S 3000

PREM 19/2028

Television Licence fees

Finances of the BBC

Pay of the BBC

BROADCASTING

PT 1: JULY 1979

PT 3: JULY 1986

In attached folder (1) Final Copy of Peacock Report.
(2) Conservative Central Office - "Media Monitoring"

PREM 19/2028

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~2.7.86~~		~~25.11.86~~					
~~4.7.86~~		~~28.11.86~~					
~~7.7.86.~~		~~4.12.86~~					
~~8.7.86~~		~~10.12.86~~					
~~30/7/86~~		~~15.12.86~~					
~~25.8.86~~		~~18.12.86~~					
~~5.8.86~~		~~19.12.86~~					
~~6.8.86~~		~~22.12.86~~					
~~11.8.86~~		~~13.1.87~~					
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~~27.8.86~~		~~16.1.87.~~					
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10.9.86		~~11.2.87~~					
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~~17.11.86~~							
~~19.11.86~~							
20.11.86							

PART 3 ends:-

SPECTATOR ARTICLE 21.2.87

PART 4 begins:-

CDL TO FCS 17.3.87

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(86) 37th meeting, item 1	13/11/1986

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed _____ Date 13/07/2015

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Cmnd. 9824 Home Office
Report of the Committee of Financing the BBC
Chairman: Professor Alan Peacock, DSC, FBA
Presented to Parliament by the Secretary of State for the Home Department by Command of Her Majesty, July 1986
Printed by HMSO ISBN 0 10 198240 2

Signed _____ Date 13/01/2015

PREM Records Team

CORPORATION SCANDALS.

*The media: **Paul Johnson** reflects on the moral atmosphere at the BBC*

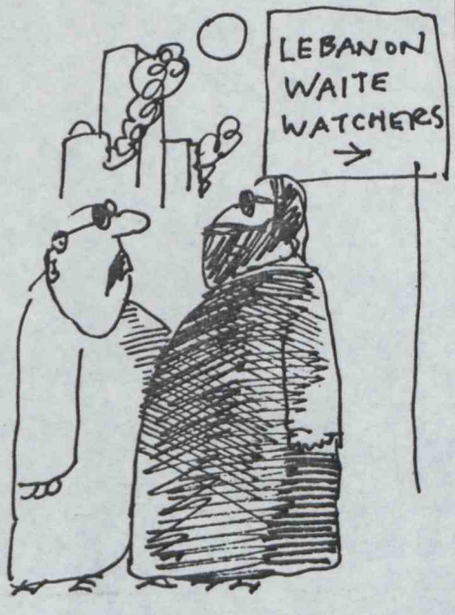
'THE latest scandal to hit Wall Street', I heard a BBC news announcer say recently. That, you may think, is a rather tendentious way of headlining the news, not uncharacteristic of the declining standards at the Corporation. But what about the news the Corporation does not report? How about 'The latest scandal to hit the BBC'? There are now so many it is becoming difficult to keep track of them.

There are, of course, important differences between Wall Street and City scandals, and those at the BBC. But perhaps the most significant one, from the point of view of the public interest, is that in the financial world an operator caught breaking the rules is punished — enforced resignation or sacking being the least he has to fear. In a BBC scandal, by contrast, no one is penalised at all. The Corporation simply closes ranks and rides out the storm, secure in its poll-tax income (now index-linked). There are, it is true, one or two minor exceptions to this no-punishment procedure. Thus, the BBC Radio London producer who wrote an intemperate defence of his one-sided programme (I described the incident in the *Spectator*), actually received *a letter of rebuke* from the then director-general — not, I hasten to add, for broadcasting a biased programme but for admitting the fact publicly. This was, by the BBC's current standards, a trivial case. In the more important ones, involving weightier people, no action is taken.

The BBC, being to a great extent a self-regulating institution, protected from many legal processes by its Royal Charter, and from the market by its monopoly tax-income, does have some rules of its own. But they are often ignored and increasingly rarely enforced. Thus, in the BBC *Real Lives*-IRA scandal, the BBC's rules and guidelines for programmes dealing with terrorism and Northern Ireland were repeatedly and flagrantly broken, at various levels in the hierarchy. Indeed, if the rules had been observed, there would have been no trouble in the first place. These multiple breaches were listed in a statement by the chairman of the BBC governors, published in the *Times*. As the issue was an extremely serious one, which brought the BBC into conflict with the Government, the least the public had the right to expect was a full internal inquiry, followed by appropriate disciplinary action. In fact, nothing happend at all. To the best of my knowledge no one was ever punished in any way.

Naturally, if officials are not penalised for breaking rules, further breaches will occur. That is exactly what has happened. *Crossfire*, a five-part 'thriller', presenting IRA terrorists in a sympathetic light, and due to be transmitted in March, also broke BBC rules about the presentation of terrorism. Indeed, the BBC's Northern Ireland controller does not seem to have been consulted at all. The series has now been withdrawn for 'further work'. Evidently somebody tried to pull a fast one. Are any of the rule-breakers going to be punished this time? True, the BBC does not have a director-general at present. But there is nothing to stop the board of governors ordering an urgent inquiry into this case. They, after all, have all the legal responsibility. If rules are broken with impunity, they are ultimately to blame.

