

Chapter 4 - Achieving Fairness

Concessions

"Consider the current structure of the concessionary licence scheme and whether a suitable alternative structure could be available."

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Overview

This is a thorny subject. The current concession scheme is valued by those who benefit, while being widely resented by those who do not. The controversial nature of the scheme is reflected by the fact that we received more correspondence on concessions than on any other subject, and the majority of correspondents highlighted the imperfect and unsatisfactory nature of the present arrangements. Previous attempts to reform the arrangements have done nothing to tackle the underlying faults of the concession arrangements, and have only seemed to give them wider scope. Unfortunately, we have done no better than these earlier studies in identifying an easy solution to the problems raised by the existing scheme. In fact, we have become satisfied that such an easy solution does not exist within the confines of broadcasting finance.

We recognise that the licence fee is a regressive charge, since it falls equally on all households, whatever their income. It therefore bears more heavily on the poor than on the rich. There is consequently a case for considering ways of alleviating the burden of payment on poor households.

However, the Panel takes the view that the BBC's funding mechanism is not well suited to solving problems of income distribution, and that the BBC should not be used as a benefits agency. The fact that everyone pays the same amount for the same service from the BBC has probably been an important element in maintaining political acceptability for the licence fee, and those responsible for collecting the fee have forcibly informed us that this is crucial in minimising evasion. They believe that additional concessionary schemes are likely to undermine the willingness to pay among those groups who do not benefit.

The current concessionary scheme (Accommodation for Residential Care, or ARC) does not depend on an income or wealth criterion, but instead depends on a qualification based on the type of accommodation experienced by qualifying individuals. This means that there is inherent unfairness in the scheme, since many very poor pensioners fail to benefit, while a few relatively well-off pensioners do benefit. Furthermore, the cost of the scheme essentially falls, through the licence fee, on the rest of the population, many of whom are poorer than the ARC recipients. Finally, the line which separates qualifying accommodation from the rest is inevitably arbitrary.

For all these reasons, we considered recommending that the ARC scheme should be phased out for future recipients, though we never considered removing the benefit from those individuals who currently qualify. In the end, we came down against the phase-out option, even though we recognise many problems in the ARC scheme.

Why did we come to this view? Essentially, because the ARC scheme, for all its faults, does succeed in helping a group of people which is much poorer than the average for the population at large, and is slightly poorer than the rest of the pensioner population. Consequently, phasing out the scheme - with other licence fee payers picking up the benefit - would widen income disparities in this country. This was not something which any of us was willing to do.

Another option was to attempt to reduce anomalies by widening the scope of the ARC scheme. We outline an attempt to do this in Annex VI. It has two main drawbacks. First, it would not entirely eliminate a sense of unfairness, since many extremely poor pensioners living independently would still not benefit. Second, it would cost an extra £36 million a year, which represents a considerable burden on other licence fee payers, many of them very poor. One possibility we considered was to finance the £36 million by raising an extra levy on business, but we felt that this breached our principle of not using the broadcasting system as a surrogate social security department.

The final option was to remove the unfairness element by widening the concession to cover all pensioners, or to cover all those over a certain age (such as 75). A study by the IFS confirmed to us that if this proposal were funded by an increase in the general licence fee it would reduce a crude measure of income disparity, in the sense that each of the poorest five deciles in the income distribution would gain, and the rest would lose. However, there would be some very odd and undesirable effects within decile groups. For example, if the licence fee were abolished for all pensioners, the rest of the population would incur a 39% increase in their licence fee levels. This would hit many people in the poorest two income deciles very hard. In fact, according to the IFS, 57% of households in these bottom income groups would lose, while only 32% would gain. Thus there would be many more low-income losers than gainers as a result of this reform.

The final area we considered was concessionary arrangements for blind and deaf people. In both cases, we strongly urge the BBC to move more aggressively to provide enhanced services such as subtitling and audio description. Access, it seems to us, is an essence of public service broadcasting and enabling access for those with sensory impairment should be a priority for the BBC. In addition to improving these services, it is obvious that blind people in particular do not receive the same service from the BBC as the sighted population and the £1.25 per annum reduction in their licence fee is insulting. We believe that from now on registered blind people should pay only half the general licence fee.

