

THE LICENCE FEE AND THE POLITICAL SITUATION IN NORWAY

- **FACTS:**
- NRK is the only public service channel in Norway financed by licence.
- NRK is the largest broadcaster in Norway and has 42% viewers rating for TV and about 60% for radio.
- NRK has a very strong position among the politicians and the Norwegian people.
- The Licence Fee department is an organizational unit in NRK.
- NRK itself is responsible for the collection of the licence fee.

The Government and Parliament decides the amount of the licence fee each year. (normally this increase is the same as the increase in price consume index.)

NRK itself is responsible to increase the number of registered licence holders and thereby increase in total incomes.

The Government and Parliament decides the framework for NRK and what purpose the NRK has to fullfill as a public service broadcaster.

- NRK, as a public service broadcaster, is completely independent from the Government and Parliament when practicing journalism.
- The formal juridic owner of the NRK is the Minister of culture. The Minister of Culture is the General assembly of the NRK and nominates the board of the NRK and the head of the board. The head of the board is responsible to appoint the editor for NRK.

- The political situation is as follow:
- There is still majority in the parliament for maintaining the licence fee system.
- The concervative parties tried to make the licence fee to be an important election issue before the last election in 2009,- it didn't give them more votes.
- Two of the concervative parties has claimed that they have decided to get rid of the licence fee system. One of the concervative parties wants to deliberate all aspects about licence fee financing and alternatives before they makes their final decission about the subject.

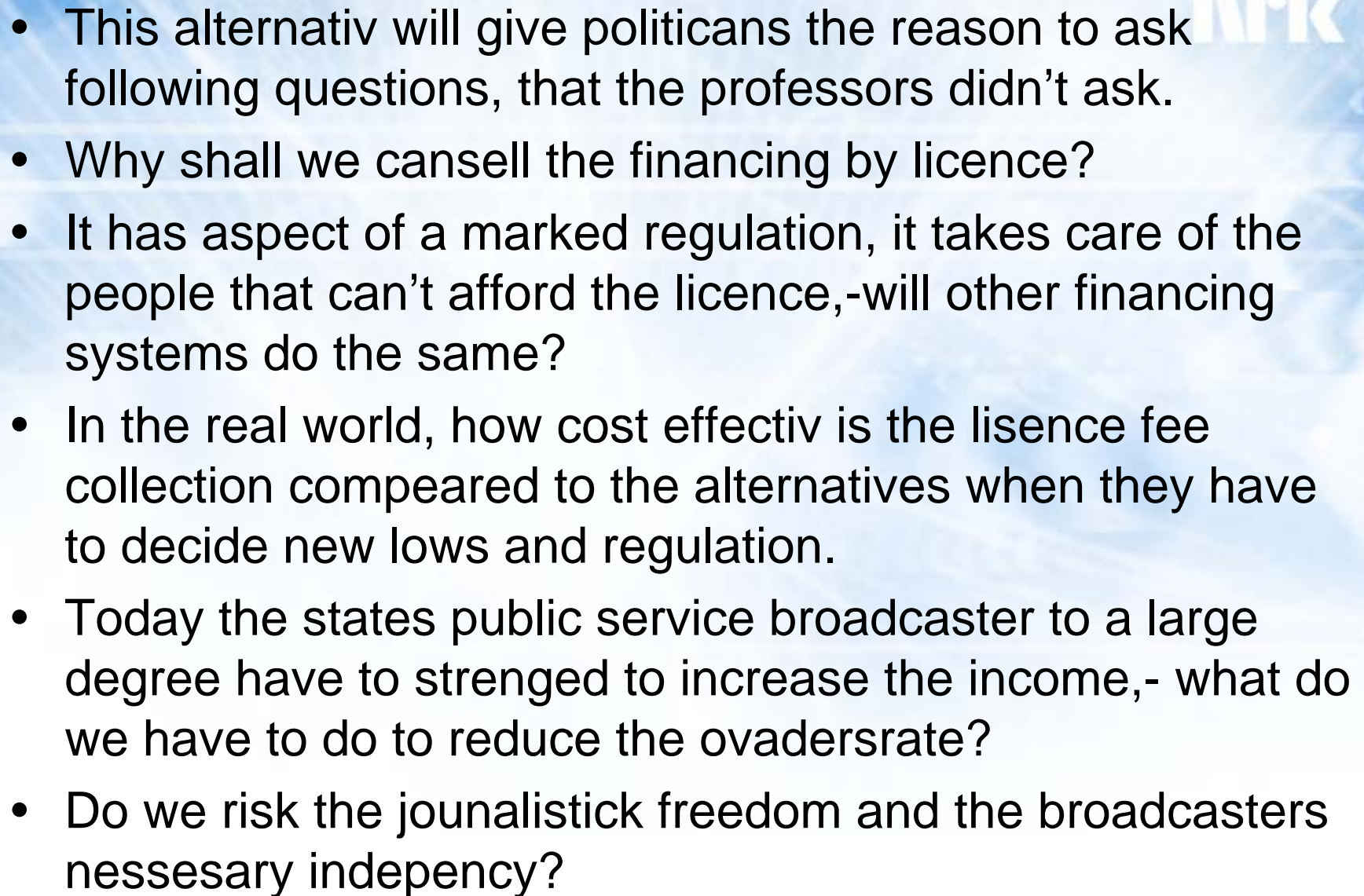
- In the latest political measurements there is a majority for the conservative political parties.
- If this should be the result for the election in 2013 there will be a great stress on the licence fee system.
- How strong political attention this question will get depends to some extent what happens especially in Finland, Sweden, Denmark and England.

