

*Introduction: 'You Don't Know What You've Got 'Till It's Gone'*¹

In his 2010 video *I'm Proud of the BBC*,² the musician and comedian Mitch Benn, formerly a staple of BBC Radio 4's topical *The Now Show*, lists some of the Corporation's marvels – its programmes and people. They're scrawled on hand-made cards – after the style of the Bob Dylan video for 'Subterranean Homesick Blues' – and carried by a small posse of distinctly ordinary adults and dancing children gathered outside the BBC's central London headquarters, Broadcasting House, and the – now abandoned – Television Centre in White City, west London. Pub rocker style, Benn isn't sleek and nor is his little film. But it's all from the heart.

The glories he lists stretch from *Newsround* and *Newsnight* to *Ab Fab*, from *Quatermass* to *The Two Ronnies*. Other programmes he cites include *Blackadder*, *Doctor Who*, *EastEnders*, *The Archers*, *The Thick of It*, *The Young Ones*, *Who Do You Think You Are?*, *Blue Peter*, *Panorama*, *Question Time* and *Yes, Minister*. The lyrics have a campaigning edge. 'I'm proud of the BBC, It's part of you and it's part of me', 'It's just this and lousy weather that holds us together' and 'We're not just listeners and viewers, it belongs to us.'³ The song goes on for more than five minutes and there was clearly the material for much more. It's an extraordinary list in its sheer range of British glories and obsessions – famous prize-winning programmes of the *Blue Planet*, *Civilization* and *Monty Python* kind, and others that super-serve traditional British obsessions, such as *Gardeners' Question Time* or *Antiques Roadshow* – utterly timeless achievements, and others very much of their time.

Benn's point is that the BBC is the whole British nation in all its untidy variety and, at the same time, one of its glories. For anyone over forty – Benn is now fifty – this story taps into a rich stream of memories. For younger generations, the BBC is less central. That's one of the challenges it faces, but far from the only one.

In an interview, we asked Benn why he wrote the song. He told us, 'I had this feeling that not only were people tired of relentless criticism . . . they genuinely resented that the BBC couldn't really fight its corner because it's literally publicly funded . . . So I thought, I'm going to fight its corner for it.'

Is Benn's list of triumphs just playing on the BBC's past glories? Not if you list its new and continuing hits in the ten years since he released the song: from *Sherlock* to *Luther*, *Bodyguard* to *Citizen Khan*, *Fleabag* to *Strictly Come Dancing*, *Peaky Blinders* to *Killing Eve*, *Gavin and Stacey* to *The Great British Bake Off*, *Trust Me, I'm a Doctor* to *RuPaul's Drag Race UK* and Gareth Malone's choir series, with military wives and in schools, hospitals, companies, a housing estate and, most recently, a high-security prison for young offenders. And CBeebies. And on radio, *George the Poet*, *Desert Island Discs*, the *Today Programme* – it looks as if the BBC can still pull it off. At the September 2019 Emmy Awards in Los Angeles, it won another six major awards.⁴

The whole BBC is always there unless we're travelling abroad, which is the only time when we notice it – or rather, its absence. Or, as seasoned travellers will tell you, when they're away from the UK is when they appreciate the BBC the most – it's available in so many countries – it's a stabilizing presence. Usually, we just take it for granted. But, before very long, we may no longer be able to do that, unless, as a country, we start taking action.

This book is about why the BBC is in peril, why this matters and what we can do about it. Fortunately, ensuring that we and future generations can still enjoy the luxury of unlimited access

to a strong, independent, properly funded BBC isn't that difficult or even that expensive, although it will involve confronting some powerful vested interests. If we want to save it, we can. The first step is to understand why the BBC still matters and the nature of the challenge it's facing – the topic of this book.

'It's Part of You and It's Part of Me'

What makes for national cohesion and 'national conversations' in today's world? We're more fragmented now. We've gone from jobs for life in giant factories and office blocks to freelance and zero-hours working lives, with less and less of the local and institutional glue we had from companies, trade unions, working men's clubs and round-the-water-cooler moments. We've moved away from the Victorian pubs, the giant cinemas, department stores and high streets – all the declining shared glories of the first mass age. All the things a generation of interwar intellectuals said were destroying the world at the time, and twenty-first-century intellectuals are sentimental about now that we're in a more individualistic world.

Who speaks for most of us – or at least tries to? The BBC is more than just a 'media content supplier', more than just positions on the TV Electronic Programme Guide (EPG) or the radio. Broadcasting like the BBC's is central to the country's understanding of itself and the rest of the world – and a big part of the world's understanding of Britain.

Small-town Vicar, Suburban Scotswoman

Radio 4's weekend morning show *Saturday Live* is co-presented by an RP (Received Pronunciation)-speaking middle-class English vicar, with a small-town parish in Northamptonshire, and a

Scotswoman, born in a genteel, leafy Glasgow suburb, with a reassuring, educated Scottish voice.

But *Saturday Live* is nuanced. The Reverend Richard Coles is an out, gay former rock star, once a member of Bronski Beat and co-founder of the Communards with Jimmy Somerville, who's written very candidly about his former life. And the nice Scots lady with the ready laugh is Aasmah Mir, the daughter of first-generation Pakistani immigrants. Some of the programme's stories are pretty full on about serious illness, addiction and bereavement.

The whole thing is *very* BBC, with its Auntie-like⁵ uplift and its something-for-everyone tone, its evident concern not to be too metropolitan and its commitment to play on our shared granular popular culture; people and things that seem to hold the country together. But, whatever you feel about *Saturday Live*, it's doing the exact opposite of the tabloid newspapers' daily hate-ins or the dodgy bloggers' latest trolling campaign or conspiracy theory. *Saturday Live* pulls its 2.23 million listeners together in a civil, positive version of modern Britain.⁶

The Heart of British Broadcasting

The BBC's broad investment into making British TV and radio programmes is something we take as a given. But if it weren't here, who would make them? It wouldn't make commercial sense for anyone else to invest so heavily in creating original British content. The US giants like Netflix want internationally tradable programmes – 'content' – preferably with a long shelf life: big drama, big films, some comedy, some cartoons. Little or nothing small, live or local. And the UK's commercial public service broadcasters (PSBs) are either private companies with shareholders to satisfy (ITV and Channel 5) or, in the case of Channel 4, having to tread a delicate line to deliver its

government-set public service remit while still covering its costs in an increasingly tough advertising market. They, and the UK pay-TV companies, are all key players in the unique – and still very successful – UK broadcasting ecology, competing against and feeding off each other. But the BBC is at the heart of this lively ecosystem – it's there for us all and, in terms of quality, it's still usually the one for the others to beat.

Despite the BBC's weaknesses – its timidity in the face of power, its rather odd current reading of the political continuum, its tendency to nannyism (all of which we will be looking at in this book), it isn't just a propaganda outfit.⁷ Though it's had its propaganda moments, its original vision – known as Reithian, after its first managing director, Lord Reith – is for genuinely popular entertainment, reliable education and news. Real news as opposed to fake – news that's robustly resourced and delivered from around the world by intelligent people who know things and speak multiple languages and are actually there in Kiev, Kingston or Kuala Lumpur.

