the wider UK economy, mainly through expenditure on IT and telecommunications equipment which supported content creation and distribution.

Figure 4 below, reproduced from the report, provides a visualisation of how the BBC invested in the creative industries in 2013/14.

Figure 4. BBC Direct Investments in the Creative Industries (Licence Fee-Derived Expenditure), 2013/14



(Source: Frontier Economics, [The Contribution of the BBC to the UK Creative Industries](#), April 2015, p 4)

³⁹ P Barwise and R Picard, [What If There Were No BBC Television? The Net Impact on UK Viewers](#), Reuters Institute for the Study of Journalism, University of Oxford, February 2014, p 3.

⁴⁰ Frontier Economics, [The Contribution of the BBC to the UK Creative Industries](#), April 2015, p 3. Most of the BBC’s income comes from licence fee revenue, supplemented by income from the BBC’s commercial activities.

⁴¹ *ibid*, p 4.

⁴² *ibid*.

The report described the mechanisms by which the BBC contributed to the UK economy. These included “first round” impacts, “second round” impacts, and spill over effects.⁴³

- **First round impacts.** These comprised the BBC’s direct investments in creative content, such as: payments to production companies; employing on- and off-screen talent; rights payments (eg sports rights); and investments in skills and training. These impacts are those represented in figure 1 above.
- **Second round impacts.** These comprised economic activity in the creative industries generated by the BBC’s first round impacts, such as: exploitation of intellectual property (ie programme sales and exports); increased record sales by artists promoted by the BBC; and investments by commercial companies in response to BBC expenditure.
- **Spill over impacts.** These were not directly measurable in monetary terms, but they included instances in which BBC activities provided benefits to the wider creative industries. Examples included knowledge spill overs (eg staff trained by the BBC who were later employed by other companies) and technology spillovers (eg BBC investment in its on-demand iPlayer service, which developed the skills, technologies and rights framework which helped later commercial entrants to the UK’s SVOD market).

The report did not provide a total monetary estimate of all the BBC’s second round impacts. However, using a case study of the BBC’s effect on the UK music industry, the report found that the corporation contributed to increased record sales for artists that it had promoted on its channels and radio stations.⁴⁴ The report stated that the BBC “takes risks on new artists” and its talent schemes “help to discover and champion” artists by giving them exposure before their records are released.⁴⁵ The report also argued that there could be positive spill overs on the BBC’s second round impacts in the music industry, eg by making it less risky for commercial companies to invest in new music talent who had already been promoted on the BBC.⁴⁶

3.2 Government White Paper 2016

The Conservative Government’s 2016 white paper, [A BBC for the Future: A Broadcaster of Distinction](#), May 2016, followed a public consultation prompted by the BBC royal charter renewal process. The report described the BBC as “one of the nation’s most treasured institutions” and the “largest and most influential player in the UK media market”.⁴⁷ The BBC had the highest audience share of any media provider in the UK and the largest production capacity—supplying 20% of all original non-news television and 65% of all radio content in the UK. Despite these successes, the report stated that the consultation had highlighted a range of challenges facing the corporation, such as:

Its governance, its distinctiveness, the market impact of its more mainstream services, the extent to which it serves all sections of society, and its efficiency and value for money.⁴⁸

⁴³ Frontier Economics, [The Contribution of the BBC to the UK Creative Industries](#), April 2015, pp 12–13.

⁴⁴ *ibid*, p 38.

⁴⁵ *ibid*, p 24.

⁴⁶ *ibid*, p 44.

⁴⁷ Department for Culture, Media and Sport, [A BBC for the Future: A Broadcaster of Distinction](#), Cm 9242, May 2016, pp 9–10.

⁴⁸ *ibid*, p 10.

