

Thank you very much for inviting me to speak today. It is a great honour for me to address this distinguished gathering in the country where not only the concept of public service broadcasting was invented but also the soccer game.

I seem to be a bit "the odd man out" (if that is the right expression). Not because I am from the continent, but since in this seminar you are addressing the future of the licence fee, and I will mainly speak about the history of the licence fee in my country.

WHAT HAPPENED IN THE NETHERLANDS?

On 1 January 2000 the system of funding public service broadcasting in the Netherlands changed drastically. After almost 60 years the licence fee (based on the possession of a television and/or radio set [1999: € 88/ € 25]) was abolished and replaced by a government contribution which is part of the general government budget. This contribution is financed from a supplement to income tax. There is no direct relation between revenues of tax collection and PSB budget [*contrary to Finland where in 2013 lice fee was replaced by a separate tax*], so it is more a grant-in-aid, that can be adapted every year. [*Compare also experiences in Canada*].

For the public the costs of PSB are invisible [*in the Netherlands there is a whole generation now that never experienced the licence fee*].

PSB in the Netherlands also has income from advertising, that was introduced in the 60's and accounted in 2000 for almost one third of the income of national public broadcasting (and now still for about a quarter).

WHY WAS THE LICENCE FEE ABOLISHED?

The reason for this change was rather prosaic.

The Netherlands is a country of minorities and therefore of coalition governments, In 1998 during the formation of the third (and last) government headed by prime minister Wim Kok money had to be found for child welfare.

The sum required of 60 million guilders seemed identical to the cost of collecting the licence fee by the 'Licence Fee Service'.

So the basic idea had nothing to do with media policy.

Nor with the practical aspects, as licence fee evasion - that was always limited in the Netherlands.

It was: reducing costs of licence fee collection, by transferring the operation to the tax department.

Only much later other arguments followed, like the licence fee being "old fashioned in this time of internet".

As soon as a plan like this is part of a Coalition Agreement in the Netherlands it seems to be almost impossible to change it.

Otherwise the whole house of cards would collapse.

GUARANTEES

The government of the day (Kok 3) guaranteed that it would not interfere with the level of funding provided for public service broadcasting. [But of course this guarantee was not binding on future governments].

The level and financing of public service broadcasting have a statutory "anchor" in the Media Act.

The exact amount of the 1999 licence fee level is even mentioned as a minimum of government contribution in the Media Act including a yearly indexation of that amount, taking account of:

- the price index, and
- the increase in the number of households.

THE PROOF OF THE PUDDING IS IN THE EATING

From the beginning public broadcasting was firmly opposed to this "fiscalisation", this public taxation as a replacement for the licence fee.

There were objections, both on reasons of principle and on practical grounds.

[Practical reasons, for example:

- *about 2 % of the Dutch population does not watch television out of religious principles. Now they have to pay for it anyway.*
- *Since income tax is not household based, where there is more than one income tax payer, the household pays more than before.*
- *Collection of the licence fee from companies and institutions has been abandoned.*
- *Etc.]*

The most fundamental reason was the importance of the independence of public service broadcasting. The new system might seduce politicians into taking a more active and interventional approach to the workings of public service broadcasting, both on the level of funding and on the level of content.

FUNDING

The Kok 3 government kept its promise, but of the six governments we had since 2002, only one did not intervene in the budget.

The first two (centre-right governments) lowered it, first with € 30 million and then with € 50 million.

The fourth (centre-left Balkenende 4) wanted to correct those cuts with an increase of € 100 million, but only managed € 50 million.

And then the last two lowered the budget again. Rutte 1 even with € 200 million and Rutte 2 (the present government) with € 50 million (originally € 100 million).

In total a reduction of € 280 million. And that on a total budget for national public broadcasting of about € 900 million (including advertising income), that is not much higher as in 2000!

Every budget cut was motivated from the reasoning: if we have to make cuts in the government budget and therefore have to make cuts in education and health care, why not in public broadcasting? In political discussions public broadcasting has now to compete with the many other areas in which tax money is spent.

CONTENT

The question whether taxation also led to more interventions in the content of PSB is more difficult to answer. On all recent lists of freedom of the press the Netherlands figures on the first or second place.

So taxation did not change NPO into a state broadcaster.

But also the NPO management board send a letter this week to government and parliament, from which I quote the following:

"We identify for some years a tendency among some politicians to not only want to comment on programmes of public broadcasting, but also the desire to exercise influence on these programmes, directly or indirectly. For example, by questioning individual programme titles, by the wish to demand or to prohibit certain genres. And right now also by demanding access to the contracts that underlie our broadcasts. Here in our opinion a fundamental border is crossed.

(..)

If this (= disclosing the costs of sports rights) is accepted, parliament could also question or demand that tax money should be spent on a documentary series about the importance of certain religious beliefs, or on a debate programme critical of a particular political movement or whether it is right to produce or to buy certain programmes with

an entertaining character.”

In not only my opinion there is a direct relationship between this tendency and the fact that PSB is funded from the general budget.

[And then of course there were two governments that either included or were supported by populist parties. Parties that very much applauded the cuts on NPO, because of their discontent with our journalistic output.]

ADVANTAGES?

- It created savings in the costs of collection.
In practice these savings turned out to be less, certainly in the transition period.
But more important: these savings did not go public broadcasting savings, but were efficiency gains for the government.
- With the tax system everybody who pays income tax, pays a contribution. In the old system there was limited number of tax dodgers, people who evaded paying the licence fee. So there are no collection problems. Now however there is (another) group that does not contribute because they do not pay income tax. And these are not only (very) poor people.
- During the parliamentary debate on the new funding system it was remarked by a number of political parties that it now would be easier to raise the contribution to public service broadcasting. In particular, there might be grounds for doing so in the growing scope for public broadcasting to become involved in new services such as internet services and thematic channels.
This never happened in the Netherlands.....

CONCLUSION

Public Service Broadcasting needs both a secured financing and as much as possible independence from political and commercial interests.
Taxation as basis of funding in the Netherlands has led to continuous uncertainty about the availability of funding and therefore about the scale of the package of tasks.
Also direct budgetary dependence on political decision-making seems at odds with the political independence required to carry out this function with sufficient freedom.

RECOMMENDATIONS

(1) "Government have to undertake an appropriate and secure funding which guarantees public service broadcasters the means necessary to accomplish their missions (..) over a sufficient period of time so as to allow public service broadcasters to engage in long term planning" (not my text; 1994 ministerial resolution Council of Europe, also signed by UK government).

(2) If the licence fee is terminated it seems impossible to reintroduce it.

(3) If you continue the licence fee, look to other models, like in Germany where since 2010 the obligation to pay the licence fee is no longer linked to the ownership of a device, but to the occupancy of a home or the running of a business.

(4) If you look for an alternative way of financing: whatever you choose: try to keep a direct relationship between the public broadcaster and its public, also in funding! And preferably the whole population and not only segments of it.

(5) You could also think of introducing other forms of income beside the licence fee.

- Like a limited amount of advertising or sponsoring, that many PSB's in Europe have;
- Or generating income from distributors (cable, satellite, etc.) [*Dutch government is actually asking this from NPO*];
- Or maybe even from specific pay operations (like we now do in the Netherlands with one of our VoD offers).

But beware: you will be:

- very vulnerable to criticism of disturbing the market
 and
- there is a danger that the search for more commercial income might interfere with keeping up your principles of PSB and your programme standards.