When the BBC was reporting on the Ukraine scandal that started the Trump impeachment inquiry, its man in Ukraine, Jonah Fisher – the one who got the scoop with the national prosecutor – had previously been the BBC's man in Eritrea, Sudan, South Africa, Nigeria and Thailand and, before that, its first correspondent in Myanmar. The BBC is the biggest broadcast news organization in the world, with two thousand journalists, fifty news bureaus and an annual budget of £350 million. This dedication to informed, impartial, on-the-ground reporting is more important than ever in today's world, and it's under threat – witness the current deep cuts in the BBC's news division.⁸

In 2010, two professors of communication at Westminster University, Jean Seaton, the BBC's then official historian, and Steve Barnett, co-author of the 1994 *Battle for the BBC*⁹ wrote a piece for the *Political Quarterly*: 'Why the BBC matters: memo to the new parliament about a unique British institution'. In it,

they say the BBC, like the NHS, needs to be nurtured rather than diminished. They go on to describe the BBC's benefits to the UK: creating informed democracy, representing us to the world, underwriting every original creative opportunity from Mozart to Monty Python, and making money for Britain from it. They describe music and children's programmes as a special part of that, and talk about the BBC as 'social glue': the BBC 'helps keep us together' and 'treats its audiences as intelligent, decent, national and in command'.¹⁰

'The Whole World of Knowledge and of Creativity Is On Offer'

At the 2015 Edinburgh International Television Festival, a world-class annual industry gathering, Armando Iannucci, the award-winning writer and producer of *I'm Alan Partridge* and *The Thick of It* (plus *Veep* in America), reminded his audience for the keynote MacTaggart Lecture just how huge an impact the BBC can have on each of our lives:

That's what I remember from watching television when I was growing up in the 1970s and 1980s. The range in front of me. I could watch smart comedy like *Monty Python* and *Not the Nine O'Clock News*, but I also had Bruce and his *Generation Game*, *Morecambe and Wise* and no one to tell me only one type of show was for me and not the other. I loved it that I could glide from *Fawlty Towers* to a Horizon documentary on *Voyager's* trip past Saturn. For a comedy and a space geek, that was satisfying, even if it seems a little embarrassingly sad talking about it now.

But what I take from then is that British television said this: that everything, the whole world of knowledge and of creativity is on offer, is for you, all of you. No matter what your background, you were all equally welcomed to the most varied

content the world's best programme-makers could deliver. Yes, there were limits on the number of channels, and hours, but you didn't feel a limit on ideas and ambition.¹¹

Yet despite the BBC's rich legacy, its continuing popularity and its centrality to British life, it – and much of what it represents – is at risk.

The BBC Is in Danger

The pressures facing the BBC include ever-increasing competition, technology and consumption trends; relentless attacks from a wide range of hostile players; disproportionate regulatory constraints; and deep funding cuts – much deeper than most people have realized. These are simultaneously increasing its costs, reducing its resources, limiting its ability to compete and innovate, and at least *attempting* (we'll see how successfully) to undermine its reputation for impartiality. These threats may even destroy the Corporation within a generation.

Five Challenges

Ever since the BBC's foundation almost a century ago, it has been routinely castigated for its supposed inefficiency and wastefulness, its public ownership and funding, and, especially, its alleged bias against the (often mutually contradictory) views of its many and varied accusers.¹²

Right now, however, we believe it is facing an unprecedented, and potentially lethal, combination of five hostile forces:

1. Consumption trends. The growing consumption of online 'subscription video-on-demand' (SVoD) services from Netflix, Amazon, YouTube (part of Google),¹³

- Disney and others raises a question about the sustainability of the TV licence fee, which provides most of the BBC's funding and sets it apart from all other UK public and private broadcasters and media.¹⁴
2. Cost increases. Because of competition for content from SVoD services, real, inflation-adjusted programme costs are increasing for all British TV broadcasters while technology and distribution costs are also rising. SVoD increases consumer choice¹⁵ but reduces UK broadcasters' ability to invest in original British programme content for British audiences.¹⁶
 3. Attacks on its impartiality. In recent years, the volume and intensity of the attacks on the BBC's impartiality and trustworthiness have markedly increased, much amplified by social media and, in some cases, funded by 'dark money'. The right-wing attacks on the BBC came to a head in 2015 during the run-up to the renewal of the Charter under which the BBC operates, and have flared up again in the immediate aftermath of the 2019 election.
 4. Disproportionate constraints on its ability to compete and innovate. The current BBC Charter, set by the government, aimed at striking a 'balance' between the interests of the British public and those of the Corporation's – mainly US-owned – commercial competitors. It includes extensive bureaucracy and regulation – severely limiting the BBC's ability to innovate and compete.
 5. Funding cuts. The BBC's biggest challenge today, however, is lack of funding – due to the substantial cuts imposed by George Osborne in 2010 and the even worse ones of 2015, especially his decision to force the BBC to take full financial responsibility for the free TV licence concession for those aged above seventy-five from 2020–21 onwards.

By 2019, the real (inflation-adjusted) public funding of the BBC's UK services had already been cut by 30 per cent since 2010.¹⁷ Putting this another way, if the BBC's public funding had merely *kept pace with inflation* (still not enough to cover the increase in content and distribution costs), by 2019 it would have been 43 per cent – almost £1.4 billion – higher,¹⁸ leaving it well positioned to adjust to the other challenges, as it has done many times in the past. What puts it at unprecedented peril is the combination of these external pressures *and* sharply reduced resources, especially the Trojan horse that was taking responsibility for the free-TV licence concession for the over-seventy-fives.

How Did We Get to Here?

The TV licence concession began in November 1999, when Chancellor Gordon Brown announced that, from November 2000, every household with one (or more) members aged seventy-five or above – regardless of household size or income – would no longer have to pay for a licence, and the government would reimburse the BBC for the resulting loss of income. Despite the fact that the BBC welcomed the announcement,¹⁹ it was clear to some, even then, that it might spell trouble later.²⁰ This type of concession, once given, is very hard to remove. And although the initial cost of £300 million per year²¹ was small change in the context of the government's overall budget, it was inevitable that, with an ageing population, it would increase significantly over time – as indeed it has.

There was always a risk that, at some point, a chancellor less friendly to the BBC would seek to extricate HM Treasury from funding this concession. In 2010, George Osborne tried to do exactly that, but was faced down by Mark Thompson (the director-general) and Sir Michael Lyons (the chairman), backed by the trustees.²² In 2015, however, at the second attempt, Osborne succeeded in forcing the BBC to take responsibility for the scheme.

We'll explore this in greater depth later on. But, in any case, coercing the BBC to fund free TV licences is an abomination. Free TV licences are a welfare benefit which should be funded out of general taxation.²³ The free TV licence concession has also been the subject of much misinformation – especially the claim that the BBC had agreed to continue it for all households with over-seventy-fives, which is not true. It is also widely believed that much or most of the cost could be covered by cutting the pay of the BBC's top managers and presenters. That, too, is untrue. A related, equally misleading, claim is that the BBC has over £5 billion in annual income to spend on programmes. In Chapter 4, we'll explain how this false claim was concocted in the *Daily Mail*.

Where Might This Lead?

If the recent funding cuts are not reversed or greatly mitigated, the BBC will, at best, survive for many years as a smaller and smaller part of a continually growing market, one increasingly dominated by US-based technology and media companies and their global content. At worst, its near century-old funding model will, at some point, break down, as more and more people try to avoid paying the licence fee as a response to a combination of BBC content and service cuts; resentment at subsidizing households with older members who watch and listen to it much more; the growing availability of global SVoD services; and the active encouragement of the BBC's enemies.

How and Why We Came to Write This Book

For the last few years, as patrons of the Market Research Society, the UK professional association for market researchers,²⁴ we've

had the pleasure of handing out the awards at an annual event. As we chatted more generally, we found we were both appalled by the almost continuous and often dishonest attacks on the BBC within the UK and by the wider threats to its financial sustainability at a time when it's needed more than ever – with the country painfully divided by Brexit and the world awash with disinformation. So, in short, we decided to combine forces and write this book, offering our analysis of the five threats above, busting some of the biggest myths about the BBC, and offering what we see as a better way forward. We began in spring 2018 and had almost finished in late 2019. What then caught us by surprise was the new Beeb-bashing campaign after Boris Johnson's sweeping election victory in December 2019 – just as we were finalizing the manuscript!

The Latest Attacks since the December 2019 Election

During the election campaign, the would-be (and subsequently elected) Prime Minister Boris Johnson had already said the BBC should 'cough up' to cover the cost of free TV licences for all over-seventy-fives²⁵ – without, of course, saying which services he thought it should cut to cover the £745 million-and-growing annual cost. Since then, the BBC has been subject to a renewed wave of attacks in the *Sun*, the *Telegraph* and other Beeb-bashing papers.

