

# PRESS NOTICE

## Frontier Economics report for the BBC examines options to reform concessionary television licences for over-75s

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**01/11/2018 (11.00am)**

A new Frontier Economics report, published today, discusses a range of different approaches to reforming concessionary television licenses for over-75s when the current concession lapses in June 2020. These include changing the age threshold for eligibility, reducing the value of the concession, or means-testing based on receipt of Pension Credit. It also explains what the consequences of maintaining the concession would be for the BBC's budget.

The report examines different options for reform against a number of criteria, including affordability, fairness and feasibility. The analysis underpinning the findings draws on detailed financial modelling and extensive stakeholder engagement.

The report sets out that there is a strong case for reform. Much has changed since the current concession was introduced in 2000, in particular the relative improvement in living standards for older households as demonstrated in a recent discussion paper published by Frontier. We estimate that if the BBC replicated the current concession, the cost in terms of foregone licence fee revenue would be £745 million in 2021/22 – equivalent to almost 20% of current service spending.

The specific alternatives to maintaining the concession considered in detail in the report are:

- Allowing the concession to lapse without replacement
- Increasing the age threshold from 75 to 77, in line with increases in life expectancy since 2000
- Increasing the age threshold from 75 to 80, in line with other parts of the benefits system for older people
- Retaining a universal concession for over-75s at 50% of the licence fee value, in line with the current concession for those with severe visual impairments
- Means-testing the concession by linking eligibility to receipt of Pension Credit for over-75s
- Means-testing the concession but extending eligibility to all those over State Pension Age in receipt of Pension Credit

The report also explores other options: preserving rights for existing concession-holders, extending the concession to all over-65s, adding additional household composition criteria for eligibility, seeking voluntary payments, and linking eligibility to receipt of disability benefits. Based on affordability or feasibility criteria, these options are not considered in detail in the report.

Frontier's report will help to inform the BBC's public consultation process. The final decision on whether and how to reform the concession will be taken by the BBC Board after consultation with the public.

Lord Gus O'Donnell, Chairman of Frontier Economics, who led the report, said:

"The world is very different now from when concessionary licences for over-75s were introduced almost two decades ago. Having taken on the cost of providing concessionary licences from the government, the BBC faces a difficult balancing act between supporting older pensioners who may rely on TV for companionship, and having the resources needed to meet its public service obligations to provide high-quality content for all viewers.

Our report sets out these trade-offs in detail for different ways in which the concession could, in principle, be reformed from 2020. We make it clear that, in our view, there is no simple solution. The report explains the pros and cons of each option and does not make any recommendation. It is important for the public to have their say first during the consultation period."

**ENDS**

#### **Notes to editors**

1. The report, *Review of over-75s funding*, is published today and available from <https://www.frontier-economics.com/media/2896/bbc-licence-fee-report-nov-18.pdf>
2. Frontier's previous discussion paper, *Concessionary TV licences and the landscape of intergenerational fairness*, was published on 17<sup>th</sup> October and is available from <https://www.frontier-economics.com/media/2634/rpt-discussion-paper-final.pdf>.
3. All households that watch or record television programmes as they are being shown, or those watching or downloading BBC content on iPlayer, are required to have a television licence. Since November 2000, any individual aged 75 or over has been entitled to a fully concessionary licence for their primary residence.
4. As part of a wider agreement regarding the licence fee between the BBC, the Chancellor of the Exchequer and the Secretary of State for Culture Media and Sport, from 2018/19 the BBC began to take on the cost of the concession, which had previously been met fully by the government.
5. The current licence fee concession falls away in June 2020. In 2017, Parliament gave the BBC the duty to consult on what policy should be established for the older population aged over 65 beyond June 2020. Any new concession will be funded entirely by the BBC rather than the government.

#### **About Frontier Economics**

Frontier Economics is one of the largest economic consultancies in Europe with offices in Berlin, Brussels, Cologne, Dublin, London, Madrid and Paris. Frontier uses cutting edge economics to solve complex business and policy problems, and

works with leading private and public sector organisations. Further information about Frontier is available at [www.frontier-economics.com](http://www.frontier-economics.com).

### **About Gus O'Donnell**

Lord Gus O'Donnell is the non-Executive Chairman of Frontier Economics. After joining the Treasury in 1979, Gus held various positions both in the Treasury and outside, including working at the British Embassy in Washington and on the board of the International Monetary Fund and the World Bank. From 2002 to 2005, he was Permanent Secretary at the Treasury, and in 2005 became Cabinet Secretary and head of the civil service. He held this position until 2011, serving three Prime Ministers.

Gus studied Economics at the University of Warwick, and gained an MPhil in Economics from Nuffield College, Oxford and went on to lecture in economics at the University of Glasgow. He joined Frontier as Senior Advisor in 2012 and became Chairman in 2013. In his role at Frontier, Gus draws on his extensive experience to provide strategic advice on all aspects of Frontier's work.