- The Minister of Culture has engaged two professors from the university in Bergen to give their macro economic opinions on the following financing alternatives to finance the NRK:
 - 1. Financing by the State budgets.
 - 2. Financing by the Licence Fee.
 - 3. A tax/fee for each household.
 - 4. A reduction of deduction before calculation of the taxable income. The deduction should be lowered by the amount on the Licence fee.

- **1. Financing by the state budsjett.**
- MCF- Marginal cost of public funds, calculates the effect of change in behavior among taxpayers when the tax level increase, - international calculation-factors has been used.
- To finance today's licence fee by a general increase in tax represent a marginal cost on 1,3. (the cost is about 30% for each norwegian kroner the tax level is increased)
- The license fee has a MCF factor on 1,03(3 % in administration costs). The factor is low because the license fee is a so called cuptax, the fee or the tax goes directly to a certain purpose. (The NRK collects the licence fee directly for a certain pupose)
- Financing by tax, compered with the today's collection system, gives an increase in costs for the society on 600 million n. kroner.

- **This alternative will give politicians the reason to ask following questions, that the professors didn't ask.**
- Can we, the politicians, forever promise that the state public service broadcaster will get the same economic framework as today.
- Is there any guarantee for no reduction in transfer to NRK because of necessary priorities when dealing with the state budgets.