But, perhaps more important still, the government indicated that it had set up a review of the BBC's funding and future, including whether licence-fee evasion should be decriminalized or the fee replaced with payment via subscription. Decriminalization was rejected in 2015 by the independent Perry Review commissioned by the then Culture Secretary – and now the ex-chancellor – Savid Javid (see chapters 5 and 10). However, in February 2020, Culture Secretary Baroness

Morgan, launching the new consultation on decriminalization, said ‘the time has come to think carefully about how we make sure the TV licence fee remains relevant in this changing media landscape’.²⁶ The government was not suggesting Perry had got it wrong four-and-a-half years earlier, but, rather, that the media landscape has changed *so much* (and, presumably, *unexpectedly*) that this conclusion was no longer valid. But, at the time of writing, the government has still not explained *why* the growth of Netflix and Amazon means licence-fee evasion should no longer be a criminal offence! Perhaps it thinks, as Marie Antoinette might have said, ‘If people can’t afford the licence fee, let them get a broadband connection, an iPad or smart TV, and Netflix’.²⁷ Nor has it published the results of the consultation, nearly five months after it closed.

As we’ll explain, subscriptions are not a viable option, for several reasons, the first of which is that the figures just won’t add up. They’d have to be *much* higher than the licence fee. But what would be worse still is that the BBC would no longer be a universal service shared by everyone. And when we actually get to it, will the government’s review be as rational and evidence-based as we might hope? According to recent reports, the person leading it will be Dominic Cummings, former campaign director of Vote Leave and now the Prime Minister’s chief adviser.²⁸ In a fascinating exposé published in January 2020, *The Guardian* revealed that back in 2004 Cummings created a media strategy for the Conservatives which prioritized attacking the BBC and undermining its credibility in a variety of ways: boycotting the *Today* programme on Radio 4; introducing a Fox News type of broadcaster to move the centre of political gravity to the right; removing the ban on political advertising; and introducing right-wing phone-in stations.²⁹ There was no pretence of a motive for these proposals other than party political advantage. Instead, the strategy appears to have been based on the playbook developed by the

US Republican Party and its most powerful right-wing supporters. Cummings has never repudiated this plan, so we must assume it's what he still wants to do.³⁰

Again, days before we finished this book, the BBC's director-general, Lord Hall, announced his unexpected resignation – and said that he would be leaving (before the end of his tenure) in summer 2020. The reason, so some people said, was that he wanted the existing BBC Board, under its current chairman, David Clementi (who can only remain in post until February 2021), to be able to choose his successor as director-general and avoid potential government pressure to make a particular, politically motivated appointment further down the track.

However, the main reason for Hall's early departure may have been his acceptance of the 2015 funding deal. As the full impact of the cuts became clearer, the BBC Board may have felt that only a new director-general – who, we now know, will be Tim Davie, currently running the BBC's commercial operations – could credibly fight the BBC's corner. The government is now (August 2020) recruiting Clementi's successor as BBC Chairman. This will presumably be a senior Conservative, but recent press reports suggest that the Prime Minister – perhaps in response to nervous pushback from his MPs (and doubtless despite the bloodthirsty urgings of Dominic Cummings) – is not planning to appoint someone to 'blow up' the BBC.³¹

Lastly, the book was already being copy-edited when the Covid-19 pandemic struck Britain, bringing in its wake all manner of misinformation and reminding the country of the BBC's importance as its most trusted information source. Audiences for the BBC's early- and late-evening TV news bulletins were up to double the average figures for 2019. There were also record online audiences for BBC News, CBBC, CBeebies, BBC Sounds and BBC Food.

What This Book Is, and Is Not

A final word: this book isn't an exhaustive analysis of the BBC, its programmes, its history or the way it's organized. Our focus is narrower: why the BBC matters; the fast-changing media landscape; the events and trends over the last ten years that have put it in its present predicament; its enemies, their possible motivations, their accusations and the evidence on these; its biggest mistakes; what the British public actually thinks about it; some of the wider global context; and, finally, the implications of all this for the UK government, the BBC itself and you, the reader.

We've written this book to try and ensure that people in Britain – and elsewhere – don't end up realizing what the BBC's value was only when it's gone. It's easy to take it for granted – for nearly a century it's always been there – but that doesn't mean its existence is a given. The BBC *could* be destroyed – or end up as just a minor sideshow like PBS in America. Because, just as almost everyone in the country uses it – in many cases, more than they realize – we think almost everyone has a reason to unite to ensure its long-term sustainability. If we lose it, it will be almost impossible to get it back.

1. *What, Exactly, Is the BBC?*

The BBC was launched in October 1922 as a private business, the British Broadcasting *Company*, by a consortium of radio manufacturers. Its commercial role, as the only UK broadcaster licensed by the General Post Office (GPO), which was responsible at that time for regulating the airwaves, was to drive consumer purchases of radios.¹

In December 1922, the BBC – astonishingly – appointed as its general manager thirty-three-year-old Captain John Reith, a charismatic, six-foot-six-inches-tall Scottish Presbyterian Conservative with virtually no relevant experience but limitless self-belief, as he doubtless made clear at the interview.² The gamble paid off. Reith led the BBC until 1938 and it is still recognizably his creation. In particular, it was Reith who determined that its overall mission, even as a private company, should be public service, using its programmes to ‘inform, educate and entertain’ its audiences. This remains its mission today.

The initial funding for the service was provided from a royalty on the sale of radio sets from the six manufacturers in the consortium, but this proved insufficient as many listeners used unlicensed or home-made radios, and was soon replaced by an annual radio licence fee paid over the counter at post offices, broadly similar to today’s TV licence fee. Any household with a working radio was legally required to have a licence.

Almost everything about the BBC – its funding, its scope and the nature and social and political effects of its programming – has always been contested, right from the start. For instance, concerns about its market impact go back to its foundation. To protect newspapers’ revenue, it was banned from selling radio

advertising and from presenting any news bulletins before 7 p.m. Initially, it was even required to source all its news from commercial wire services rather than setting up its own news-gathering operation.

In line with its mission, the BBC's programming was strongly skewed towards high culture. Reith believed that part of its role was to develop its listeners' tastes by offering them programmes *slightly* more demanding than they would have listened to if they'd had a choice. Even after the First World War, British society was still sufficiently deferential for this paternalistic approach to have been largely uncontroversial, although there was, as there always will be, a tension between challenging the audience and maximizing the number of listeners or viewers by giving them less demanding fare.

1927: The British Broadcasting Corporation

On 1 January 1927, the BBC became – as it still remains – the British Broadcasting *Corporation*, a statutory public Corporation with a Royal Charter³ and therefore independent from direct government interference (although, as with all public institutions, especially public broadcasters, its relationship with the government and politicians is inherently problematic, as we'll discuss shortly).

The BBC Charter is reviewed every ten years or so. Under the current one, which runs from 1 January 2017 until 31 December 2027, the BBC:

- is governed by the BBC Board⁴ and regulated by the communications regulator Ofcom;
- has five non-commercial divisions: Content (TV channels and programmes), Radio and Education, News and Current Affairs (including BBC Global

- News), Nations and Regions and a group covering digital technology and services and functions such as research and development, finance, HR and property;
- has three commercial divisions: BBC Studios (TV production and international commercial activities), BBC World News (commercial TV news production and distribution) and BBC Studioworks (TV production facilities); and
 - is funded by a combination of TV licence fees and the profits from its commercial activities.

The BBC is the original and archetypal public service broadcaster (PSB), that is, as a broadcaster managed and regulated to be universally available and to deliver explicit public service objectives in addition to those delivered by a purely commercial broadcaster, but editorially independent of government. Thanks to Reith, the BBC was a PSB under this definition even as a private company, as ITV and Channel 5 still are today. It is widely recognized as the most famous and prestigious PSB in the world; the biggest in terms of its international reach outside its home country, and, at least in broad terms, the model for PSBs around the world.

A PSB – Or a State Broadcaster?