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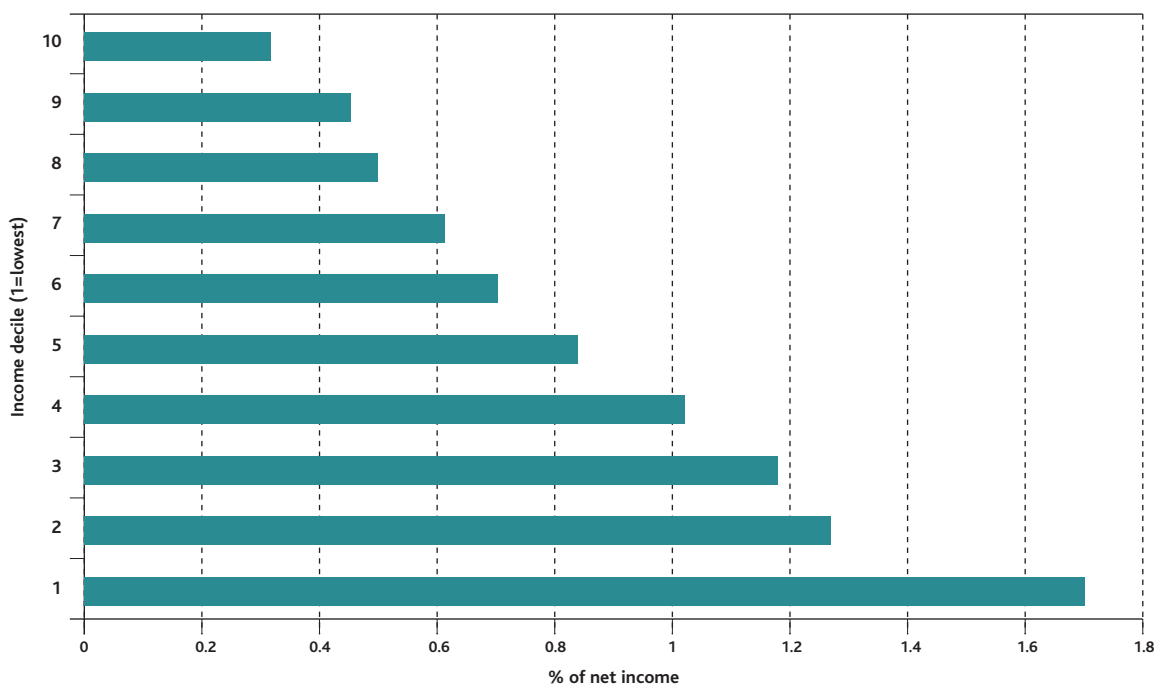
Results from the IFS study

The review panel asked the Institute for Fiscal Studies (IFS) to estimate the distributional effects of the television licence fee, and of various options for the reform of concessionary arrangements. The IFS used their tax and benefit model (TAXBEN) and data from the Family Expenditure Survey.

Distributional effect of the licence fee

The distributional effects of the licence fee were examined by splitting UK households into income deciles, from the poorest 10th (decile 1) up to the richest 10th (decile 10). This was done using a measure of equivalised net income - income after taxes and benefits, adjusted for differing needs of families of different sizes and ages. As would be expected of a flat rate charge, the licence fee is highly regressive, representing 1.7% of the net incomes of the poorest decile but just 0.28% of the income of the top decile.

TV licence fee as proportion of net income



ARC scheme recipients

The panel asked the IFS for an analysis of how ARC scheme recipients compare with pensioners in general, in terms of income, age, and other characteristics. Despite some data limitations, it appears from the evidence that compared to the pensioner population as a whole, ARC recipients are:

- poorer than other pensioners;
- older than other pensioner households; and
- much more likely to be single.

Estimated proportion of ARC recipients and non-ARC pensioners with each characteristic

	ARC recipients*	non-ARC pensioners
Single	84%	42%
Income less than £100 per week (single pensioners only)	65%	49%
80 and over	43%	15%

* These figures refer to householder ARC recipients only, and not people in institutions.