- Is there any guarantee for no reduction in framework where the real reason is a problem to find enough money in the state budget.
- Is there in the future any guarantee for no journalistic interference from the Government in order to save money.
- Is there any reason to fear that the state public service channels no longer will be journalistic free and independent to the same degree as today.
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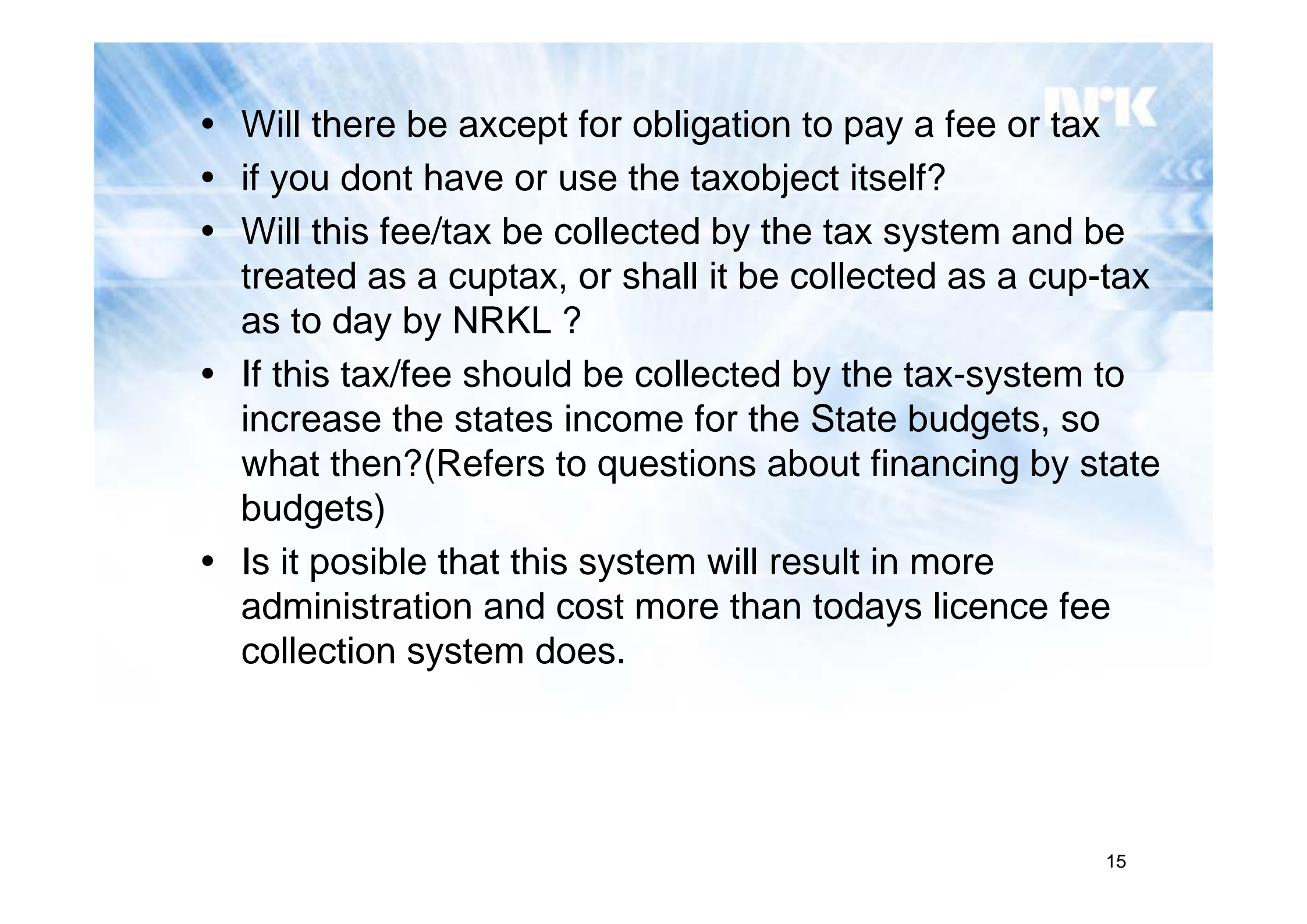
- **2. The financing by the licence fee.**
- Have a better cost/benefit than financing by state budget.
- But the two professors claim that the licence fee system itself is gone out of time. New distribution systems have given new receiver equipment that is not comprehended by regulations.
- There is no obligation to be registered with licence if a person only looks at internet-TV on PC.

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- This alternative will give politicians the reason to ask following questions, that the professors didn't ask.
 - Why shall we cancel the financing by licence?
 - It has aspect of a market regulation, it takes care of the people that can't afford the licence, - will other financing systems do the same?
 - In the real world, how cost effective is the licence fee collection compared to the alternatives when they have to decide new laws and regulation.
 - Today the state's public service broadcaster to a large degree have to struggle to increase the income, - what do we have to do to reduce the viewers rate?
 - Do we risk the journalistic freedom and the broadcaster's necessary independence?