As the BBC scandals multiply, the evidence grows that impropriety exists not just at the production level but higher up. The *Maggie's Militant Tendency* libel was a particularly disturbing example of BBC misbehavior. If all the details are ever published they will, I think, shock even the BBC's most earnest apologists. Yet repeated decisions to defend the indefensible were taken at senior level right up to the final débâcle. The financial loss to the Corporation was enormous. The damage to the BBC's reputation, especially in parliament, was still more serious. Why has no inquiry been held? Why has no one been punished? Is it because some of the responsibility goes too far up the hierarchy?



Even more destructive of the BBC's image for integrity is the soberly factual and fully-documented account provided by Ian Curteis in the *Sunday Telegraph* of the suppression of his Falklands play. This makes it perfectly clear that the play was censored not for electoral reasons (the official BBC explanation), or because of its lack of quality (the unofficial BBC whispering campaign) but because Curteis refused to give the script a political slant which would have been both anti-Government and unhistorical. In particular, he would not cut scenes showing the Prime Minister weeping at the loss of the *Sheffield* or writing personal letters to the families of servicemen who were killed; most of all, he refused to insert the suggestion, which he knew to be untrue, that electoral considerations had governed the Cabinet's handling of the crisis. In short he would not be a party to a politically-motivated falsification of the historical record, like *The Monocled Mutineer*.

Curteis's account exposes the shoddy way the BBC is run nowadays: it mendacity, hyprocrisy and duplicity, as well as its obvious political bias. Some of the most senior officials at the BBC were involved in this sorry tale, and if they are in a position to challenge Curteis's allegations they have an obvious legal remedy. One of the BBC's fictions — that the Corporation could not transmit such a progrmme in a likely election year — has already been exposed by its own decision to show in June a tendentious version of the Profumo affair calculated to damage the Conservative Party. But the BBC takes falsehood in its stride these days. Has not Bill Cotton, Managing Director of BBC television, publicly announced its commitment not, indeed, to historical accuracy — that is often politically inconvenient — but to what he is pleased to term 'the greater truth'. This weasel-expression perfectly sums up the moral atmosphere which now envelops 'the world's finest broadcasting service'. That is one reason why the next director-general should come from outside.

Correction: 'Greece the Hidden War' (The media, 7 February) was made by TVS, not STV.

CONFIDENTIAL

JA

cc BG

cc LPO
HMT
WO
CDLO
DTI
CWO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 February 1987

Dear Colin,

ANNOUNCEMENT OF BBC LICENCE MATTERS

The Prime Minister has seen your letter to me of 9 February about the possibility of sponsored programmes on the BBC. She has also seen the Chancellor's minute of 21 January.

The Prime Minister has noted that the Home Secretary intends to consult colleagues in due course about the implications of sponsored programmes.

I am copying this letter to the Private Secretaries to the other members of MISC 128, Geoffrey Podger (Department of Health and Social Security), Trevor Woolley (Cabinet Office) and Steven Wood (Lord Privy Seal's Office).

Yours sincerely,

David Norgrove.

(David Norgrove)

C. R. Miller, Esq.,
Home Office

CONFIDENTIAL

From: THE PRIVATE SECRETARY

CCBG

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

Prime Minister 2
For information.
DNS
10/2

9 February 1987

Dear David,

ANNOUNCEMENT OF BBC LICENCE MATTERS

Thank you for your letter of 16 January conveying the Prime Minister's response to the suggestion that any change in the current restriction on the use of sponsored programmes by the BBC would re-open the question of the level of the television licence fee. The Home Secretary has also seen the Chancellor's minute of 21 January on this question, and he has asked me to write explaining how he sees matters being taken forward.

The announcement the Home Secretary made on 14 January, about the indexation of the licence fee in future, was made on the basis that the BBC does not receive money from sponsored programmes, and that was of course the basis on which it was agreed by MISC 128. It was only after the decision was taken - but before it was announced - that the BBC came to the Home Secretary to raise the question whether the BBC should be allowed to show programmes made by independent producers with credit being given to those who had sponsored the programme. The Home Secretary felt that this was a welcome sign that they are prepared to take a more open minded and commercial attitude to these matters. It did, however, raise a number of new questions, as the Chancellor's minute points out, and the Home Secretary has asked for further information from the BBC. In the light of their response the Home Secretary will wish to consult colleagues about the implications - including the possible impact on sponsorship for the arts and for sport - and he will do this as soon as he has heard further from the BBC.

I am copying this letter to the Private Secretaries to the other members of MISC 128, Tony Laurance (DHSS), Trevor Woolley (Cabinet Office) and Stephen Wood (Lord Privy Seal's Office).

Yours,
Colin

C R MILLER

D Norgrove, Esq.,

BROADCASTING : TV Licence fees pt 3.

CONFIDENTIAL cf to file.

Queen Anne's Chambers
28 Broadway
London SW1H 9JS
Telephones DIRECT LINE 01-210 3049
SWITCHBOARD 01-210 3000
Telex 917564 GTN 210
FAX No. 01-222 6006

Our reference

Your reference

22nd January 1987

cc RC
Questions

M E Addison Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

Dear Mark,

TV LICENCES

I am writing to confirm the advice that I have given you on the telephone over the last few days in connection with Parliamentary Questions about television sets in Downing Street and in the Houses of Parliament.