Chapter 4 of the report presented the Government's views on an assessment of the BBC's media market impact. The Government acknowledged the key role the BBC had in supporting the wider creative industries. The report stated that the BBC had been a contributor to the sector's growth and that it was:

Critical to both the economic health and wider 'soft power' of the UK that this robust growth continues in the decade ahead. The BBC, given its size and scale, has an important role in enabling this.⁴⁹

The report gave examples of positive impacts the BBC had on the rest of the creative sector.⁵⁰ The mechanisms by which these impacts operated were like those found in the 2015 Frontier Economics report, referred to above. However, the report also found evidence of negative impacts produced by the BBC's market position, such as crowding out investment from commercial competitors. The report stated:

The BBC could push up input costs which create barriers to entry, or hamper commercial market growth when public investment through the BBC increases the risk or reduces the return to new commercial investment and so crowds it out.⁵¹

The report said that these potential negative impacts had influenced the previous decisions of regulators to block some BBC proposals, such as the launch of a BBC One+1 catch-up TV channel in November 2015.⁵² A joint venture between the BBC, ITV and Channel 4 to create a video-on-demand service had also been blocked by the Competition and Markets Authority in 2009, over concerns about its impact on commercial competitors. That venture, originally known as Project Kangaroo, had been an early iteration of what is now known as [Britbox](#). Britbox is an SVOD service created by the BBC and ITV, providing content from those broadcasters and the other PSBs, Channel 4 and Channel 5. It launched in the UK in November 2019.

In the white paper, the Government said that it wanted to see a "thriving, successful BBC" which contributed to the media landscape, but it also wanted the corporation to "tread more lightly and considerately around its commercial competitors".⁵³ To minimise any potential negative impacts, the renewed royal charter included additional powers for Ofcom to more effectively investigate material changes to the BBC's public service content and to assess their impact on competitors.⁵⁴

4. Recent Developments

The BBC has recently faced criticism over issues such as: allegations of bias in its journalism and current affairs reporting; allegations of excessive pay for some of its presenters; and its decision to restrict free TV licences only to those over-75-year-olds in receipt of pension credit from 1 June 2020.

⁴⁹ Department for Culture, Media and Sport, [A BBC for the Future: A Broadcaster of Distinction](#), Cm 9242, May 2016, p 63.

⁵⁰ *ibid.*

⁵¹ *ibid.*, p 64.

⁵² *ibid.*

⁵³ *ibid.*

⁵⁴ *ibid.*, p 65.

Funding Model

The continuation of the BBC's funding model, predominantly derived from TV licence fee revenue, has also been the subject of speculation. The Conservative Party did not make any substantive commitments about the BBC in its 2019 general election manifesto. However, during the general election campaign, Boris Johnson said that he was "looking at" whether the TV licence fee should be abolished.⁵⁵ He said that he did not believe it could be justified to fund the BBC in the long-term through "a general tax".

Writing in the *Financial Times* in January 2020, the BBC Director-General, Lord Hall of Birkenhead (Crossbench), defended the licence fee. He said that the funding model was vital to the success of the corporation and to its ability to invest in the UK's creative industries. He said that the BBC was:

The biggest single investor in original British content. Every £1 we spend generates £2 for the UK economy. We operate as an engine powering the whole creative sector.⁵⁶

Lord Hall said that the BBC was fulfilling obligations made in its charter renewal to plug gaps in the local radio and local newspaper sectors, which were not being served by the market. On greater regional production in the BBC, he said that half of the corporation was currently based outside London, but he wanted "at least two-thirds" outside London by 2027.

On 5 February 2020, the Government [launched a consultation](#) on decriminalising non-payment of the licence fee (ie making it a civil, not a criminal, offence). The Government said that "it is right to look again" at the criminal offence for TV licence evasion, to ensure a "proportionate and fair approach" to licence fee penalties. The BBC has estimated that decriminalising evasion could cost it £200 million a year in lost revenue.⁵⁷

Comparison with Subscription-funded Competitors

The media analyst, Claire Enders, speaking on BBC Radio 4's *Today* programme following the announcement of the consultation, summarised some of the issues, in her view, with comparing the BBC to subscription services such as Netflix:

Netflix is a platform, not a series of services. It doesn't do radio, it doesn't do news, there are no elements that are required of it. It's not regulated under UK law. It doesn't even pay tax here. It has a completely different model which is captured, in essence, by the availability of US capital markets' money [...] The BBC has a completely different set of responsibilities. It has a civic purpose. Netflix has no civic purpose [...] [The BBC] is a completely different order of beast.⁵⁸

⁵⁵ Rowena Mason and Jim Waterson, '[Boris Johnson 'Looking At' Abolishing TV Licence Fee for BBC](#)', *Guardian*, 9 December 2019.