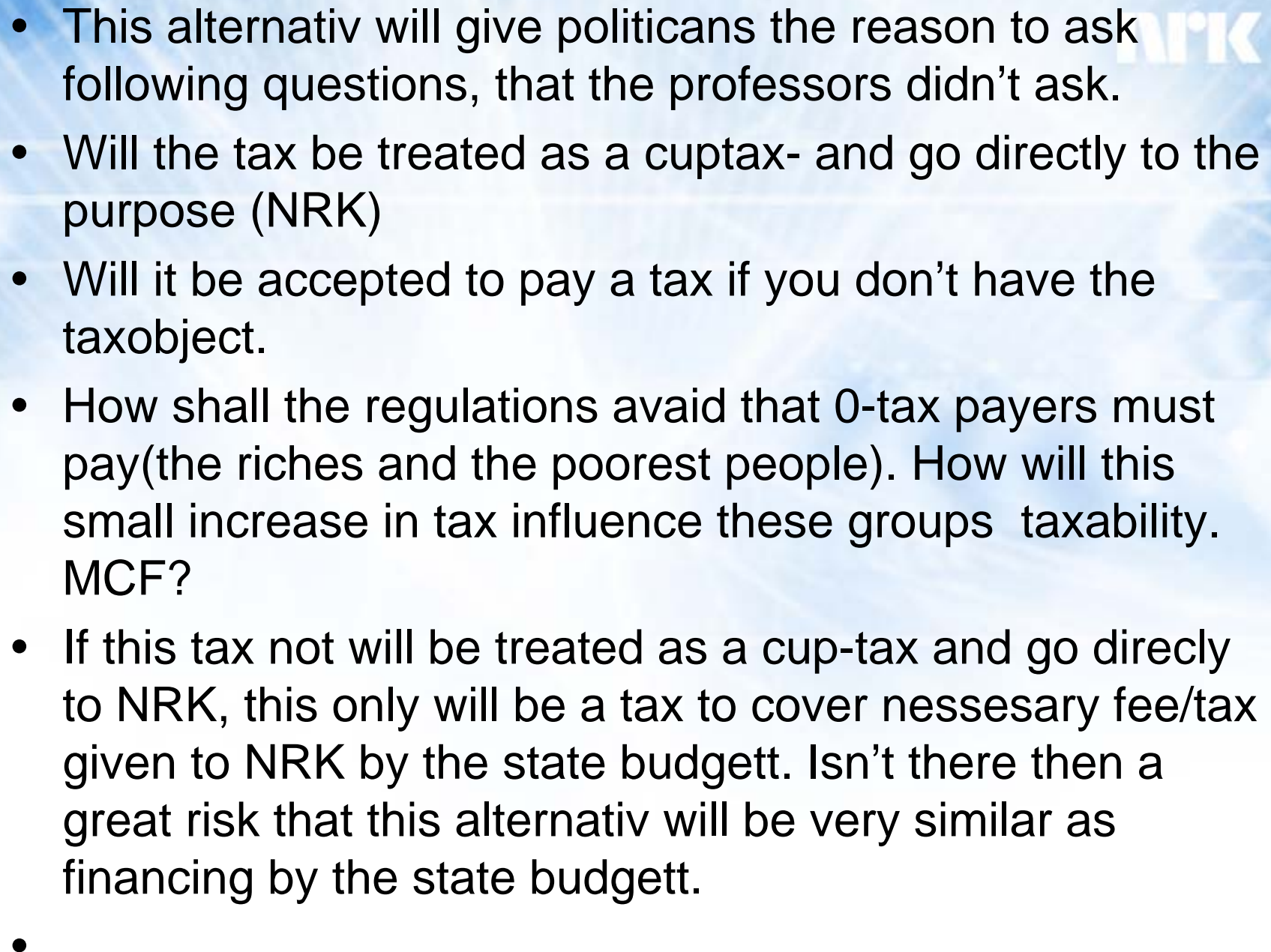
- What is the chance to getting great economic loss by changing the financing system?
- To day the politicians only have to determine what a single person have to pay a year in the yearly licence fee, why should they take the whole responsibility for the economic framework for the states public service broadcaster ?
- What if the politicians determine that the licence fee should be as important as all other taxes, and gave the collector of the licence fee the same framework as collectors of other taxes?
- Will a new financing system give a lower evaders rate or less economic loss, and a better cost/benefit compared to the other alternatives?

- **3. A tax/fee for each household.**
- The professors consider this option to be more cost effective than alternative 1 and 2.
- Much more cost effective than financing by state budget,
- Gives a little better cost/benefit than today's licence fee system.
- Every household has to pay, there will be no free riders/sneakers. It doesn't matter which equipment a person uses when watching TV.