A key issue is, inevitably, the BBC's relationship with the British government, especially the extent to which it really is an editorially independent PSB as opposed to a government-controlled state broadcaster. It is, of course, publicly owned and, as we've just described, it operates under a number of government-determined conditions – its periodically reviewed Charter and core funding, and much of its governance and regulation.

However, only the most paranoid conspiracy theorist would describe the BBC as a state broadcaster in the sense that,

say, CCTV (China Central Television) or RT (formerly Russia Today) is a state broadcaster. CCTV is directly controlled by the Chinese state and the Communist Party (which itself controls the state) and explicitly works to their agenda.⁶ RT is part of TV-Novosti, in principle an 'autonomous non-profit organization' but seen by almost everyone outside Russia as a government propaganda outlet and often accused of spreading disinformation, for example, about the Skripal poisonings in Salisbury.⁶

A closer case is the portfolio of international US-government-funded networks, such as Voice of America and Radio Free Europe, operated by the US Agency for Global Media (USAGM).⁷ Long seen internationally as a US government propaganda vehicle, the USAGM is now also a domestic political issue because of two recent changes. First, since 2013, its services have been available within the US.⁸ Secondly, since June 2020, its head has been Donald Trump's nominee Michael Pack, a conservative film-maker with close links to Trump's former chief strategist Steve Bannon (who we'll meet again in Chapter 14).⁹ If Trump is re-elected in 2020, the chance of the USAGM *not* being widely seen as a Trump propaganda outlet is, in our view, close to zero.

As we'll discuss, the BBC has itself been repeatedly accused of peddling British state propaganda – or, at least, censoring information the UK government wanted suppressed – and not only by foreign demagogues and dictators. One critic was George Orwell, author of *Animal Farm* and *Nineteen Eighty-Four*, who worked there during the Second World War.¹⁰

George Orwell: From Catalonia to *Room 101*

In November 2017, a statue of Orwell was unveiled outside Broadcasting House, where he worked from August 1941 to November 1943.¹¹ Inscribed on the wall next to it is a quotation

of his: 'If liberty means anything at all, it means the right to tell people what they do not want to hear.'¹²

Orwell is admired by people with strongly conflicting views – on the left and the right – who nevertheless often claim that, if he were alive today, he would agree with whatever it is they're saying.¹³ (This includes his presumed views of the BBC now!)

He certainly hated his time working there during the war and resigned because he could no longer bear 'wasting my own time and the public money on doing work that produces no results'. However, that certainly doesn't mean he would have agreed with today's Beeb-bashers. His son, Richard Blair, present at the statue's unveiling, 'told reporters that although his father had a low opinion of public monuments in general, he might have made an exception: "I think secretly, shyly, he might have been chuffed"'.¹⁴

The BBC political journalist and presenter Andrew Marr said on Radio 4's *Start the Week* that the Orwell statue and quotation served as a challenge to today's BBC: 'We must do the job we do best, we must ask awkward questions, we must work harder'.¹⁵ Orwell would surely have agreed. Let's look at how he ended up at the BBC in the first place and his legacy there.

In 1936, Orwell, a successful left-wing writer and critic and a self-described democratic socialist, approached Harry Pollitt, leader of the British Communist Party, to join the (Stalinist) International Brigade fighting Franco's Nationalists in the Spanish Civil War. However, Pollitt – astutely (and, in the event, correctly) – decided Orwell was 'politically unreliable' and turned him down,¹⁶ so he ended up joining the much smaller (Trotskyist) *Partido Obrero de Unificacion Marxista* (POUM, or the (Spanish) Workers Party of Marxist Unification). By then, Stalin's secret police had already decided to 'liquidate' the POUM – their supposed Republican allies against Franco – which they did, with ruthless efficiency, during May and June 1937.¹⁷

Orwell, having been shot through the throat by a nationalist sniper, was lucky to survive and escape back to England. However, his powerful account of these experiences, *Homage to Catalonia*,¹⁸ received mostly negative reviews, especially from left-wing reviewers, and initially sold just 638 copies.¹⁹

Unfit for military service because of serious respiratory problems (probably already including the TB that killed him in 1950),²⁰ Orwell worked at the BBC producing cultural broadcasts to India, where he had been born, with contributions from major figures such as T. S. Eliot, Dylan Thomas and E. M. Forster. He felt these broadcasts achieved little because their audiences were so small, but his main source of frustration was that, once the Soviet Union became Britain's ally after Hitler invaded it in June 1941, all negative media stories about the brutalities of Stalin's USSR were suppressed in the British media, including the BBC.

Reasonable people can disagree about whether Orwell was right to believe that the BBC should still have told the truth, the whole truth and nothing but the truth about Stalin's Soviet Union and the awkward fact that, until the June 1941 invasion, Nazi Germany and the USSR had been allies.²¹ Britain and its empire and commonwealth had been losing the war, having stood alone against Hitler since the disastrous collapse of France during just six weeks from May to June of 1940, unable to match the Axis powers' military resources.²² Nonetheless, the British had been able to reduce the military imbalance somewhat through their superior skills in code-breaking and spreading disinformation. The BBC was willingly used as a weapon in this information war, including by sending coded messages to resistance groups in occupied Europe which were embedded in its broadcasts.²³

Meanwhile, Orwell had decided that fiction could be more powerful than facts in communicating the evils of totalitarianism.²⁴ From spring 1943, he started planning *Animal Farm*, which

he completed in spring 1944, but was turned down by several publishers because of its clear attack on Stalin and the USSR. It was finally published in August 1945.

Four years on, in *Nineteen Eighty-Four*, his dystopian novel about what a Communist Britain might be like, Room 101 was the Party's basement torture chamber, where each prisoner was subjected to his or her own worst nightmare, fear or phobia.²⁵ The original Room 101 was alleged to have been the first floor BBC conference room used for politically vetting staff for far-left or far-right sympathies (on which Orwell doubtless had very mixed views).²⁶ *Room 101* was later the title of a BBC comedy show on radio (1992–4) and TV (1994–2007 and 2012–18) in which celebrities discussed their pet hates and tried to persuade the host to consign them to oblivion in an imaginary Room 101.

Orwell's experience at the BBC, and how it came to influence his fiction, which in turn influenced BBC programmes, is a good example of the type of cultural continuum the Corporation feeds into.

When the BBC Gets Caught in the Crossfire

We don't know how many people in Britain would have shared Orwell's view that the BBC (unlike British newspapers and book publishers) should have refused to censor its reporting and analysis of the Soviet Union after June 1941. But almost everyone would have agreed by then that the Third Reich had to be defeated. Overall, the BBC's role in maintaining morale and contributing to victory was non-controversial among the wider public.

The Corporation faces an even greater challenge when the country is deeply divided. In Chapter 9, we'll discuss the political minefield of Brexit and how the BBC has, and has not, managed to navigate it successfully. Previous such challenges include the

1956 Suez crisis, the Troubles and political violence in Northern Ireland, and Margaret Thatcher's industrial and labour market policies in the 1980s, especially the 1984–5 miners' strike.

But the most challenging case, at least until Brexit, was the 1926 General Strike, when the fledgling BBC was caught in the political crossfire. The facts of the General Strike, and the BBC's role in it, are well documented and not materially disputed.²⁷ But their interpretation is still contested nearly a century later.

The BBC's Reporting of the 1926 General Strike: Accurate – But How Impartial?²⁸

The only newspapers available during the strike were the *British Gazette*, a government propaganda sheet, and the Trades Union Congress' *British Worker*. The agreement with the newspaper proprietors which prevented the still privately owned BBC from broadcasting news bulletins before 7 p.m. was temporarily waived. For the first time, it carried news bulletins throughout the day. The government pressurized it to act as a wireless version of the *British Gazette*, but Reith refused.