⁵⁶ Tony Hall, '[The BBC's Formula for Success Relies on the Funding Model](#)', *Financial Times* (£), 12 January 2020.

⁵⁷ BBC News, '[BBC: TV Licence Fee Decriminalisation Being Considered](#)', 15 December 2019.

⁵⁸ Twitter, '[BBC Radio 4](#)', 6 February 2020.

On 12 February 2020, Sir David Clementi, Chair of the BBC, made a similar point in a speech at the University of Salford on the BBC's impact on the UK's creative industries. He said that:

The BBC operates as an engine of ideas, risk-taking and ambition that powers the whole of our creative industries [...] No other organisation can match the BBC's commitment to British creativity—or our global cultural impact. And while some of the global streamers [such as Netflix] are now investing in some UK content, there is no guarantee this will continue. And no evidence that they, almost entirely US owned, could or would ever wish to replace the part played by the BBC in backing British ideas and talent.⁵⁹

Government Response to Committee Report

Also on 12 February 2020, the Government published its response to the House of Lords Communications and Digital Committee report, *Public Service Broadcasting: As Vital As Ever*.⁶⁰ The Government stated that it agreed with the committee that public service broadcasting “plays a vital role in the wider UK media ecology and provides significant cultural, economic and democratic value to the UK”.⁶¹ The Government stated that, in the absence of PSBs, in many cases programming with a public service remit “would be underprovided or not provided at all by an unregulated market”.⁶²

On the subject of high-end TV tax relief, the response stated that the Government was committed to ensuring the UK “remains the best place in the world to make films and programmes” by maintaining creative sector tax reliefs.⁶³ However, the Government did not agree with the committee's recommendation to lower the £1 million per hour expenditure threshold, or to make contributing to the high-end TV skills fund a condition of receiving HETR.⁶⁴

On 16 February 2020, the *Sunday Times* reported that “senior aides” to the Prime Minister had stated that the Government “wasn't bluffing” in its intention to abolish the TV licence fee and move the BBC to a subscription-based funding model.⁶⁵ The report stated that it was the Government's view that the BBC needed “massive pruning back” and this would be accomplished by reducing the number of its television channels and radio stations and scaling back its online presence. However, the Transport Secretary, Grant Shapps, responded to the report by telling Sky News that no “preordained decision about the future funding of the BBC” had been taken by the Government.⁶⁶

Further Reading

- Ofcom, [Ofcom's Annual Report on the BBC](#), 24 October 2019
- Ofcom, [The Future of Public Service Media](#), 4 July 2019

⁵⁹ BBC, [Speech by Sir David Clementi, Chairman of the BBC at the University of Salford](#), 12 February 2020.

⁶⁰ House of Lords Communications and Digital Committee, [Public Service Broadcasting: As Vital As Ever: Government Response](#), 12 February 2020.

⁶¹ *ibid.*, p 2.

⁶² *ibid.*

⁶³ *ibid.*, p 6.

⁶⁴ *ibid.*, pp 6–7.

⁶⁵ Tim Shipman, [No 10 Tells BBC Licence Fee Will Be Scrapped](#), *Sunday Times* (£), 16 February 2020.

⁶⁶ Sky News, [BBC Could Be Forced to Sell Radio Stations in 'Massive Pruning Back'](#), 16 February 2020.

- House of Lords Library, [Leaving the European Union: Impact on the Creative Industries](#), 13 January 2017
- James Heath, '[The BBC's Role in the Creative Economy](#)', BBC Blog, 5 February 2015