Options for reform of concession arrangements

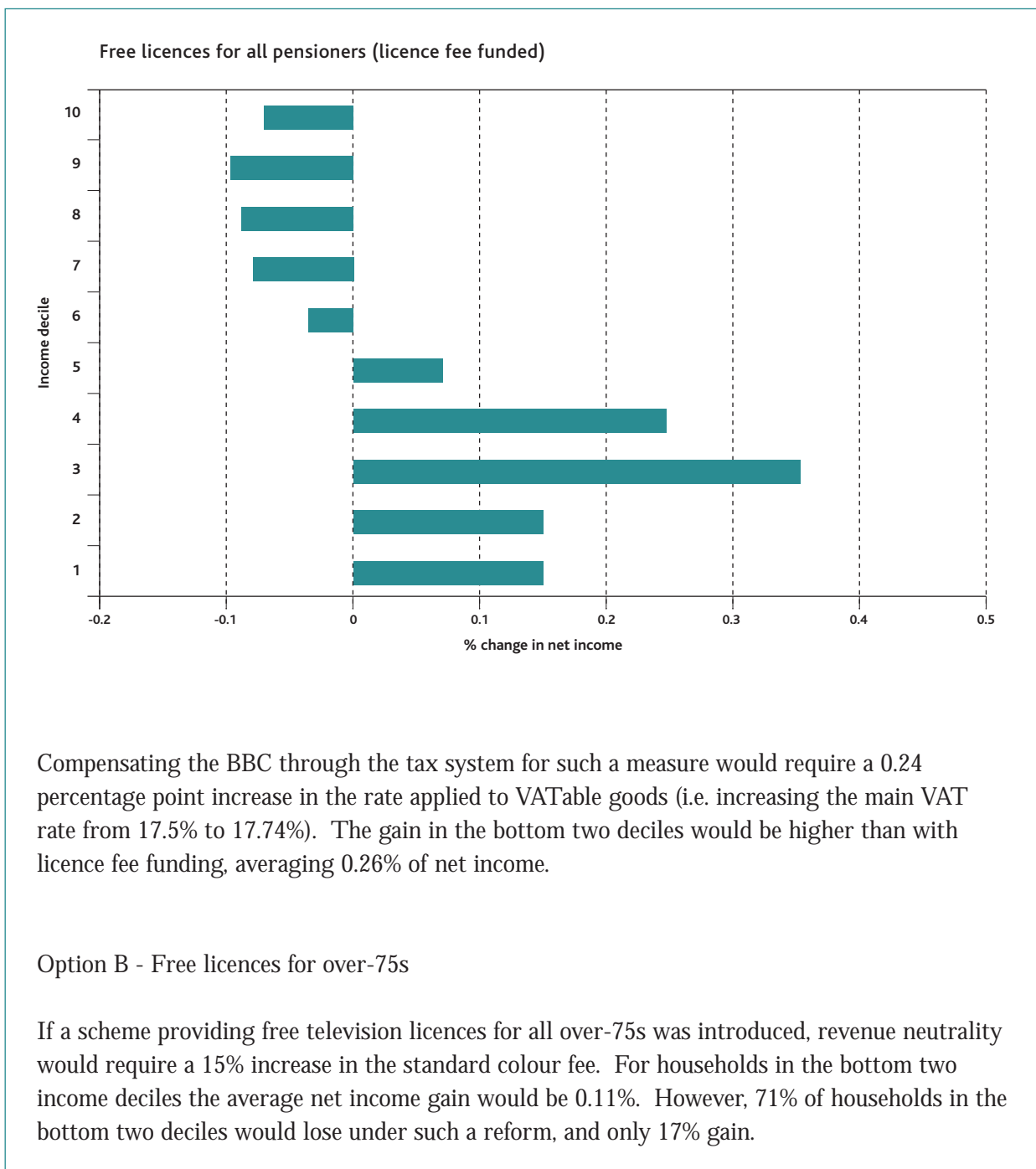
Several possible reforms to the licence fee system, involving concessions for particular groups, were modelled for their distributional effects. For each reform, alternative methods of ensuring revenue neutrality for the BBC were examined, these being:

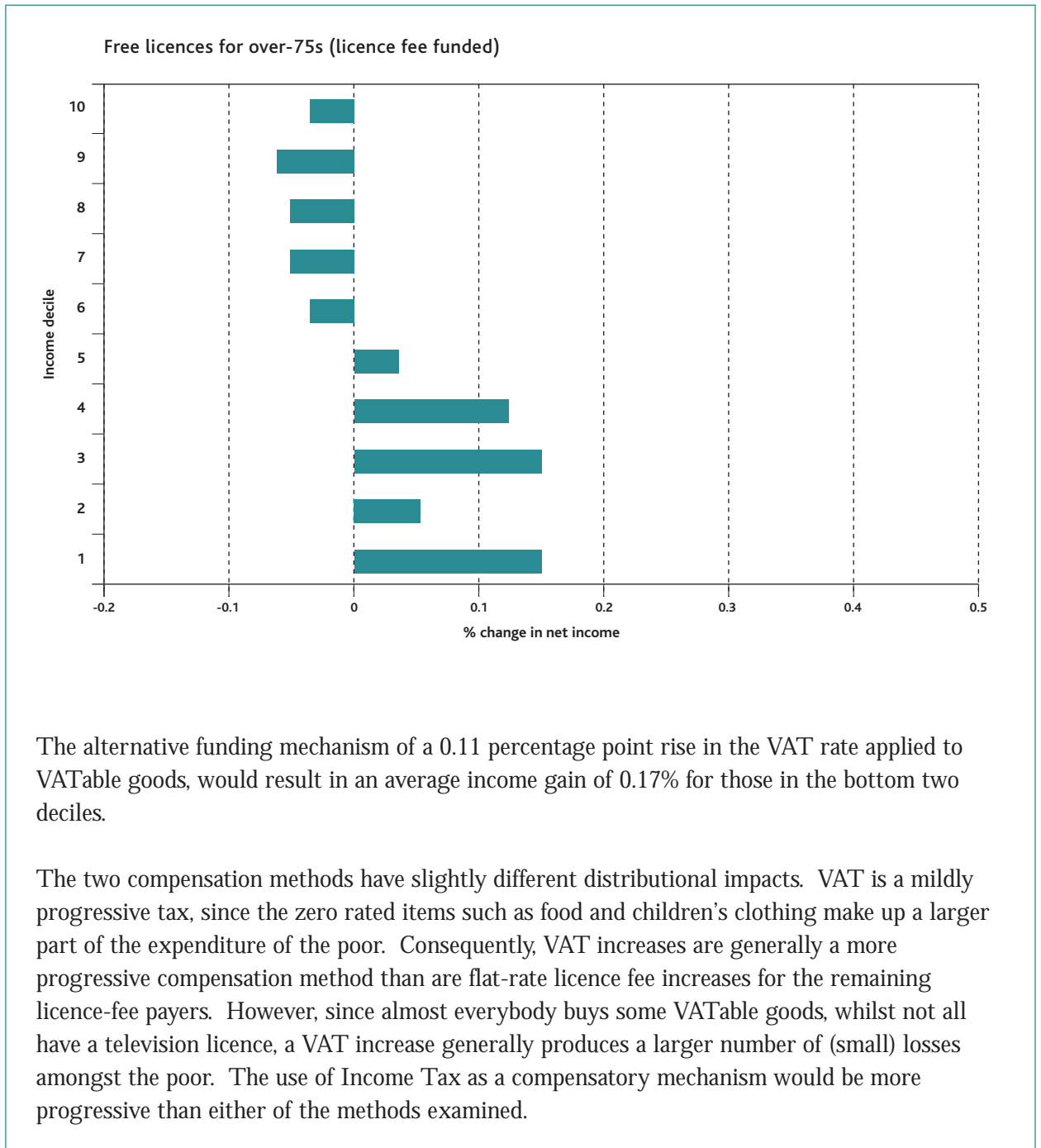
- (a) an increase in the standard licence fee;
- (b) compensation raised via the tax system (specifically an increase in the rate of VAT).