I explained that the provisions of the Wireless Telegraphy Act 1949 which enable licence fees to be levied do not bind the Crown expressly or by implication. Accordingly, it was appropriate to include in the reply to Mr Kaufman's Question a statement to the effect that no licence fees are payable for television sets on Crown property used for Government purposes. This is totally defensible and the reference to" Government purposes" will allow a more restricted view to be taken where that may be appropriate. Hampton Court Palace is a good example: the premises constitute Crown property but private individuals occupy grace and favour apartments there and it been desirable to support the proposition that they do not have to have a television licence for any set which they use in the accommodation allocated to them.

I understand that enquiries have been made in relation to Chequers and Chevening and it has been established that television sets there require a licence and that these have been obtained as a matter of routine.

CONFIDENTIAL

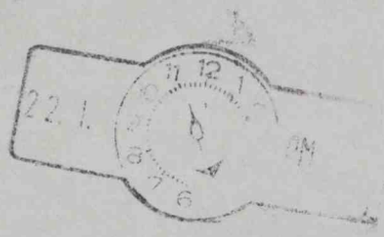
We subsequently spoke about a Question by Mr Winnick, for written answer, in so far as it concerned television sets in Minister's rooms in the House of Commons. I mentioned to you that, with the recent activities in connection with the Duncan Campbell film in mind, it would be better to avoid the subject of Parliamentary privileges and immunities at this time. I therefore suggested that the reply should include a statement that the use of television sets in the Palace of Westminster is a matter for the House authorities. This response is consistent with the case of R v R F Graham-Campbell ex parte A P Herbert in 1934. You may have read about the proceedings initiated by the writer A P Herbert when he applied for a summons against the members of the Kitchen Committee of the House of Commons for selling intoxicating liquor in a refreshment room of the House without holding a justices licence to do so. The judgments which were subsequently delivered in the King's Bench Division are helpful insofar as they confirm that the courts "have an invincible reluctance to interfere" where the" House of Commons was acting collectively in a matter falling within the area of the internal affairs of the House". In other words, as the Court accepted that the House had validly decided that the licensing laws were not to apply, it is reasonable to assume that they are free to take a similar decision in relation to television licences. Nevertheless, it is a question for the House authorities, not Ministers.

I should perhaps also record that, I have consulted Speaker's Counsel who said that there may be some substance in the proposition that the Palace of Westminster is a Royal Palace and as Crown property, would not be subject to the relevant provisions of the Wireless Telegraphy Act 1949. However, Erskine May on Parliamentary Practice (at page 218) states that each House, while in occupation of the part assigned to it, has the custody and service of that part, control being exercised in the Lords through the Gentleman Usher of the Black Rod and, in the Commons, by the Serjeant at Arms. Thus it is questionable whether an argument that Crown exemption from the statute could be claimed by each House, but whatever the position may be on that issue, the draft Answer to Mr Winnick's Question in not referring to the status of the Palace of Westminster as such, has the advantage that it cannot prejudice any assertion that the Government may want to make on the point in the future.

Yours ever

Graeme Hosker.

G A Hosker



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ps2/3R

cc BG

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

CP Do Home Office intend to comment?
DRS

at Flag

PRIME MINISTER

I have seen your Private Secretary's letter of 16 January to the Home Office, concerning Douglas Hurd's announcement on the BBC licence fee. I should explain a little further what lay behind my assumption that it was understood by all concerned that any change in the current restriction on the use of sponsored programmes by the BBC would reopen the question of the level of the licence fee.

MISC 128 did not discuss the question of sponsorship. It has arisen since we considered the level of the licence fee (I gather that in fact the BBC raised it when Douglas pressed them to make more use of independent producers).

Sponsorship is in essence an alternative form of advertising, but it would be likely to work differently and to raise some very difficult issues of both broadcasting finance and editorial independence. That is why independent television was deliberately set up in the '50s by the then Conservative Government on the basis of spot advertising, not sponsorship. Sponsored programmes are not only banned on the BBC by the licence agreement, but strictly controlled on ITV and Channel 4. So a proposal to allow the BBC to use sponsored programmes would have to be considered very carefully as a matter of broadcasting policy, quite apart from the licence fee.

The connection with the licence fee is that sponsorship could be used to supplement BBC revenues - essentially as an alternative to advertising. The tobacco companies' sponsorship of televised sport indicates the nature and scope of what might be involved. But our

decision about the licence fee was based on the assumption that it would be the BBC's only source of revenue apart from their own commercial operations: sponsorship is banned, and Peacock considered it "only as one form of advertising" (para.397). To allow the BBC to move into sponsorship would thus call in question the basis on which we considered the level of the licence fee in the same sort of way that allowing them to move into advertising would do so. The ITV companies would have a clear grievance - the more so since it would draw money from advertising budgets, when we are looking to advertising to sustain new developments like DBS and cable.

I entirely agree that sponsorship revenue need not have a £ for £ affect on licence revenue - otherwise, there would be no incentive. But if it had no effect on licence revenue it would simply be a soft option for the BBC, working against our aim of a more efficient broadcasting industry.