Winston Churchill, the hawkish chancellor, repeatedly advocated commandeering the BBC. He was overruled by the prime minister, Stanley Baldwin, and most of the Cabinet, but the threat of a government takeover was real throughout the strike. The *British Gazette* repeatedly attacked those parts of the BBC's output that were seen as unhelpful to the government, in a way we still see today.²⁹

The outcome was a compromise. The BBC remained 'independent' – it was not commandeered by the government – but it was not wholly impartial. Its reporting was always accurate and it insisted on broadcasting the TUC's bulletins as well as those of the government. However, after Baldwin gave a broadcast to the nation – from Reith's own home and heavily coached by

him – Ramsay MacDonald, leader of the Opposition, was refused the opportunity to put an alternative view. Reith had strongly supported MacDonald's request, but was forced to back down by Baldwin.

Reith's own allegiance was clear from his on-air comment (after messages from Baldwin and the king) at the end of the strike. It began, 'Our first feeling . . . must be one of profound thankfulness to Almighty God, Who has led us through this supreme trial with national health unimpaired'.³⁰

Compare this to what Tom Mills says in his important account of the BBC's political history, *The BBC: Myth of a Public Service*: 'the General Strike is a particularly *ignominious* episode in the BBC's history, and it has rarely been quite so utterly subservient to power, or so overtly partisan.'³¹ Others might see this verdict as unduly harsh in the circumstances.³² Churchill's view was the exact opposite of Mills': 'I first quarreled with Reith in 1926, during the General Strike. He behaved quite impartially between the strikers and the nation. I said he had no right to be impartial between the fire and the fire-brigade'.³³ This is an interesting parallel with Charlotte Higgins' view in her cultural history of the BBC, *This New Noise: The Extraordinary Birth and Troubled Life of the BBC*, that: 'The General Strike, the first great testing ground for the BBC, showed how fragile its two great founding principles of impartiality and independence were in times of crisis or conflict with the government'.³⁴ The BBC does not have an unblemished record as an editorially independent PSB, and its critics, including Orwell, often have good points to make. But, typically, that didn't stop it from erecting a statue in his honour.

Accuracy and Impartiality

Mills' and Churchill's contrasting criticisms of the BBC's role in the General Strike show the importance of distinguishing

between *accuracy* and *impartiality*. Where they differ is on whether the BBC was *impartial*: Mills complains that it was not, Churchill complains that it was, and should not have been. But neither suggests that its coverage was *inaccurate*.

The BBC has almost never been accused of inaccurate reporting. The same is obviously not true of online media platforms like Facebook and Twitter, which are exploited by a range of state and non-state players for large-scale disinformation. But, to a lesser extent, it is also not true of the right-wing tabloid newspapers (the *Sun*, the *Mail* and the *Express*) that are among the BBC's most persistent enemies.

The BBC Today

If the BBC didn't already exist, we don't think it could be created today. Forcing almost every household to pay an annual tax to fund a major new set of broadcast and online media services is almost unthinkable, partly because the free market is now seen as the default option for organizing everything, and partly because existing media outlets would use their power to ensure that such a potential new competitor was suppressed before it ever got launched.

Luckily for us, the BBC had almost ten years as a TV broadcaster before the launch of commercial television in the UK – and even this was highly regulated.³⁵ Sixty-five years later, we still have a thriving mixed TV economy, albeit one in which most of the revenue and three-quarters of the viewing now goes to commercial broadcasters.³⁶

In contrast, in America, advertising-funded commercial TV came first (as early as 1941)³⁷ and public service TV not until thirteen years later, in 1954, ensuring that it never became a major player.³⁸

The media landscape in which the BBC operates is now

changing so fast that some people suggest that the Corporation cannot survive for long. It would be unrecognizable to Reith, and even Orwell might find much of it surprising (although perhaps not the scale of online personal data harvesting by both companies and states).

Nationalism versus Patriotism

As we will see, many of the criticisms against the BBC are politically and ideologically motivated. We are currently living through a period of widespread nationalism, including in Britain, with words like ‘traitor’, ‘treason’ and ‘anti-British’ regularly tumbling out of the mouths of the hard right. These are the same people who would love to see the BBC crumble.

With the 2019 UK election behind us, the Covid-19 pandemic still ongoing and Brexit continuing to cause rifts among voters – not to mention overshadowing all other issues that are important to people’s lives, we turn again to Orwell, whose 1945 essay ‘Notes on Nationalism’ offers a perspective from an unthinkable (at least we hope it stays that way) different period when the rise of totalitarianism led people in Western democracies to ask: what does it mean to be patriotic? ‘Nationalism’, says Orwell, ‘is the habit of identifying oneself with a single nation or other unit, placing it beyond good and evil and recognizing no other duty than that of advancing its interests.’ He goes on to say that nationalism ‘is not to be confused with patriotism’. The two could even be seen as conflicting ideas:

By patriotism I mean devotion to a particular place and a particular way of life, which one believes to be the best in the world but has no wish to force on other people. Patriotism is of its nature defensive, both militarily and culturally. Nationalism, on the other hand, is inseparable from the desire for power.³⁹

The War Against the BBC

Although Orwell had been fiercely critical of the BBC and regarded his time spent there as wasted (but not actually harmful), we think he would have seen it as patriotically British, not as nationalistic propaganda like Soviet or Nazi broadcasting.

We'll return to these issues, and what we can do to keep the BBC a free-to-access, independent media service and broadcaster that touches all of our lives. But before we go any further, let's look at the media and technology context in which the BBC now operates.

2. *The Media Landscape Today: A Netflix Universe?*

‘I say this in sadness,’ reads the headline of an article by Stephen Glover in the 1 March 2018 *Daily Mail*, ‘but unless the BBC gets its act together it may not be here in 15 years.’¹

Glover – a co-founder of the centrist, or even the centre-left *Independent* in 1986,² but a *Daily Mail* columnist since 1998 – has written many Beeb-bashing articles there: in one, he criticized the appointment of ‘former Labour cabinet member and “smoothie”, James Purnell’ as head of BBC Radio;³ in another he describes a straw poll he had conducted among ‘decent acquaintances’ who had voted Labour in the 2017 general election: ‘very few [had] the faintest notion of the disreputable causes [Jeremy Corbyn has] espoused . . . the terrorists he has succoured and the bloody hands he has shaken’. According to Glover, this knowledge gap ‘must in large measure be attributed to the journalistic failures of the all-powerful BBC’.⁴

The tone of his 1 March 2018 article (‘I say this in sadness, but . . .’) suggests mixed, rather than purely hostile feelings about the BBC – including genuine regret at the threats to it posed by the technology and consumption trends he discusses.⁵ His article starts with two important questions, both highly relevant to this book: ‘Can the BBC survive as a national institution commanding widespread respect? And, in an age of media behemoths such as Netflix, will the relatively small Corporation become irrelevant?’ It describes these as questions that ‘anyone who feels affection for the BBC, as I do despite everything’ is bound to ask, adding, ‘To say Auntie has an existential crisis is no exaggeration’.⁶

We will look at Glover's first question, about whether the BBC can survive as a national institution, at other points in this book. For now, let's take up his question about the current media landscape.

The US 'Media Behemoths'

Glover suggests that the BBC is becoming more remote from the public at a time 'when most young people aren't watching terrestrial television, or listening to radio news'. His last five paragraphs refer to Netflix, Comcast and Disney – 'ruthless American mega-companies that dwarf Auntie' – and raise the question of whether the 'fuddy-duddy, stuck in the past, introverted' BBC can survive.⁷

Well, we think the 'fuddy-duddy, stuck in the past, introverted' BBC is considerably better prepared than Glover and many others suggest to adapt to, and in some cases exploit, these trends (which are in reality a much more serious threat to the *Daily Mail* and other 'legacy' newspapers). Nevertheless, we agree that they pose very serious challenges and will require a skilful, vigorous, agile and continually evolving response – not only from the BBC, but also from other UK broadcasters, regulators and – most importantly – legislators, since the key issue is whether the Corporation will have the resources it needs to compete successfully in this new world.

What Is the Threat to the BBC?