Option A - Free licences for all pensioners

If free licences were issued to all households containing a state pensioner, then ensuring revenue neutrality for the BBC would require a 39% increase in the standard colour fee. The average net income gain in the bottom two income deciles would be 0.14%. However 57% of households in these bottom two deciles would lose (since the majority of those in the poorest deciles are not pensioners), while only 32% would gain.

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Current structure of the concessionary television licence scheme

Though BBC funding is based on the requirement for households and commercial premises to pay a flat-rate licence fee for the right to receive television services, some departures from that requirement have been permitted. The main departure has been for specific types of accommodation (those in residential care and qualifying sheltered housing, hotels, caravans, boats etc) and a small reduction for blind people. It is important to note that these concessions are not based directly on income or wealth criteria, which is why they are often perceived to be unfair.

Special types of accommodation

The arrangements for licensing special types of accommodation, including hotels, hospitals, caravans, boats, etc., are based on the principle that it would be wrong to treat these premises as ordinary households, except where they are being lived in as such. For instance, a caravan used only for holidays does not need a licence, but one used as a home does, and a hospital does not need a separate licence for each television set, but members of staff living in the hospital need a licence for the televisions they use in their own accommodation. A feature of these arrangements is that while hotels pay one licence for the first fifteen of their television sets, they then pay one per five thereafter, and other businesses are treated in the same way as domestic households.

Accommodation for Residential Care concessionary scheme

The Accommodation for Residential Care scheme (ARC) is the main accommodation-based concessionary scheme and it attracts most criticism and concern. Entitlement is linked to the kind of accommodation occupied and the way it is provided or managed. This linkage appears to have been designed to target the concession on a clearly identifiable group of people in need of sustained support, and therefore particularly reliant on television for social access.

The £5 concessionary licence is available to people living in:

- i Residential homes; or
- ii Sheltered accommodation which
 - forms part of a group of at least four dwellings within a common and exclusive boundary (though up to 25% of units in a scheme can be purchased under the “right to buy” legislation); and
 - is specially provided for occupation by disabled people or retired people of pensionable age; and
 - is provided or managed by a local authority, a housing association or a development corporation; and
 - has a person (eg a warden) whose function is to care for the needs of the residents and who either lives on site or works there for at least 30 hours a week.

Concessionary licences granted under ii. are available only if all four qualifying criteria are met.

According to figures provided for the BBC by Subscription Services Ltd (the agency contracted by the BBC to collect the licence fee), the current estimated breakdown of recipients of the ARC concession is:

Residential care homes	150,000	23%
Sheltered housing	413,000	64%
Preserved rights ¹	83,500	13%
Total	646,500	100%

¹Individuals with preserved rights are those failing to qualify under current regulations who qualified under the pre-1988 change in regulations and whose schemes still qualify under those regulations. Schemes retaining preserved rights are sheltered housing.

Subscription Services Ltd's estimate for the breakdown of recipients is:

Pensioners	615,000	95%
Disabled people	21,000	3%
Mentally disordered	10,000	2%
Total	646,500	100%

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The estimated cost to the BBC of the current ARC scheme is £60 million.

This concessionary scheme has been much criticised for the anomalies to which it gives rise. There are several reasons for this. The absence of a clear statutory definition of sheltered housing has made it difficult to define the sort of accommodation that should be eligible for this concession. The scheme has also failed to keep up with changes in social housing policy which have often involved increasing the social mix in social housing units (ie not restricting their use to pensioners, disabled people and mentally disordered people) and changing the way in which warden cover is delivered. These changes have resulted in schemes which were once eligible losing their eligibility. This generates understandable complaints from those who see others, in accommodation which they feel is similar to their own, receiving a concession for which they are not eligible.