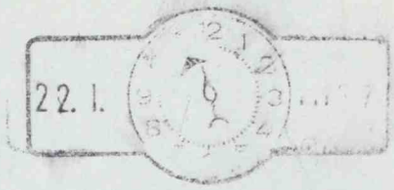
I do not know how seriously the question of sponsorship may be raised, if at all. I would not necessarily be opposed to it. But for all these reasons I am sure it should only be on the basis that it would have some effect on the licence fee: indeed if that were not so I am clear that I should be opposed to sponsorship.

I am copying this minute to Douglas Hurd; to the other members of MISC 128: to Norman Fowler; and to Sir Robert Armstrong.

N.L.

21 January 1987

BROADCASTING: Licence fees
pt 3.



PRIME MINISTER

The Government won the vote on the Winnick Bill by 183 to 162. This represents a very large turn out for a Friday, on both sides. The Chief Whip worked very hard and very effectively to get the pay roll vote out, and to mobilise backbenchers too. You might like to congratulate him on Monday.

Vanessa Cummings

MARK ADDISON

16 January 1987

CONFIDENTIAL

cc Ld. Pres.
C/Ex
S/Wales
S/DTI
CDL
Ch. Whip

Pite

CC BG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

16 January 1987

Dear Stephen,

ANNOUNCEMENT ON BBC LICENCE MATTERS

The Prime Minister has seen Cathy Ryding's letter of 14 January to Steven Wood about the Home Secretary's announcement on the BBC licence fee.

The Chancellor commented that he assumed that it was understood by all concerned that any change in the current restriction on the use of sponsoring programmes by the BBC would reopen the question of the level of the TV licence fee. The Prime Minister has said that she was unaware that any such condition attached to the conclusions reached by MISC 128. She is also not sure that to set such a condition would be sensible since its effect could be to deter the BBC from ever trying to win programme sponsorship: the BBC management would have no idea in advance how much of their licence fee income they would lose.

I am copying this letter to the Private Secretaries of MISC 128, Tony Laurance (Department of Health and Social Security) and Trevor Woolley (Cabinet Office).

Yours,
David.

DAVID NORGROVE

Stephen Boys Smith, Esq.,
Home Office

CONFIDENTIAL

RC6.46

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

14 January 1987

Steven Wood Esq
Private Secretary to the
Lord Privy Seal

Dear Steven,

ANNOUNCEMENT ON BBC LICENCE FEE MATTERS

Stephen Boys Smith sent me a copy of his letter to you of 9 January.

The Chancellor is content with the draft text of the announcement. He assumes that it is understood by all concerned, and especially by the BBC, that any change in the current restriction on the use of sponsored programmes by the BBC would reopen the question of the level of the TV licence fee.

I am copying this letter to Andy Bearpark (No.10), to the Private Secretaries to the other members of MISC 128, to Tony Lawrence (DHSS) and to Trevor Woolley (Cabinet Office).

Yours,
Cathy

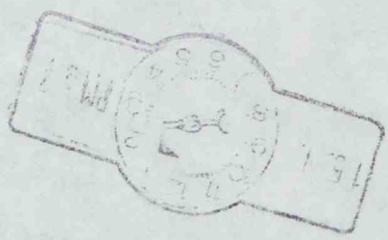
CATHY RYDING
Assistant Private Secretary

Prime Minister!
Is this sensible?
Its effect would be to deter the BBC from ever trying to bring in programme sponsorship. They could have no idea how much of their licence fee income they would lose. Would you like to question the Chancellor's view?

DLW
15/1

I cannot remember any such condition attaching to our decision, or

Broadcasting: BBC financing PT3



CONFIDENTIAL

COBR

QUEEN ANNE'S GATE LONDON SW1H 9AT

14 January 1987

Dear Paul, NBPN.

PEACOCK COMMITTEE:
ROLE OF THE POST OFFICE IN TV LICENSING

FILE WITH DN

I am sorry that you have not had an earlier reply to your letter of 20 November about the MISC 128 decision in principle that responsibility for the administration of the licence fee should be transferred to the BBC. I wanted first to establish - which I have now done - that the BBC was willing to accept it.

For general reasons I accept your view that no major changes to the arrangements for licence fee collection should take effect before April 1988. In the first place legislation will be needed to give the BBC responsibility in its own right for licence fee collection. Even if it were possible to do this within the scope of ~~next~~ this year's Finance Bill - and I understand there is substantial doubt about this - it would inevitably take the BBC some time to come to its own view on changes which it might want to introduce and then to put them into practice. In both practical and contractual terms - you will know from the Post Office that our agreement with the National Television Licence Records Office is subject to a minimum termination period of twelve months - I am sure that there cannot be any significant shift of business away from the Post Office before April 1988.

Having said that, it is also clear that some reduction in the involvement of the counters side of the Post Office is inevitable. Automated payment systems offer the prospect both of administrative savings and improvements in the control of evasion; and it is only right, particularly when we are indexing the licence fee to the RPI and so placing the BBC under pressure to spend its revenue more efficiently, that every effort should be made to make the collection of that revenue more efficient too. The Post Office is aware of this, and has already undertaken detailed planning for investment in new technology and organisational change at the Records Office which would make it well placed to compete for new automated licence fee payment business.

I see no difficulty in referring to April 1988 as the earliest possible date if the point comes up in debate following our announcement of the indexation of the licence fee and related matters.

I am copying this letter to the Prime Minister, other members of MISC 128, and to Sir Robert Armstrong.

Yours ever,

Douglas.

The Rt Hon Paul Channon, M.P.