Ever since the birth of Hollywood over a century ago, the US has been in a league of its own in global media. But the UK is also a major player – the world's second biggest exporter of TV programmes and the biggest exporter of TV formats (that is,

the rights to make local versions of programmes such as *Who Wants to Be a Millionaire?*, *Top Gear*, *The Great British Bake Off*, *Strictly Come Dancing*, etc.).⁸ As well as the BBC, there are several other global UK media brands such as *MailOnline*, *The Guardian* and the *Economist*, but the BBC is by far the most important – which is one reason why the war against it in the UK is so paradoxical.

The BBC, ITV and Channel 4 are still UK-owned,⁹ as are most UK commercial radio stations, national and local newspapers¹⁰ and small TV production companies. Foreign-owned TV companies in this market now include Sky (Comcast), Virgin Media (Liberty Global), Channel 5 (Viacom), most cable and satellite TV channels (A&E, Discovery, Disney, Fox, Paramount, Warner, etc.) and most large, independent TV production companies.¹¹

However, US (and other foreign)¹² ownership of UK media may not in itself be a threat to the BBC. If anything, it strengthens the case for well-funded, British-owned media, including the BBC, to ensure a continuing supply of UK content for UK viewers and listeners. For instance, CBBC and CBeebies are now almost the only TV channels still showing British programmes for British children,¹³ as opposed to the commercial children's channels from Disney, Paramount, Turner and others, where the content is mostly American and interrupted by frequent advertising breaks.¹⁴

The globalization of media also creates opportunities for the BBC. Most of BBC Studios' growing profits (reinvested in original UK content, supplementing the licence fee) are from international programme and format sales.¹⁵

The Subscription Video-on-Demand Invasion

Rather than globalization *per se*, the big new competitive threat to all UK broadcasters – not just the BBC – comes from online ‘subscription video-on-demand’ (SVoD) services and advertising-funded online video services from Facebook and YouTube. The first wave of these came from global *technology*, as opposed to media companies, especially the so-called FAANGs: Facebook, Amazon, Apple, Netflix and Google. These, too, are all US-based, but their main roots are in Silicon Valley (and Seattle, a two-hour flight to the north) – a quite different world to New York or Los Angeles, the traditional US centres of media and entertainment activity. All the FAANGs now have online TV/video services, although their business models and how we use them vary greatly.¹⁶

Netflix is the only ‘pure’ online TV firm among them: its business model is now entirely based on SVoD, making it as much a media company as a technology company. According to its chief content officer, Ted Sarandos, it aims to ‘keep a foot firmly rooted in Silicon Valley and a foot in Hollywood’.¹⁷ In contrast, Amazon’s SVoD service is part of the Amazon Prime package for which UK members pay £9.99 per month, mainly for faster and/or free product delivery. Similarly, Apple’s SVoD service is part of its broader ‘ecosystem’ of premium products (like the iPhone) and services (like Apple Music). Conversely, Facebook and Google are ‘free’ services funded by advertising. Facebook’s business model is based on display advertising, including video, embedded in its social media services – Facebook, Instagram, Snapchat and WhatsApp. Google’s main revenue source is online search advertising but it also owns YouTube, the dominant global video-hosting service, funded mainly by display advertising.¹⁸

Initially, the Hollywood studios saw royalties from these online streaming services as a welcome source of incremental

revenue from their content, including their vast back catalogues. More recently, however, they have started seeing the FAANGs as competitors and have stopped signing new deals to supply them, devising ways to generate income directly from consumers instead.

At the time of writing, Disney is about to launch its family-focused SVoD service, Disney+, in the UK. Its recent \$71 billion takeover of 21st Century Fox's entertainment business¹⁹ also doubles (to 60 per cent) its stake in Hulu, another SVoD service based on general-audience TV shows. Hulu is currently available only in the US and Japan, but it is expected to launch in the UK in 2020, as may a version of Disney's ESPN+ US sports streaming service. AT&T (Warner Media/HBO) and Comcast (NBCUniversal) are also about to launch SVoD services.

In response to these changes, Netflix, Amazon and Apple are having to invest in their own, exclusive, original content – at enormous cost. Amazon and Apple have very deep pockets, filled elsewhere, but Netflix's continuing 'cash burn' (negative cash flow) – still hundreds of millions of dollars per quarter – is adding more and more to its already huge debt mountain. Some investors are sceptical about whether it will ever be able to repay this and generate dividends for its shareholders, especially since the SVoD market is now becoming so very crowded as the traditional media giants launch their own services.²⁰ Nevertheless, the chances are that this means most viewers will have more and more choice and this will increasingly be delivered online. And, meanwhile, the big US-based video-on-demand (VoD) services are already putting pressure on the BBC and other UK broadcasters.

How the VoD Services Are Driving Up Costs

All the FAANGs are now investing in content for their VoD services. Netflix alone invested an estimated \$13 billion (£10

billion) in new programming in 2018.²¹ Its priority is to create programmes with international appeal, especially drama, films and scripted comedy. According to Sarandos, 'our belief is that great storytelling transcends borders'.²² Other key Netflix genres include documentaries, 'unscripted' reality shows such as *Queer Eye* and stand-up comedy.

Netflix does not yet show news, live events or sport, as these tend to have less international appeal and no shelf-life, so aren't suited to its consumer model – customers who download programmes from a library and watch them in their own time. However, some expansion into these genres is quite likely as broadband gets faster and cheaper, making large-scale simultaneous streaming smoother and more cost-effective.²³ Amazon Prime Video and Facebook Watch already show some live sports.²⁴

Sarandos summarizes Netflix's growth model as 'More shows, more watching; more watching, more [subscriptions]; more [subscriptions], more revenue; more revenue, more content'.²⁵ This model reflects the classic business strategies and 'winner-takes-all' economics of technology platforms, with market leaders often enjoying ever-increasing advantage unless and until a radical new technology completely disrupts or replaces the market.²⁶ He could have added 'more data' to his explanation. Netflix has detailed data on subscribers' viewing. It mainly uses this to personalize which shows are most prominent on home screens: past viewing is much more reliable than demographics as a predictor of future viewing.²⁷ Netflix generates huge publicity around its so-called 'original content', which plays a disproportionate role in driving its relentless growth. In fact, according to TV analyst Ampere, Netflix's highly promoted 'original' programmes such as *The Crown*, *Orange Is the New Black* and the US remake of *House of Cards* account for only 8 per cent of its viewing hours.²⁸ But Netflix also uses a rather elastic definition of 'original', much exaggerating (at least, by

implication) the proportion of content it commissions itself. For instance, *Bodyguard* was commissioned by the BBC and produced by an ITV subsidiary. Netflix then bought the rights for most overseas territories, where it markets the show as a 'Netflix Original'.²⁹

The Impact on Costs: 'It's Not Just the Netflix Effect'

One British TV and film producer, speaking anonymously in late 2018, summarized the SVoD services' impact on content costs as follows:

[Netflix has] inflated prices for established talent, so big-name writers, actors and directors can be paid very large fees to do TV shows. And the tendency has been to draw those people away from the terrestrial channels. So there is a . . . talent drain from the UK to America . . . Over the past year, [UK] costs have probably risen between 15 per cent and 20 per cent: and some of that is the Netflix effect. But it's not just the Netflix effect; it's also the Amazon effect; and other global players.³⁰

These figures may be overstated but, directionally, there is no question that the SVoD services are bidding up the cost of content. The BBC and other UK broadcasters also now have to support a much wider range of technologies and distribution channels (both old and new) than before, to reach viewers and remain competitive against the FAANGs.³¹ This further increases costs.

The net effect of these trends is that all UK broadcasters' like-for-like (real, inflation-adjusted) content costs, especially in genres such as premium drama, are rising fast, while they are also having to spend more on technology and distribution, and, to a lesser extent, marketing, in response to the ever-increasing level of competition. This is putting severe pressure on programme

budgets and, in particular, making it harder for the PSBs to deliver their public service remits.