The changes to the Regulations in 1988 (following the “Kirklees” judgement) only seem to have increased these problems. For instance, anyone who had a concessionary licence before that date and who still lives in accommodation which would have qualified before that date, has had their right to receive the concession preserved. Over 160,000 people benefited from those preserved rights initially and around 83,000 continue to benefit today. The fact that these individuals generally live surrounded by people who do not qualify for the concession, even though their accommodation may be specially provided for elderly or disabled people, adds to the complaints which the scheme generates.

Moreover, as the £5 concessionary licence fee has not been uprated since 1988, it becomes an increasingly valuable concession every year the licence fee is uprated. This can add further to the perception that the concessionary scheme is inequitable.

Special arrangement for blind people

When the radio licence was abolished in 1971 its value (£1.25) was converted into an ongoing discount for blind people if they chose to have a standard television (as opposed to a sound only television receiver). Take-up of this concession is low: only around 30,000 people currently claim it, though there are over 194,000 registered blind people in the UK, with possibly a further 238,000 unregistered. Blind people do not have to pay any licence fee if they have a sound-only television receiver, but about 50% of blind people do not live alone and it may therefore be that many of those who claim the £1.25 discount have a receiver with pictures as well as sound because they live with sighted people. Eligibility for the concession is restricted to registered blind people and is not available to partially sighted people. The current concession costs the BBC about £40,000.

Attitude survey

The results of the Attitude Survey carried out on our behalf show that the majority of respondents (97%) feel that specific groups should receive a reduced licence fee. Four in five (79%) support a reduced fee for blind people, three-quarters (77%) for pensioners, and seven in ten (70%) support a reduction for deaf people. Two in five (43%) feel that those with disabilities should receive a reduced licence fee, and a third say those on income support should also receive a reduction. However, despite this high level of support for the concept of reduced licences for particular groups, when asked the simple question how much more they would be prepared to pay for the licence fee, three in five said they were not prepared to pay an additional fee to fund the scheme. Among those that were prepared to pay an additional fee, the average they would be prepared to pay is an additional £5.35 per year.

Responses to invitation to submit evidence

The panel has received many submissions drawing attention to the unfairness and anomalies of the current system. Some respondents, like Bromsgrove District Council, provided specific examples:

In one case, a sheltered housing scheme was formed in 1985 with the development of flats, bungalows and extensive community facilities for the elderly, adjacent to existing one-bedroom bungalows for the elderly. Prior to May 1988 the entire scheme qualified for a concessionary licence. However, the introduction of the new regulations in 1998 had the effect of restricting entitlement to the newly built complex, within which the Warden and Relief Warden reside, and adjoining bungalows. Though the remaining bungalows receive exactly the same services from the Warden and scheme facilities, they are deemed not to qualify for concessionary licences because they are segregated from the qualifying section by a road. Bromsgrove Council argues that it is unfair that these elderly residents, living within the same scheme as their neighbours and enjoying the services of the same warden and communal facilities, are penalised in this way.

Another example relates to dwellings, within a sheltered housing scheme, which are situated in five separate locations. None of the dwellings within the scheme qualify for concessionary licences because they do not share a common and exclusive boundary. A further anomaly is that the bungalows in one of the locations share a common and exclusive boundary with a sheltered housing scheme which does qualify for the concession, but the concession does not extend to the other bungalows because they are supervised by a different warden reflecting their different care needs. Bromsgrove Council regards this as being extremely unfair and divisive.

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The Local Government Association and many individual local authorities support Bromsgrove Council's views on the unfairness of the current arrangements, and the panel has also received representations from a number of Members of Parliament, including David Winnick, who recently tried to introduce a Private Member's Bill on the subject. Similar letters have also been received from the National Housing Federation, the Thame and District Housing Association and the Hanover Housing Association.

A letter on behalf of the Peverel Group of companies highlighted the perceived unfairness of the current scheme being limited to public sector housing places. The Peverel Group argues that the arrangements discriminate unfairly against the residents (up to 100,000) who currently live in private sheltered accommodation, which is not owned or managed by a housing association, local authority or development corporation. They also argue that the existing arrangements give housing associations an unfair advantage when competing for management contracts against private sector operators.

The solutions proposed vary. The Peverel Group considers that the scheme should be reformed so that entitlement to a concessionary licence is determined by reference to the individual characteristics of the licensees or their accommodation rather than by reference to who is managing the property. The National Housing Federation consider that the scheme should be retained, but improved by a number of modifications, for instance to both the warden and the boundary requirements. On the former the Federation proposes that a better indication of frailty would be that "care or support should be provided within the scheme for at least 30 hours per week by a warden, or by care, nursing, or medical staff" and on the latter, the Federation proposes an adjustment to allow split site schemes to be counted as a single scheme for the purposes of the tenants being eligible for the concession. The Federation also proposes that to avoid intrusive arguments over whether a pre-retirement age tenant is sufficiently disabled for the whole scheme to qualify, the rules should be operated more flexibly so that, for example, up to 10% of people could be under retirement age and not disabled (and therefore not personally eligible for the concession) without the whole scheme losing the concession.

