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## Gavyn Davies does the maths

### Is the BBC licence fee really worth £180?

The BBC licence fee is now **£126.50** a year, and in current money this would rise to **£150.50** by 2013 if the corporation's ambitious funding bid is accepted. What does "in current money" mean? It means simply that the rate of inflation is not included in the calculation. Including inflation, the licence fee in eight years' time will approach **£180**, which sounds much worse. But the figure of **£180** is deliberately intended to frighten people, and makes as little sense as marvelling that a semi-detached in London cost **£2,000** in 1960. Was that cheap or dear? You tell me.

Is the BBC worth **£150** a year? It is impossible to predict whether people will value the new services that will be on offer by 2013, but it is easier to determine whether its current output is "worth" today's licence fee. It is.

BBC radio costs **£600m** a year and is almost universally regarded as good value for money. But to judge from the hostile reaction that the BBC's bid has triggered (admittedly, mostly from the usual suspects, many of whom are the BBC's competitors), there are severe doubts about whether the **£2,300m** spent last year on BBC television represented good value for money.

Look at it this way. The cost of the BBC is **23%** of the total cost of all television services transmitted in the UK. Yet BBC television wins **37%** of the total television audience. So the consumer is paying much less per hour for the BBC than for other types of television. True, this includes advertising in the overall cost of commercial telly. Since advertising

appears "free" to the consumer, perhaps it should be excluded. But I think not. Advertising absorbs people's time when they would rather be watching programmes and raises business expenses that are then passed on to consumers in higher prices. Nothing is "free", least of all advertising.

But even if we look only at subscription charges, the BBC offers good value. For each **1%** of audience share it wins, the BBC costs **£62m** a year. Subscription services, mostly dispensed by the Sky platform, cost viewers **£156m** per point of audience share – far more expensive than the BBC.

I am sure there is an eager executive from Sky sticking up a hand at the back (there always was when I was BBC chairman), desperate to point out that people pay voluntarily for subscription channels, whereas they are forced to pay for the Beeb. That is true. But we can directly ask people how much they would be willing to pay for the BBC's services, if they were not forced to do so through the licence fee. Inconveniently for the BBC's commercial enemies, they would on average pay at least one fifth more than they actually do pay each year.

This leaves the last, and only valid, argument against the licence fee. Even though most people would voluntarily pay a lot more for the BBC than the cost of the licence fee, there are about **7m** households in the UK who would not. This minority would gain if the BBC became a subscription service.

But the other **16m** households would lose. And that, as even a politician could confirm, is an awful lot of voters.