CONFIDENTIAL

BROADCASTING BBC finances PT3

CONFIDENTIAL

CCBG

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

Prime Minister 2
DHW
14/1

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
SW1H 9AT

12 January 1987

Dear Douglas,

TELEVISION LICENCE FEE

I have seen a copy of your minute of 11 December to the Prime Minister which sought views on your proposed statement in response to the Peacock Committee's recommendation to be made during the Second Reading debate on David Winnick's Private Member's Bill on 16 January.

I certainly agree that the Second Reading of this Bill should be opposed, although it will be important to avoid appearing anti-pensioner. Prolongation of the Bill's life will encourage demands for other types of concession for pensioners and might put pressure on our general line that concessions distort the spending choices of social security beneficiaries. Our policy has always been to provide retirement pensions and other cash benefits without placing any restrictions on the ways in which they might be spent by the recipients. It is not for the Government to determine how pensioners use the resources made available for their support by siphoning some into exemption from licence fees which many can afford and others do not want.

I am broadly content at the proposal for the future indexation of the TV licence by the RPI. However, there are two presentational points I should make:-

1. The proposed increase of about £4 in the fee in April 1988, followed by indexation over the benefit uprating period thereafter, will mean a 6.9% increase at that point. This is higher than any likely RPI-based increase in pensions in April 1988.

2. The introduction of the new income support and housing benefit schemes at the same time will adversely affect the incomes of some poorer pensioners, who would have been protected by the Peacock Committee's recommendations.

Both these points mean that some caution should be exercised in statements about the effect of the 1988 fee level on pensioners. Taking the increase from a notional licence fee of £60 in 1987 will be a difficult concept to get across.

CONFIDENTIAL

E.R.

CONFIDENTIAL

I am also content that no change should be made at present in the concessionary 5p fee for residential homes. I am copying this minute to the Prime Minister and to those to whom your minute was sent.

Yours Ever,
John

JOHN MAJOR

CONFIDENTIAL

BROADCASTING BBC finance 1/3

DN

TELEVISION LICENCE FEES

HOME SECRETARY'S STATEMENT - 14 JANUARY 1987

With permission, Mr Speaker, I should like to make a statement about decisions on certain central features of the Peacock Report on Broadcasting which the House debated on 20 November.

We accept the judgment of the Peacock Committee that the BBC should not be financed through advertising and that for the time being the licence fee should remain the principal source of income. As the House knows, we have commissioned an expert study of the technical and economic feasibility of subscription which in principle we find attractive. We should receive this in the Spring, but it is in any case clear, as Peacock noted, that this form of funding could not be introduced for some years.

I have already announced that the colour licence fee will remain at £58 until March 1988. We have decided that thereafter it should be indexed to move annually in line with the retail price index. This will provide secure and predictable funding for the BBC consistent with the principle of its constitutional independence. Increases in the licence fee will in future be determined on precisely the same basis

as increases in pensions and benefits. As Peacock proposed, the new colour licence fee will be calculated on a notional licence fee for 1987-88 of £60. In April 1988 the fee will be increased by an amount which reflects the percentage annual change in the RPI as measured at October 1987. Given the past tendency of BBC costs to rise faster than inflation, this form of indexation will provide a strong incentive to practice efficiency and care in undertaking fresh commitments. The Government see the new arrangements I have announced today as lasting for at least three years from April 1988; any departure from them should be wholly exceptional and for clearly stated reasons.

We believe that people should have the option of receiving monochrome television and taking out a significantly cheaper licence. Accordingly, despite Peacock's suggestion that the monochrome licence fee might be brought closer to that of the colour licence, we have decided that the monochrome fee should remain at broadly its present level. It will therefore be indexed on the basis I have described, starting from a notional baseline of £20 and continuing to provide a cheaper alternative licence.

We have looked again at the arguments for concessionary licences. We are satisfied that there are overwhelming objections both on principle and on grounds of practicability to the Peacock Committee's proposal that pensioners drawing

supplementary pensions should be exempt from the licence fee if they live in households wholly dependant on a pension. We reject Peacock's suggestion which envisaged financing this proposal through a separate car radio licence. In the light of those decisions we have decided to retain the existing arrangements for concessionary licences for those in residential care.

We accept in principle the Peacock Committee's view that the BBC should be given a bigger role in collecting the licence fee. We have doubts about its specific proposal that the BBC should act as a managing agent, on a consultative basis, to the Home Office. That might well lead to a confusion of responsibility. While the Government will clearly need to determine the level of the licence fee and any concessionary arrangements, we believe, subject to study of the detailed implications, that the BBC should become directly responsible for collecting this revenue and for enforcing the licence fee system. I am glad to be able to tell the House that the BBC's Board of Governors accept in principle the merits of this approach. We shall be exploring together the detailed implications with a view to proposing any necessary legislative changes in due course.

/We are anxious...

We are anxious that those wanting a television licence should have available, and be fully aware of, convenient means of paying for it. Since the last settlement the Home Office, in consultation with the BBC and the Post Office, have conducted a thorough review of existing methods and examined possible new methods of payment. As a result both we and the BBC see attractions in arrangements under which licences could be issued on a pay-as-you-go basis - at present the licence fee has to be paid in full in advance. We shall be considering further with the BBC how this could be put into practice. Meanwhile we intend to make the public better aware of the various schemes which already exist for payment. We aim to increase convenience of payment for the consumer; to help those in financial difficulty to spread the cost of the fee; to minimise enforcement and administration costs; to reduce the levels of evasion and late payment; and to enable the BBC to maximise its revenue while keeping the cost of the licence fee down.