Differing Tax Burdens and Levels of Regulation

Because the FAANGs find it relatively easy to shift their (taxable) accounting profits offshore, they pay minimal UK tax on their earnings.³² They are also relatively lightly regulated. This gives them a competitive advantage over the UK broadcasters, especially the PSBs, which pay UK tax and operate under multiple regulations: each PSB has a detailed remit, overseen by Ofcom, as part of its operating licence (in the BBC's case, the public purposes in its Charter). This covers the range of content (programme mix), the sources of content (London, other UK, imports), broad guidelines on diversity and so on.³³ Because it receives the licence fee, the BBC is even more tightly regulated than the other UK PSBs. For instance, it has a 50 per cent quota for non-London production (half of the network budget must be spent and half of the hours broadcast must be outside the M25). (The equivalent quota for ITV and Channel 4 is 35 per cent and 10 per cent for Channel 5.)³⁴

The BBC's ability to offer new services or platforms or improve current ones is also significantly hampered by the current Charter, which requires its board to consider the impact on the rest of the market of all service innovations. This requires doing a formal 'public interest test' for any new service or any change to an existing service deemed by Ofcom to be 'material'. The question posed is whether, in Ofcom's view, the expected public value of the proposed innovation outweighs any expected negative impact on the BBC's competitors. For example, when in 2018 the BBC wanted to change iPlayer so that programmes would be watchable for longer, and that selected box sets and further archive content would be made available, it had to conduct a 'market impact

assessment', open its proposals to feedback from anyone – industry or the public – who wanted to weigh in, and then wait *a year* until Ofcom allowed it to proceed with the service improvements. These merely brought the iPlayer into line with the rest of the market and viewers' expectations. The big competitors – Netflix, Amazon and so on – face no comparable regulation and update their platforms on almost a *weekly* basis.³⁵

We'll be returning to the question of whether these concerns over the BBC's market impact are justified. But to say that this type of regulation to protect competitors is alien to Silicon Valley would be an understatement. In the words of Peter Thiel, cofounder of PayPal, 'Competition is for losers. If you want to create and capture lasting value, look to build a monopoly'.³⁶ Similarly, Facebook was built under Mark Zuckerberg's famous former motto, 'Move fast and break things'.³⁷

The Potential Impact on the BBC

As discussed, although the FAANGs do not compete directly against the BBC for revenue – they have no access to the licence fee – they are already significantly driving up its (and other UK broadcasters') content, technology and distribution costs.

Additionally, SVoD players (both the FAANGs and traditional media companies) directly compete for subscriptions against pay-TV companies like Sky.³⁸ Similarly, Facebook and Google compete, a bit less directly, for advertising against ITV, Channel 4, and other commercial TV companies.³⁹ Therefore they are a much bigger *direct* threat to commercial broadcasters and other media funded by subscriptions and advertising than they are to the BBC.

In principle, a longer-term threat is that the proportion of homes with TV sets is falling as more people watch only on PCs and mobile devices. So far, the reduction in TV ownership has been small, from 96.4 per cent of UK households in 2011–12

to 95.3 per cent in 2019.⁴⁰ Over time, however, there are two reasons why the SVoD players are likely to become a bigger threat to the BBC's revenue.

First, the availability of SVoD services such as Netflix, with prices starting as low as £5.99 per month for the basic package (and even less for some other SVoD services),⁴¹ may erode viewers' willingness to pay the £13.13 per month licence fee (figures are correct for 2020).

Secondly, although Stephen Glover's statement that 'most young people aren't watching terrestrial television' was overstated, the proportion of viewing going to non-broadcast sources, especially among younger viewers, is already substantial and seems likely to keep growing, putting further indirect pressure on the long-term revenue of *all* UK broadcasters, including the BBC.⁴²

These are certainly threats, but it's important to remember the BBC has always been able to respond to technological changes – it has a long and strong record of engineering research and successful innovation. Like Netflix, it has always been a technology player as well as a media player. As we have seen, ever since its launch in 1922 by a consortium of radio-set manufacturers, a formal part of its role has been to help drive mass consumer take-up of new technologies, mainly through its content and services, supported by significant research and development.

The BBC has repeatedly been an early mover with new technologies, including television in the early 1950s, which took off with its televising of the Queen's Coronation in 1953, and, via BBC Two, colour TV in the 1960s.⁴³ Then it was personal computers (the BBC Micro) in the early 1980s, FM radio from the late 1980s,⁴⁴ the internet (BBC Online) and digital terrestrial TV (DTT) in the 1990s and online TV (the BBC iPlayer) since 2007. The BBC has also repeatedly had to adapt to increasing competition – most dramatically sixty years ago, in the mid and late 1950s, when the launch of ITV ended its television

monopoly. The Catch-22 is that the more successfully the BBC competes – by innovating, engaging viewers, listeners and online users, and increasing the value for money it gives licence-fee payers – the more complaints there are from its competitors about its market impact. In fact, the reason why the UK commercial video on demand market was left largely open to the FAANGs is that when, early on in the new millennium – well ahead of the curve – the BBC, ITV and Channel 4 proposed a UK commercial VoD service, ‘Project Kangaroo’, it was short-sightedly blocked by the Competition Commission, the UK competition authority,⁴⁵ after intensive lobbying by the non-PSBs (Sky and Virgin Media) and some now long-forgotten SVoD start-ups (Babelgum and Joost).

Project Kangaroo

In 2007 the BBC, ITV and Channel 4 announced a proposed VoD joint venture codenamed Project Kangaroo. The aim was to create a single user interface and ‘one-stop-shop’ giving viewers online access to the three partners’ archival content and, potentially, additional third-party content. About 90 per cent would be offered free, funded by advertising. The rest would be available to rent or buy.⁴⁶

However, in June 2008, the government’s Office of Fair Trading (OFT)⁴⁷ referred the project to the Competition Commission for an investigation into its potential impact on the market. The panel appointed to the case comprised a chartered accountant with an MBA, a banker specializing in corporate finance and energy markets, and a macroeconomist. None of them, to our knowledge, had any significant prior expertise in media, technology or audience/consumer behaviour.

To understand how they came to get things so wrong, you need a bit of background on the esoteric world of market

regulation, where the competition authorities have to rule on whether a company has, or is likely to have, too much market power.⁴⁸

Defining the ‘Relevant Market’

In assessing a competition case, a key task is to define the so-called ‘relevant market’ within which each competitor’s market share (and, by implication, market power) will be assessed: the bigger the ‘relevant market’, the lower each company’s market share and the less need there is to worry about its market power because consumers are likely to have plenty of choice if they don’t like any particular company’s product or service. For example, a company with £100 million annual turnover would be seen as having a dominant – and worrying – 67 per cent market share if the relevant market is defined narrowly as only £150 million per annum. But if the market is defined more broadly, so that the total market size is £1.5 billion per annum, the company’s market share would be only 6.7 per cent and unlikely to cause major anti-competitive problems.

To define the relevant market, however, the panel often has to make a difficult judgement about, essentially, which other brands consumers might buy if they didn’t purchase the investigated company’s one. For that judgement to be good enough to form the basis of a ruling, it needs to draw on a detailed understanding of real-world consumer behaviour within the particular context. For instance, one of the authors of this book acted as an expert witness in a competition case some years ago about ‘impulse ice cream’ – individual products such as Unilever’s Magnum⁴⁹ sold in small convenience outlets for immediate consumption. The market definition hinges on issues around what consumers might buy if they didn’t buy one of the Unilever ice creams: how likely would they be to buy

confectionery or a soft drink, say, as opposed to a competitor's ice cream?

Unfortunately, it seems that no one on the Project Kangaroo panel had the necessary understanding of how audiences choose TV platforms and programmes. The panel therefore defined the relevant market extremely narrowly, excluding not only live and time-shifted⁵⁰ TV programmes, but also films, short-form videos, DVDs and – crucially – all non-UK content. They also saw little benefit in the PSBs offering a one-stop-shop for their archival content, deciding instead that viewers would be better off (despite the greater complexity and inconvenience) if the three partners ran competing services.