- This alternativ will give politicians the reason to ask following questions, that the professors didn't ask.
- How should a houshold be defined?
- How many other/new groups of "evaders" will there be, and how many- depends on definision of a households (Main adress,- renting out rom/appartment) How will this influence on potential income compared with the licence fee sysytem.
- Who shall be the juridical person in the houshold?
- How shall this fee be controlled and followed up with changes- people moves, dies,divorce and so.on
- Shall the juridical person be obligated to pay even if the person is in hospital, elderly home, prison, living most of the year abroad, and so on?


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- Will there be an exception for obligation to pay a fee or tax if you don't have or use the tax object itself?
 - Will this fee/tax be collected by the tax system and be treated as a cup-tax, or shall it be collected as a cup-tax as to day by NRKL ?
 - If this tax/fee should be collected by the tax-system to increase the state's income for the State budgets, so what then? (Refers to questions about financing by state budgets)
 - Is it possible that this system will result in more administration and cost more than today's licence fee collection system does.

- **4. A reduction of deduction before calculation of the taxable income. The reduced deduction should be reduced by the amount on the licence fee.**
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- This alternative means in practice that every person with registered income has to pay more in TAX.
- This alternative will also give much better cost/benefit than financing by the State Budget, and a little better cost/benefit than financing by licence fee.
- There will be no evaders.

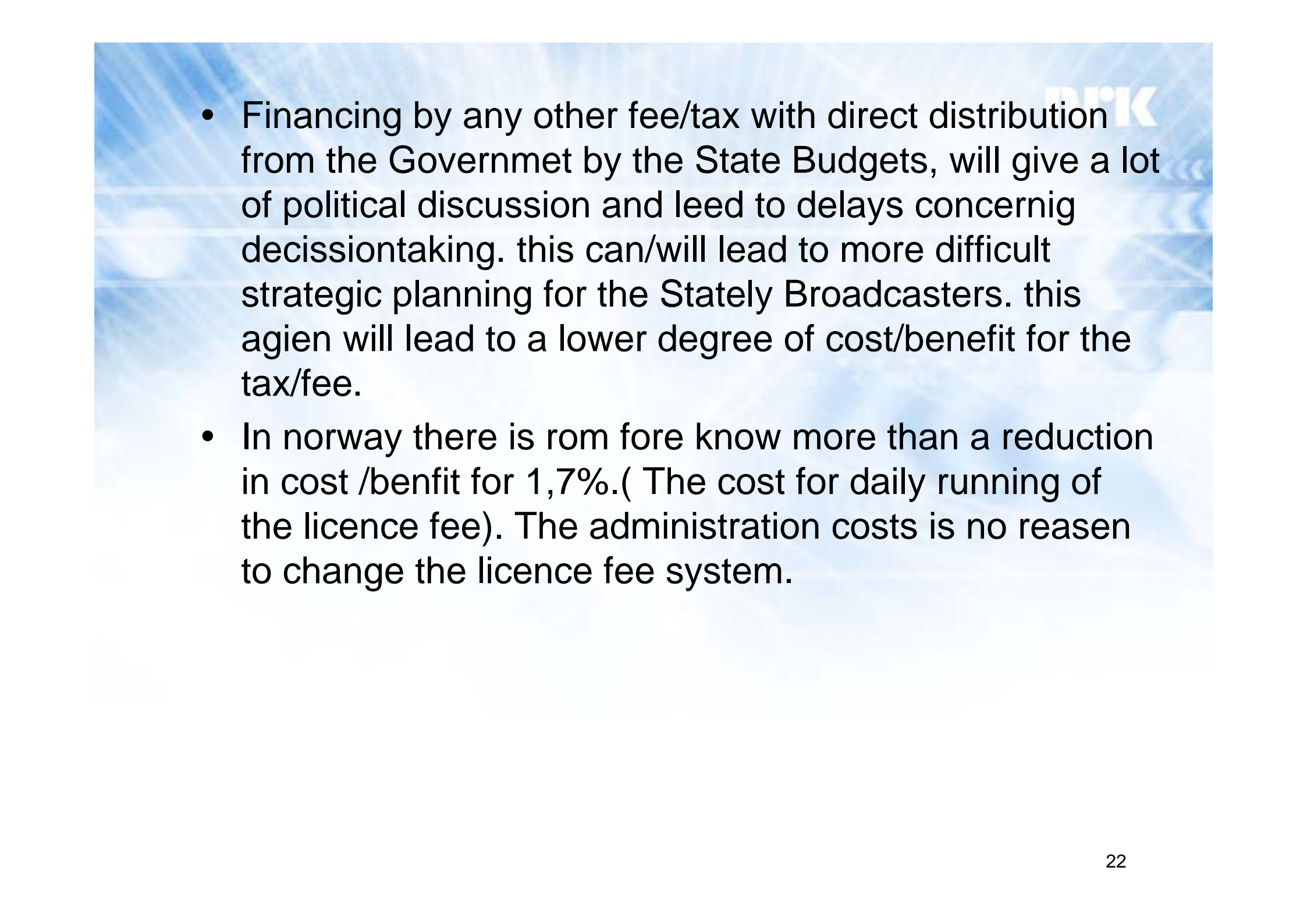
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- This alternative will give politicians the reason to ask following questions, that the professors didn't ask.
 - Will the tax be treated as a cup-tax- and go directly to the purpose (NRK)
 - Will it be accepted to pay a tax if you don't have the taxobject.
 - How shall the regulations avoid that 0-tax payers must pay(the riches and the poorest people). How will this small increase in tax influence these groups taxability. MCF?
 - If this tax not will be treated as a cup-tax and go directly to NRK, this only will be a tax to cover necessary fee/tax given to NRK by the state budgett. Isn't there then a great risk that this alternative will be very similar as financing by the state budgett.
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THE BEST SOLUTION