CONFIDENTIAL

DG280S

file

MISC 128

cc: Ld Pres
Ch/Ex
SofS Wales
n T & Ind
Ch/D/Lanc
Chief Whip

bc: BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 January 1987

Dear Stephen,

ANNOUNCEMENT ON BBC LICENCE FEE MATTERS

The Prime Minister has seen your letter to Steven Wood of 9 January to which was attached a draft announcement about funding of the BBC. The first sentence of paragraph 4 says "We are concerned that the cost of the licence should not prevent anyone from receiving television." The Prime Minister believes that if this were said it would create a new principle. She would prefer you to find another way of explaining why Peacock's suggestion for increasing the monochrome licence fee is to be rejected.

I am copying this letter to the Private Secretaries to members of MISC 128, to Steven Wood (Lord Privy Seal's Office), Tony Laurance (Department of Health and Social Security) and Trevor Woolley (Cabinet Office).

Yours,

David.

David Norgrove

Stephen Boys Smith, Esq.,
Home Office.

CONFIDENTIAL

DG

From: THE PRIVATE SECRETARY

Covering CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

9 January 1987

Prime Minister

This is the Home Secretary's proposed statement on financing of the BBC. He seems inclined to resist the business managers' view that it should be made before the debate on the Winnick Bill.

Dear Stephen.

DCV
9/1

ANNOUNCEMENT ON BBC LICENCE FEE MATTERS

As you know, the Home Secretary and Mr Mellor are to meet Mr Biffen and Mr Wakeham to discuss the timing of the announcement to be made next week. The alternatives, as the Home Secretary sees them, are for the announcement to be made as he had proposed during the Second Reading debate on Mr Winnock's Bill on Friday, 16 January or, as the business managers have suggested, for it to be made as separately, presumably as an oral statement two days earlier.

The Home Secretary thought that, especially given the time factor, it would be helpful for me to send you, and other Private Secretaries, at this stage a draft of the terms of an announcement. I therefore enclose a draft covering the decisions taken by MISC 128. The attached draft, being a self-contained document, would of course need some stylistic changes if it were to be incorporated as the Home Secretary envisages in Mr Mellor's speech on Mr Winnick's Bill.

I am sending a copy of this letter and enclosure to Andy Bearpark (No 10), to the Private Secretaries to the other members of MISC 128, to Tony Laurance (DHSS) and to Trevor Woolley (Cabinet Office).

Yours.
S Boys Smith.

S W BOYS SMITH

Steven Wood, Esq.,

Covering CONFIDENTIAL

CONFIDENTIAL

1. I can now announce decisions on certain central features of the Peacock Report on Broadcasting which the House debated on 20 November.

2. We accept the judgment of the Peacock Committee that the BBC should not be financed through advertising and that for the time being the licence fee should remain the principal source of income. As the House knows, we have commissioned an expert study of the technical and economic feasibility of subscription which in principle we find attractive. We should receive this in the Spring, but it is in any case clear, as Peacock noted, that this form of funding could not be introduced for some years.

3. I have already announced that the colour licence fee will remain at £58 until March 1988. We have decided that thereafter it should be indexed to move annually in line with the retail price index. This will provide secure and predictable funding for the BBC consistent with the principle of its constitutional independence. Increases in the licence fee will in future be determined on precisely the same basis as increases in pensions and benefits. As Peacock proposed, the new colour licence fee will be calculated on a notional baseline of £60 on 1 April 1987. In April 1988 the fee will be increased by an amount which reflects the percentage annual change in the RPI as measured at October 1987. Given the past tendency of BBC costs to rise faster than inflation, this form of indexation will provide a strong incentive to achieve efficiency and care in undertaking fresh commitments.

/The Government....

CONFIDENTIAL

The Government see the new arrangements I have announced today as lasting for at least three years from April 1988; any departure from them should be wholly exceptional and for clearly stated reasons.

4. We are concerned that the cost of the licence should not prevent anyone from receiving television. Accordingly, despite Peacock's suggestion that the monochrome licence fee might be brought closer to that of the colour licence, we have decided that the monochrome fee should remain at broadly its current level. It will accordingly be indexed on the basis I have described, starting from a notional baseline of £20 in April 1987 and continuing to provide a cheaper alternative licence.

5. We have looked again at the arguments for concessionary licences. We are satisfied that there are overwhelming objections both on principle and on grounds of practicability to the Peacock Committee's proposal that pensioners drawing supplementary pensions should be exempt from the licence fee if they live in households wholly dependant on a pension. We reject Peacock's suggestion for a separate car radio licence. The case for licensing such radios but not others is not persuasive. Enforcement would be both difficult and costly. In the light of those decisions we have decided to retain the existing arrangements for

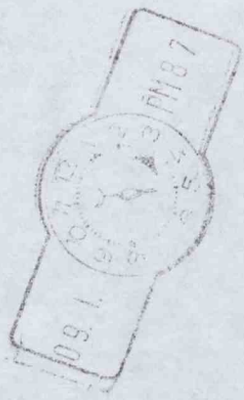
/concessionary

concessionary licences for those in residential care which Peacock recommended should be brought to an end.