Others, including Bromsgrove District Council, believe that the solution is to provide free television licences to all pensioners and disabled people, a view shared by David Winnick MP and Bill O'Brien MP. The Pensioners' National Campaign for Reduced Television Licenses favour a reduced licence for all pensioner households of £30, while Yours Magazine favours free licences for all pensioners. The British Film Institute is in favour of a concession at half the cost of a full licence for benefit recipients.

Opinions vary on how any revised arrangements should be funded. Bromsgrove District Council consider that future concessionary arrangements should be funded by the Government, possibly financed by a levy on satellite/cable television providers and/or pay per view or by BBC efficiency savings, an additional charge on those paying the full fee, Lottery funding or revised arrangements in relation to hotels, guest houses and commercial premises. The British Film Institute favours payments to the BBC from the Exchequer and David Winnick MP also favours Exchequer funding or a small increase in the licence fee. The Peverel Group considers that the cost should be covered by increasing the cost of the concessionary licence to about £20. The Pensioners' National Campaign for Reduced Television Licences believes that BBC efficiency savings should cover the cost.

However, not all respondents favour concessions. The National Viewers' and Listeners' Association point out that many pensioners are relatively well off with levels of disposable income higher than younger people who still have mortgages, children at school or university, and generally higher living costs. Age Concern says it is generally against concessionary systems because there is always an element of unfairness about them. Age Concern believes that older people should have an income that would be sufficient to allow them to lead a comfortable life and give them choice in how they spend it.

The National Consumer Council and the Consumers' Association were both critical of the present arrangements and consider that a more progressive way of helping groups in society is needed, for instance through the tax and benefits system.

Neither Age Concern nor the two consumer groups would like to see the present arrangements withdrawn without something more equitable being introduced.

Broadcasting industry respondents are generally agreed that whatever the outcome of the review, the BBC's funding should not be eroded by requiring it to bear the cost of any widening of the concessionary arrangements. The ITV Network and United News and Media, for instance, consider that an appropriate solution would be to ensure that any concession be linked to pension and disability payments, and provided by the Department of Social Security. They say this would have the advantage of linking the concession to the existing benefit structure.

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Panel view

We recognise that many people, particularly the elderly, are especially dependent on television for information and entertainment, and we are concerned about the continuing ability of these groups of people to have access to television services. However, the ARC concessionary scheme, which is intended to alleviate the regressive effects of the licence fee, is not particularly satisfactory. We have three main concerns about the ARC scheme:

- in principal, licence fee revenue, or broadcasting money generally, should not be used to fund any extension to the current arrangements for pensioners. The alleviation of poverty is not a broadcasting issue. Nor should the BBC be required to set itself up as a surrogate benefits agency to try to assess need.
- it does not meet the needs of individuals. It applies to some who are not in financial need and does not apply to others who are. An estimated 646,500 people currently benefit from the scheme and the great majority are pensioners (615,000). A substantial number of the latter will not be eligible for Income Support and in that sense will not be in financial need. By contrast, there are around 1.275 million households including at least one pensioner on Income Support. There will be some overlap between the two groups, but it is clear that the majority of pensioners receiving financial assistance through Income Support do not receive the concession. Financial considerations apart, the concession applies only to people in residential homes and qualifying sheltered housing who, by definition, are not isolated, and not at all to people who are living entirely by themselves. On the face of it, therefore, the scheme does not fully meet either financial or social priorities;
- it is divisive. The scheme is riddled with anomalies and interpretational difficulties and, because of this, many fine judgements have to be drawn about eligibility. The drawing of distinctions are meaningless to those affected because they are based on apparently arbitrary concepts. As Bromsgrove District Council (which supports concessions) pointed out in their evidence, the scheme creates a situation in which neighbours, in many cases living in identical accommodation with broadly comparable needs and financial resources, are treated very differently.

We have not been able to find a way of extending the current concessionary scheme that adequately addresses the various concerns which have been raised. The ARC scheme is not well targeted. Many people on the margins of the scheme, who are equally well entitled to a concession, do not benefit. Whatever changes are made to the criteria, there will be people who fall just outside. The problem is inherent in any scheme which demands detailed criteria of eligibility based on accommodation. Moreover, any widening of the current arrangements could potentially be very expensive (see table on page 102).

In particular, we have considered whether it would be possible to reform the scheme by seeking to alleviate some of the perceived anomalies. Such a reform would be possible for instance, by removing the restriction that the scheme must be a group of at least four dwellings within a common and exclusive boundary and also removing the hours limit on warden assistance (two of the most common complaints). Fuller details are at **Annex VI**. Though such changes might remove some of the perceived anomalies and reduce the number of complaints, the scheme would still be open to criticism because it would continue to be based on a specific kind of accommodation and not primarily on the needs of the occupants. Any changes would also of course increase the cost of the concession, possibly quite considerably.