- Regulations that every country should have;
- Obligation to have a licence fee for all kind of technical devices that can receive TV distribution. For a person that are registered with licence there should be needed only one licence that should cover all familie members that he/or she provides for.(In norway it so that if you use PC for television you are not obligated to pay licence,- potentialy this gives 3-4 % ovaders, this is not. fear)
- All dealers of technical devices should be obliged to report sales to the states broadcasters/or licence fee collector organization.(It is so in Norway, the costs are very low, and the cost/benefit is high for NRK, the dealers interest organization earns money on this obligation, NRK gets the same information that are registered in the dealers controll system for reclamations on the device.)

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- All distributors of TV should be obliged to report name, adress and birthdate on their abonments to the states public broadcaster or the collector.(In norway the distributors became obligated,new act of low Brl. § 8-5) NRK has ask for obligation for the dealers to report the birhdate, -it is necesarry before we start practising the new act of low. NRK has to pay the distributers for this service, but the cost/benefit is high for NRK.
 - The sanctions for evaders must be as strong as needed to keep the evaders rate low, stating examples with sanctions are important for the moral to pay the licence fee. The Stately Broadcaster or/collectors determins from policyquestions weather or when they should use sanctions.

- The licence fee collection system must follow collection regulations for people with low private economy, - if they can't pay because of insolvency the collector must register this as a loss of income. What tax-system will take the same problem in consideration.
- What about the V.A.T,- some say that the state budget can not give V.A.T as a part of transferring tax money for the daily running of state businesses or institutions.
- It is important to maintain today's licence fee system as a tax, where the state broadcaster is responsible for the collection. This is the best way to utilize all economic resources to be the best way for the society.

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- Financing by any other fee/tax with direct distribution from the Government by the State Budgets, will give a lot of political discussion and lead to delays concerning decisionmaking. This can/will lead to more difficult strategic planning for the State Broadcasters. This again will lead to a lower degree of cost/benefit for the tax/fee.
 - In Norway there is room for more than a reduction in cost/benefit for 1,7%. (The cost for daily running of the licence fee). The administration costs is no reason to change the licence fee system.

- It is important to maintain today's licence fee system as a cuptax, where the state broadcaster are responsible for the collection. This is the best way to utilize all economic resources to be the best way for the society. (gives the best cost/benefit for the tax/fee)
- There are few examples where the collected taxes are used only for the purpose they were meant for, politicians have always done economic priorities to the purpose they mean are the most important.
- The licence fee is also the best solution to still keep all State broadcasters as independent as possible with a secure distance to the politicians and their priorities by the state budgets.