

Paying for the BBC

The BBC is both a national broadcaster providing public service broadcasting in return for special tax, and a commercial broadcaster in the world market operating through commercial subsidiaries BBC Commercial Ltd, BBC Studios Ltd and UK TV Media Ltd. It has a valuable back book of programmes and a well know brand worldwide.

BBC Commercial is small, turning over just £2bn. Licence fee activity brought in another £3.74bn. After selling its main property assets the BBC has a small balance sheet for a world media company, with just £2.66bn of capital and reserves on the balance sheet.

If we look at the US media majors we see far larger and better capitalised groups. Amazon, parent of Amazon prime entertainment, has a full group market capitalisation of \$1760 billion. Disney is worth \$177bn, Comcast \$178bn, Netflix \$243 bn and Thomson Reuters \$98 bn. These all dwarf the BBC in a very competitive world market. The turnover of Netflix, Comcast and Disney at \$240 bn is 31 times BBC total turnover and 92 times BBC Commercial turnover. Even Amazon prime videos on its own has a turnover double that of BBC Commercial.

The BBC sold off TV Centre and entered into a complex sale and leaseback or bond issue financing for Broadcasting House to raise £813 million.

The BBC Commercial arm to compete with the main media world players needs to raise capital and scale up. It could be spun off with commercial contracts to use and pay for BBC back material and any other privileged links. The new commercial company should be free to raise both equity and debt to be able to spend on more and better programming and routes to market.