We also considered the possibility of abolishing or phasing out the scheme (with the proviso that those people who currently benefit from the concession, including those who do so under existing preserved rights arrangements, should continue to do so). Such changes would however have the effect of widening income disparities in this country, since the recipients of the current ARC scheme are much poorer than the average licence fee payer. We note that none of those bodies who told us that the scheme should be phased out believed that this should be done without launching a better replacement, presumably using other sources of public money.

We share Age Concern's view that unless concessionary schemes have universal application, there will inevitably be a boundary between those who qualify and those who do not; and equally inevitably, schemes of this nature are bound to give rise to difficult cases from time to time, as well as complaints of unfairness from those who narrowly fail to qualify for the concession. But to fund a universal concession from the licence fee would be a mistake, since this is inevitably a very regressive form of funding.

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Estimated cost of concessionary television licences

Type of concession	Estimated cost (£millions)	Increase for other licence payers to offset the cost
Current concessionary scheme	61	
Free licences for all pensioner only households	494	£29
£5 licences for all pensioner only households	470	£27
Half price licences for all pensioner only households	247	£14
Free licences for households where all members are aged 75 or over	173	£8*
Free licences for households which include a person aged 75 or over	283	£15*
Free licences for households where all members are aged 80 or over	89	£4*
Free licences for households which include a person aged 80 or over	148	£7*
Free licences for households with a pensioner in receipt of Income Support	115	£5
50% discount on licences for registered blind people	15	£1

* These increases assume that the cost of the concession would be borne by all other licence fee payers, including pensioners below the qualifying age. The alternative would be to exempt non-qualifying pensioners or pensioner only households from the increase. However, this would further complicate the licensing arrangements by creating a three-tier system.

NB It may be impossible in principle and practice to restrict concessions to pensioner only households. If all households with a pensioner were included, the figures would be significantly higher, eg a free licence for all pensioners would cost £698 million, an increase of £47 per licence fee payer.

Concession for deaf people

Evidence from the Royal National Institute for Deaf People (RNID) states that television offers a vital link to the outside world for the 8.7 million deaf and hard of hearing people in the United Kingdom. There are around 53,000 registered deaf people and around a further 620,000 unregistered. We do not know how many live alone. Currently there is no concession available to deaf people and RNID considers that this is appropriate. RNID believes however that there must be adequate provision of subtitling on digital as well as analogue transmissions.

The BBC's targets for subtitling on the two simulcast digital services (BBC One and BBC Two) match those for the analogue versions of those channels:

Year	1998/99	1999/00	2001/01	2001/02	2002/03	2003/04
Target	55%	60%	66%	72%	76%	80%

The targets for the new BBC Channels currently carried on Digital Terrestrial Television (BBC Choice, BBC News 24 and BBC Knowledge) are:

Year from launch of service on DTT

1	2	3	4	5	6	7	8	9	10
5%	10%	15%	20%	25%	30%	35%	40%	45%	50%

Recommendation

Digital needs to be inclusive of all members of society and it has huge potential for improving services to those with sensory disabilities. The BBC must, therefore, take the lead in ensuring that the potential for digital to increase accessibility is maximised. Our view is that the above targets for subtitling the new services are wholly inadequate - only 50% ten years from now - and we recommend that the BBC aims to achieve 50% by year five and 100% by year ten. We recognise that this will have cost implications, but the BBC, as the nation's primary public service broadcaster, should not simply be aiming to match the targets set in the Broadcasting Act 1996, but to surpass them. We would hope that the other public service broadcasters would follow the BBC's lead.

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Concession for blind people

Evidence provided by the Royal National Institute for the Blind indicates that broadcasting also plays a very important role in the lives of people with a serious sight problem (1.7 million in the United Kingdom), with 94% watching television. RNIB research also shows that 90% of visually impaired people are over the age of 60; that 54% of visually impaired people live alone (62% for those over the age of 75) and that 63% of visually impaired people aged 75+ are unable to go out. RNIB makes the following recommendation:

"As from April 2000 the concession for registered blind people is increased to £50. The reduction is increased, thereafter, in the same proportion as future increases in the television licence fee."

Only around 30,000 blind people claim the current concession which costs the BBC about £40,000 a year. A 50% concession would cost about £9-10 million and up to £22 million if the estimated 200,000 blind people who are currently unregistered were to seek the concession.

We are mindful of the increased access that will be available to blind people through audio description of television programmes, but this technology is still in development. In the absence of reliable information about when decoders will be available to consumers, the BBC has not published targets for the provision of audio description. However, the BBC says that, once the technology is available, it will at least match the targets established for other broadcasters under the Broadcasting Act 1996:

Year from launch of service on DTT

1	2	3	4	5	6	7	8	9	10
	2%	2%	4%	4%	6%	6%	8%	8%	10%

We understand the Secretary of State for Culture, Media and Sport will be reviewing these targets in November 2000 in the light of technological developments. Though we would like to see this process speeded up, we do not recommend any increased target for the BBC on audio description. But we would expect the BBC to aim to exceed any fresh targets that are set following the Secretary of State's review. The BBC should be at the forefront in introducing this service when technology permits.