Leaving the Market Open to the FAANGs

On this basis, the panel blocked the new venture, explaining that, 'After detailed and careful consideration, we have decided that this joint venture would be too much of a threat to competition in this developing market and has to be stopped'.⁵¹

No one knows how successful Project Kangaroo would have been if it had not been blocked. But the Competition Commission's February 2009 decision left the UK SVoD market almost completely open to the FAANGs⁵² until the November 2019 launch of BritBox, a joint venture between the BBC, ITV, Channel 4 and Channel 5 – broadly, Project Kangaroo by another name, ten years too late.⁵³ By then, Netflix, YouTube and Amazon had had plenty of time to build their dominant position in the UK market.⁵⁴

The Constraint Is Funding

BBC Director-General Tony Hall spelt out the Corporation's broader response to the challenges discussed here in a speech to

the Royal Television Society in September 2018, saying that the Corporation would: increase investment in quality British content across the full range of programme genres and keep reinventing services; the iPlayer would evolve more broadly from a catch-up service to a destination for all the BBC's long-form, short-form and live TV and video; and iPlayer radio would similarly become a go-to destination for audio content (BBC Sounds).⁵⁵

He also said the BBC would invest more in content and services for children and young adults, sustain investment in BBC News and actively counter disinformation and fake news in the UK and globally. Finally, he pledged to increase commissioning outside London (already over 50 per cent) to ensure that the benefits are widely shared across the UK.

Technology developments, and consumers' response to them, are inherently unpredictable and hard to manage. Nevertheless, based on its long record of successful innovation, all the actions listed in Hall's speech are well within the BBC's capability, but they all need resources. The main constraint on the BBC's ability to respond effectively to the technology challenge is funding. Even in a world of proliferating distribution channels, the scarcest resource is still great programmes – the BBC's forte. As we'll show in Chapter 4 – and despite endless claims to the contrary – the BBC is extremely good at turning its limited income into great content. The problem is that its public funding has been massively cut – by 30 per cent in real terms between 2010 and 2019, with serious threats of further cuts to come – just as content and distribution costs are relentlessly increasing. The BBC can look for continuing efficiency gains and commercial income growth to soften the impact. But, as we'll see, there isn't much fat to cut: after two decades of year-on-year efficiency gains, the BBC is now firmly in the top quartile (25 per cent) of comparable organizations on the key efficiency measure of total overheads as a percentage of revenue – which is to say that it is,

2. *The Media Landscape Today: A Netflix Universe?*

by and large, using the money it gets wisely. There will always be scope for further gains, but less and less each year. Having, rightly, first exploited the best opportunities for generating international revenue from its programmes and formats, it is now starting to find it harder to generate further increases in commercial income. The cumulative impact of the 2010 and 2015 funding settlements, which we'll describe more fully in Chapter 5, represents a more direct, and much bigger threat to the BBC than that posed by Netflix and the other US tech and media giants.

3. *‘What Have the Romans Ever Done for Us?’*

‘All right, but apart from the sanitation, the medicine, education, wine, public order, irrigation, roads, a fresh water system and public health, what have the Romans ever done for us?’¹

To watch live television in the UK on any device, your household must have a TV licence. The current annual licence fee, for those who have to pay it, is £157.50, equivalent to 43 pence per day. That’s £3.03 per household per week: enough to buy one household member one pint of standard (not premium) lager or bitter a week in almost any pub in the country – provided they did not also want a packet of crisps.

Despite these low financial stakes – and the BBC’s contrastingly huge, central role in British culture, society, democracy and international standing – much of the policy discussion around it is about money and led by economists. There are also some big myths about these issues. We’ll discuss several of these issues and explode the biggest myths. First, in this chapter, we look at what households actually get for their 43p-per-day licence fee. In the next one, we’ll look at the closely related issue of how efficiently the BBC spends the licence-fee income it receives. Further on, in Chapter 10, we’ll also look at the pros and cons of the licence fee as a way of funding the BBC, including alternatives such as advertising and subscriptions. This is important because, as we’ll explain, the disadvantages of the licence fee have been much exaggerated or misunderstood, while the disadvantages of replacing it with either advertising or subscriptions are much bigger than most people realize. But for now, the question is what licence-fee payers get for their money under the current system.

What Does the TV-Licence Fee Give You?

The 43p-per-day TV-licence fee gives everyone in the household unlimited access to:

- Six main national TV channels: BBC One, BBC Two, BBC Four, CBBC, CBeebies, the BBC News Channel, plus BBC Parliament
- Thirteen regional TV news programmes and some other regional programmes
- Ten national and forty local radio stations
- A wide range of online services including the BBC iPlayer and Sounds app, BBC Three (which, to save money, has been online-only since February 2016) and BBC Online, by far the most popular UK-owned website,² especially for news, sport and weather reports.

Households in Scotland, Wales and Northern Ireland receive additional services including the Welsh language BBC Cymru (TV and radio), the Scottish Gaelic BBC Alba (TV) and *nan Gaidheal* (radio) and, since February 2019, an additional English-language BBC Scotland TV channel.³

All these services are ‘free at the point of use’ for people in households with a current TV licence. But how many British households actually use them, and how much?

Usage of the BBC’s UK Services

Households’ usage of the BBC can be broken down into ‘reach’ (the percentage of households in which at least one person uses the BBC’s services at all within a given time period) and ‘user-hours per household’ (the average total individual usage time per household over the same time period). Both are important:

household reach for fairness; user-hours per household for value for money.

Household Reach: The Myth of Households That Don't Use the BBC

Many critics' main objection to the licence fee is that it is compulsory: even households that don't use the BBC's services still have to pay for them. That's equally true for almost all tax-funded public services – schools, hospitals, social services – for all of which the amounts of money are, of course, much higher.

But, even more important, in the case of the BBC, the unfairness *in principle* of households paying the licence fee but getting no benefit from it turns out in practice to be almost entirely mythical because, even in a single week, 99 per cent of households consume at least some BBC services.⁴ Even at the individual level, 91 per cent of people use one or more of the BBC's services in the average week.⁵

The licence fee gives the whole household access to all the BBC's UK services for a whole year. The idea that it disadvantages a significant number of households by forcing them to pay it without getting any benefit is complete nonsense.

User-hours per Household

The more practically relevant question is therefore *how much* benefit licence-fee payers get from it, relative to the cost. In thinking about this, a good place to start is the average weekly user-hours per household. Dividing the £3.03 weekly cost of the licence fee by this weekly usage measure gives us the cost per user-hour – a useful broad-brush indicator of the value for money of the licence fee for the average household.

Despite the growing competition from new online services (SVoD and commercial audio podcasts), in 2018–19, the average UK adult aged sixteen-plus in a household with a TV watched BBC Television for 7.6 hours, listened to BBC Radio for 9.55 hours and used BBC Online for 0.9 hours, giving a total of just over 18 hours a week consuming BBC services.⁶ With an average of 1.93 adults per household,⁷ this gives a total average of 35 adult user-hours per household per week, excluding consumption by household members aged under sixteen.

With a licence fee of £3.03 per week, this means the average cost per adult user-hour was therefore just 8.7p, with no charge for the under-sixteens. There aren't many things you can do for just under 9p per hour.

This is the overall hourly cost of consuming the BBC's services, averaged across the three media. But at least as important as this objective summary measure is the BBC's *perceived* value for money, on which we also have a lot of evidence. The strongest is from a study conducted in 2015.

Perceived Value for Money: The 2015 'BBC Deprivation' Study

No one likes paying taxes, but the TV licence fee is a partial exception: *most* people see it as providing good value for money – despite endless hostile stories over the years about the Corporation's alleged profligacy and inefficiency. And, the more time they have to think about it, the more likely they are to say that the licence fee offers good value. To test this, in 2015 the BBC commissioned market research agency MTM to explore how people's views of the value for money offered by the licence fee might change if they were 'forced' to spend some time without the BBC.⁸ The study, described more fully in Appendix A, focused especially on the minority of households (28 per cent)