6. We accept in principle the Peacock Committee's view that the BBC should be given a bigger role in collecting the licence fee. We have doubts about its specific proposal that the BBC should act as a managing agent, on a consultative basis, to the Home Office. That might well lead to a confusion of responsibility. While the Government will clearly need to determine the level of the licence fee and any concessionary arrangements, we believe, subject to study of the detailed implications, that the BBC should become directly responsible for collecting this revenue and for enforcing the licence fee system. I am glad to be able to tell the House that the BBC's Board of Governors accept in principle the merits of this approach. We shall be exploring together the detailed implications with a view to proposing any necessary legislative changes in due course.

7. We are anxious that those wanting a television licence should have available, and be fully aware of, convenient means of paying for it. Since the last settlement the Home Office, in consultation with the BBC and the Post Office, have conducted a thorough review of existing methods and examined possible new methods of payment. As a result both we and the BBC see attractions in arrangements under which

licence fees could be issued on a pay-as-you-go basis - at present the licence fee has to be paid in full in advance. We shall be considering further with the BBC how this could be put into practice. Meanwhile we intend to make the public better aware of the various schemes which already exist for payment. We aim to increase convenience of payment for the consumer; to help those in financial difficulty to spread the cost of the fee; to minimise enforcement and administration costs; to reduce the levels of evasion and late payment; and to enable the BBC to maximise its revenue while keeping the cost of the licence fee down.



CONFIDENTIAL

VC

c. Cabinet
+ Ld Denham
Giles Shaw, HO
Fin Sec/HMT
Chalker FCO
CWO
Ld Advocate
LOD
BG.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 December 1986

Television Licence Fee

The Prime Minister has seen your Secretary of State's minute of 11 December (as qualified by your letter to Nigel Wicks of 15 December) which proposed to announce in the Second Reading debate of Mr. Winnick's bill the Government's position on the television licence fee and the relevant recommendations of the Peacock Committee Report. The Prime Minister is content that these announcements should be made. She has noted the Lord Privy Seal's reservations about the timing and the Home Secretary will no doubt discuss this further with the Business Managers.

I am copying this letter to the Private Secretaries to all members of the Cabinet, to the Chief Whip, to other members of L Committee who are not members of the Cabinet and to Trevor Woolley (Cabinet Office).

(DAVID NORGROVE)

Stephen Boys Smith, Esq.,
Home Office.

CONFIDENTIAL

CONFIDENTIAL

cc PS/C

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 21/8/5E

19th December 1986

CDP 23/12

Dear Geoffrey

WORLD ADMINISTRATIVE RADIO CONFERENCE ON HIGH FREQUENCY BROADCASTING - GENEVA, FEBRUARY 1987

Thank you for copying to me your minute of 9th December with which you enclosed a copy of the policy brief for the British delegation at the forthcoming conference. / at flap

There is a continuing defence requirement to use the high frequency spectrum for communication and other systems, and I therefore welcome efforts to introduce more spectrum efficient techniques. But I should sound a note of caution about the proposals to expand the broadcasting use of the spectrum at a future high frequency allocation conference, as these could pose difficulties from a defence point of view. Although I do not propose to provide a member of the delegation itself, it is important that my officials are kept informed of developments at the conference through the point of contact being established in your Department.

The Rt Hon Sir Geoffrey Howe QC MP

CONFIDENTIAL

I am sending copies of this letter to the Prime Minister, Douglas Hurd, Paul Channon, John Moore and to Sir Robert Armstrong.

Yours ever,

George

George Younger

CONFIDENTIAL

BROADCASTING BBC finance PT3

PRIME MINISTER

TELEVISION LICENCE FEE

You saw earlier the Home Secretary's minute below, in which he proposed to announce the Government's response to Peacock on BBC financing during the Second Reading of Mr. Winnick's Bill to provide free television licences to all pensioners.

There are two further points. It is now clear that Mr. Winnick will be proposing free television licences only for pensioners living in households consisting only of pensioners and for persons already benefiting from the existing 5p concessionary licence. The revenue lost would still be £225 million as against £325 million for the full exemption. The other point is that the business managers believe it would be better for the announcement on the licence fee to precede the Second Reading of the Bill. There have been no other comments.

Agree to proceed as proposed by the Home Secretary, subject to the views of the business managers on the timing of the announcement?

D.R. NORGROVE
19 December 1986

C=PS

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215) .....
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

18 December 1986

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign and
Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1

CBD
18/XII

WORLD ADMINISTRATIVE CONFERENCE ON HIGH FREQUENCY BROADCASTING : GENEVA, FEBRUARY 1987

Thank you for your minute of 9 December, enclosing the brief and a possible UK contribution for the High Frequency Broadcasting Conference.

As you know, my officials have worked closely with yours on the preparation of these documents, and I am quite content with the policy proposed.

I am copying this letter to the recipients of yours.

PAUL CHANNON

DW3BLG

1786 1986 BOARD OF TRADE BICENTENARY

999-1

BROADCASTING: Future of BBC: R3

FILE
MPS

cBG
FCO

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

11 December 1986

Dear George.