Recommendation

The Panel understand the disappointment and frustration people with a serious sight problem face at not being able to get as full access as possible to television. It is also clear that even when blind people are able to benefit from audio description technology, which is some years away, they will not derive anything like the full benefit of television. We therefore support the RNIB's case for an increase in the discount available to blind people. We recommend that the current discount of £1.25 is increased to the equivalent to 50% of the full colour (or digital) licence fee, thus allowing automatic uprating. We also recommend that the discount should be restricted to registered blind people and that it should not be restricted to households with blind-only people.

Payment methods

The Panel has noted that the BBC allows licence fee payers to pay their licences in a variety of different ways. The majority of licence fees are currently paid in a lump sum at the beginning of the licensed year. Around 48% of licence holders pay by cash or cheque in a single lump sum at the Post Office, 7% pay by post with a cheque, 1% pay by credit card over the telephone and a further 4% make a single annual payment by direct debit

It is essential that the BBC makes available as wide a range of options as possible, tailored to the needs of different households, which make it as easy as possible for all to pay their licences. In particular, that there are options for less well-off households. Currently there are five instalment based payment schemes:

- the **Quarterly Budget Scheme** (used by around 23% of licence fee payers and involves four quarterly payments by direct debit with a £1.25 surcharge each quarter since payments are all in arrears);
- the **Monthly Budget Plan** (used by 16% of licence fee payers and involves six monthly direct debit payments of 1/6 of the full fee initially but then 12 payments of 1/12 of the full fee thereafter. No surcharge is payable since the scheme involves six payments in advance of the renewal date balancing six payments in arrears);
- **Cash Easy Entry** (introduced in 1998 and is available to licence fee payers on income related benefits. It involves licence fee payers making weekly cash payments - £3.90 for the first 25 weeks then one week at £3.50 for the £101 fee - designed to pay for the first licence in six months. They then pay for their second licence over the next 26 weeks. Then, in the second year of the scheme, they have a full 52 weeks to pay for their third licence. After the first six months, all payments are therefore being made in advance);

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- **Monthly Cash Plan** (currently being piloted - licence fee payers make cash payments on the same basis as the Monthly Budget Plan above);
- **Savings Stamps Scheme** (allows licence fee payers to save up for their licences in advance and the stamps are then accepted effectively as cash in whole or part payment for the full fee).

In every case the licence is issued as soon as the first payment has been made, although in the case of saving stamps, it is the cashing of the stamps as a whole or part payment of the fee which generates the licence and not the purchase of the stamps themselves. Payments can be made at 19,500 post offices and 7,500 retail outlets around the United Kingdom.

The BBC believes that these new payment schemes have greatly assisted licence fee payers to pay their licences. A recent BBC survey found that only three out of 1,400 people interviewed claimed that they could not afford to use any of these methods.

The most recently introduced schemes, Cash Easy Entry, which became available nationwide in April 1998 and Monthly Cash Plan, which has been piloted by the BBC in seven major cities since February 1999, seem to have proved popular. At the end of March 1999, there were over 273,000 people using the Cash Easy Entry scheme and nearly 5,000 using the Monthly Cash Plan after only one and a half months of its restricted operation.

Take up of Cash Easy Entry has been particularly rapid (from about 75,000 in April 1998 to 273,000 in March 1999), helped by the fact that there is no longer an insistence that those who use the scheme must be unable to use direct debit facilities.

The Panel has noted, however, that although Cash Easy Entry is in some ways more generous than other schemes, in that it allows for weekly and fortnightly payments, it does require its users to pay for two licences in the first year of operation, whereas the Monthly Cash Plan scheme only requires the user to pay for one licence in six months and then allows the user twelve months to pay for their second licence. Moving the Cash Easy Entry scheme on to a similar payment schedule to the Monthly Cash Plan scheme would therefore reduce payments for its users during the second six months of their licences. This would put the scheme on a par with the monthly instalment schemes and be of real benefit to households paying via the scheme.

The Panel recommends therefore that the Cash Easy Entry Scheme should be put on a similar payment schedule to the Monthly Cash Plan.

Recommendations

The Panel concluded that:

- *the current Accommodation for Residential Care concessionary scheme should be retained, despite its obvious drawbacks, since no superior alternative, funded from the licence fee, has been found;*

and recommends that:

- *Licence fee revenue or broadcasting money generally should not be used to fund an extension to the current concessionary arrangements for pensioners;*
- *on subtitling for new digital services, including BBC Choice, BBC News 24 and BBC Knowledge, the BBC should aim to achieve 50% of programmes being subtitled in the next five years and 100% by 2009;*
- *the current discount for blind people should be uprated to 50% of the colour licence fee, that the discount be should restricted to registered blind people and that it should not be restricted to blind-only households; and that*
- *the Cash Easy Entry easy payment scheme should be put on a similar payment schedule to the Monthly Cash Plan, thus reducing the payments for its users during the second six months of the licences.*