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Broadcast Receiving Licence Fee

The receiving licence fee is the basic method of financing public service broadcasting in virtually all countries in Western Europe (with Spain and, as of just recently, the Netherlands being the major exceptions). In most countries, revenue from the licence fee is complemented by revenue from other sources, and especially advertising/sponsorship. In Central Europe, too, the licence fee now exists in several countries, and this trend is growing.

The funding of public service broadcasting through licence fee revenue (rather than annual allocations from the State budget) has a number of advantages:

- It is a major guarantee of the editorial independence of the public service broadcaster, who would otherwise have to rely on, and "buy", the political good-will of those who decide the amount of the annual State budget allocation.

- The income is predictable over a number of years, which is an essential pre-condition for any medium-term and long-term planning and investment.

- Where there is licence fee funding, the public service broadcaster will normally also have the right of self-administration. This is crucial, and not least when it comes to salary schemes, since the public service broadcaster is in direct competition with commercial broadcasters (rather than with government agencies).

- Licence fee funding establishes an important psychological link between the licence fee payer, the citizen, and the public service broadcaster as the recipient of the money who is expected to spend it solely in the interests of the licence fee payers (rather than, for instance, the government or the parliamentary majority).

Historically, for obvious reasons, the obligation to pay the licence fee was attached to the possession of a functioning radio and/or, later, television set. Anyone who had the financial means to buy such a set had to announce this direct to the public service broadcaster or, in many cases, to the PTT. This system, which was logical before ownership of a receiver was the norm, has remained unchanged, although for many years already virtually all households possess a radio and a television set. The logical
consequence of this should have been to reverse the obligation of announcement, by legally presuming that every household has a radio and television set and obliging those who do not have a receiving set to announce that fact in writing to the collector of the licence fee.

However, developments over the past several decades, and particularly over the last few years, have called that historic concept into question and require a fundamentally new approach. In fact, possession of a radio or television set is no longer an appropriate criterion:

- Possession means that even if a citizen can prove that he or she never tunes in to the public service programming offer (and with the huge choice of radio and television programmes available today this may actually be more and more the case) the licence fee nevertheless has to be paid. This is not easy to explain, or indeed to justify. If a fresh look is taken at the very concept of the licence fee and, in particular, the real justification for this obligatory payment, it will quickly be realized that possession of a receiving set can no longer serve as a valid criterion which triggers an obligation to pay.

- People receive radio and television programmes not only on their radio and television sets at home but also, and more and more frequently, on computer screens, hand-holds (such as mobile phones), and car radios. Under most laws, especially computer screens and hand-holds are still not considered as receiving sets, and whereas the laws ought to be adapted in this regard, citizens as well as politicians may find it difficult to see a genuine justification for that. However, if computer, hand-holds etc. are not equated with radio and television sets, then clearly this would raise the question of discrimination under the law, to the detriment of the owners of traditional receiving equipment.

For economists, public service broadcasting falls into the category of merit goods, i.e. goods or services which are important if not, indeed, vital for society but which the market itself could never produce and sustain. Hospitals, schools, the police, etc. fall into the same category. All citizens have to contribute to the funding, even if individually they derive no benefit from them (e.g. because they have no children who go to school). The very availability of public service programming is in the interests of society as a whole, of all citizens, including those who choose not to make any use of it. Society as such benefits from its existence. In the words of the famous Amsterdam Protocol, which forms an integral part of the EC Treaty,

"the system of public broadcasting in the Member States is directly related to the democratic, social and cultural needs of each society and to the need to preserve media pluralism."

Accordingly, every citizen (household) should be obliged to contribute to the funding of public service broadcasting, on the grounds that the very existence of public service broadcasting is a merit good which deserves this unique form of solidarity funding by all.
One of the **practical problems** with the present system is that it actually makes evasion by those who do not wish to pay rather easy. They simply "forget" to announce the fact that they possess a radio or television set, knowing that in view of privacy laws it is not easy for the public broadcaster or the collecting agency to prove the opposite. Moreover, most laws do not provide for sufficiently severe penalties in cases where people have been discovered cheating, so there is really no deterrent effect.

Once **everyone** is obliged to pay, the remaining question is who is best placed to collect the money. Especially in countries where the monthly licence fee is still rather low, the cost of a monthly bank transfer may even be higher than the actual amount due, and door-to-door collection of small amounts is cumbersome, time-consuming and costly. It is for each country to seek the method which is the most simple and cost-efficient. Such a method could well be collection together with income tax (e.g. on a quarterly basis where the income tax is retained by the employer, and on an annual basis where the tax is paid direct by the citizen). An alternative could be collection together with the electricity bill.

The **amount** of the licence fee should not correspond to what politicians regard as being more or less acceptable to their electorate, and definitely not to what they regard as not doing harm to commercial broadcasters. Rather, as has been emphasized in so many formal Council of Europe, but also European Union, Resolutions and Declarations, it must be ensured that the overall revenue of public broadcasters (i.e. the actual licence fee revenue, plus any other income) constitutes "an appropriate and secure funding framework which guarantees public service broadcasters the means necessary to accomplish their mission". The money actually needed to fulfill the public service mission, in all areas and in every respect, is therefore the starting-point for calculating the amount of the licence fee.

Furthermore, there needs to be a mechanism which ensures that any loss of income due to evasion by people who under the law would be liable to pay, or due to the collecting agency's inability to collect, will automatically and fully be compensated from the State budget.

Any increase in the licence fee should be subject to a decision by Parliament (rather than by the Government), and the amount should be fixed for a number of years, so as to avoid as far as possible the risk of political influence (and thereby compromising the public service broadcaster's editorial independence). Furthermore, there should be an automatic inflation indexation plus - since costs in broadcasting increase faster than inflation - an additional amount of, for example, 0.5%.

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