Thank you for your letter of 24 November. As you can imagine the issues raised by this subject are complicated and we need to consider their long term implications. Geoffrey Howe and his officials are working on the issues raised, but it will be some time before even preliminary decisions can be reached.

I can however assure you that if there were to be any Government involvement in external TV broadcasting, then we would certainly examine proposals from the private sector on their merits.

Yours sincerely

Margaret

The Right Honourable Lord Thomson of Monifieth, KT.

CCB/G

LORD PRIVY SEAL

NBPM at this stage

PRIME MINISTER

TELEVISION LICENCE FEE

I have seen a copy of the Home Secretary's minute to you of 11 December concerning the handling of an announcement of decisions on the future of the licence fee and also of Mr David Winnick's Bill on licence fee concessions.

I entirely agree with Douglas that the best course to take with the Winnick Bill is to vote it down at Second Reading. I also agree that the announcement on the licence fee must precede that vote. I do, however, have reservations about whether the right timing for this announcement is in the course of debate on the Winnick Bill rather than earlier in the week but perhaps that is something which Douglas, John Wakeham and I can discuss further.

I am copying this minute to all members of the Cabinet, John Wakeham, other members of Legislative Committee and to Sir Robert Armstrong.

WJB

W J B

16 December 1986

BROADCASTING : BBC finance
PT3

010

From: THE PRIVATE SECRETARY

CCBG

B/F with the Home Sec minute idc.

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

15 December 1986

Dear Nigel,

TELEVISION LICENCE FEE

WITH NLW?

The Home Secretary's minute of 11 December to the Prime Minister invited agreement that Mr Winnick's Private Member's Bill introducing a new television licence concession for pensioners should be opposed at Second Reading. Whereas it had originally been thought that Mr Winnick's Bill would provide for free television licences for all pensioners, in line with the Labour Party's official policy, he has in fact proposed free television licences only for pensioners living in households consisting only of pensioners (or only of pensioners and minors) and for persons already benefiting from the existing 5p concessionary licence. At face value the annual cost of such a measure would, in terms of lost revenue for the BBC, be about £225m as opposed to £100m more for the wider proposal. But in practice it would be impossible to distinguish between households containing pensioners and households containing only pensioners (or pensioners and minors). A detector van, by definition, can tell only if a household is watching television and not who lives in it. It would require experience and intensive, administrative machinery to seek to check on the veracity of at least a sample of all the applications made for a 'free' licence. But the alternative is for the Post Office to accept at face value all statements that a particular household contained no adults of working age. That would be a major incentive to evasion of payment. The Home Secretary therefore considers that the arguments for opposing the Bill are substantially unaffected by this difference in its scope and would not propose to invite colleagues to take a different view of the Bill.

I am sending a copy of this letter to the Private Secretaries to all recipients of the Home Secretary's minute.

Yours,
Stephen

S W BOYS SMITH

N L Wicks, Esq

BROADCASTING

BBC FINANCES

PT 3

010.

ccBG

Prime Minister 2
To see. I suggest await comments.
DLV
11/12

Prime Minister

TELEVISION LICENCE FEE

As you know the Ministerial Group on Broadcasting (MISC 128) under your chairmanship decided, subject to reference to Cabinet, that the television licence fee should, after 1 April 1988, be indexed to the RPI as recommended by the Peacock Committee. It was also agreed that we should confirm our acceptance of the Peacock Committee's view that for the time being the licence fee should remain the principal source of finance for the BBC, and that the Corporation should not be financed in whole or in part by advertising. We agreed, however, that no announcement on these lines should be made until Parliament had had a chance to debate the Peacock Report.

A debate took place in the House of Commons on 20 November, and there will be a debate in the House of Lords on 15 December. It was clear from the Commons debate that there is general acceptance of Peacock's judgment on advertising. There was no substantial support for financing the BBC in this way and indeed I think only one speaker in the debate gave some support to the idea.

The way would thus in any event be open for an announcement on the lines we agreed to be made at a convenient moment early in the new year. The timing is now affected by Mr David Winnick's proposed Bill on television licences. Mr Winnick who came top in the ballot for Private Members Bills is likely to introduce a measure to provide free television licences to all pensioners, in line with the Labour Party's official policy. The Second Reading debate will take place on 16 January.

Our policy towards this proposal (which would cost £325 million) is well established. We had an opportunity to attack

/the

the Opposition's plan in the recent Commons debate. Accordingly, I suggest, subject to the views of the Chief Whip and other colleagues, that we should oppose the Second Reading of Mr Winnick's Bill rather than let the Bill pass to a Committee Stage from which we can expect nothing but trouble. I also suggest that we would be in a better position in opposing the Bill if we had some substantial announcements of our own to make in the debate. Accordingly, I propose that the Minister of State should take the opportunity of the Second Reading debate to announce our position on the television licence fee and the relevant recommendations of the Peacock Committee Report. I envisage that the Statement could:

(i) make clear that the BBC will not be financed by advertising;

(ii) say that from 1 April 1988 the colour licence fee will be determined by reference to past movements in the RPI, starting from a notional base line of £60 on 1 April 1987;

(iii) reject Peacock's idea for new concessionary arrangements for pensioners on supplementary benefit while making it clear that the Government does not propose to alter the existing concessions - the 5p licence - which Peacock would have brought to an end;

(iv) reject Peacock's idea for a car radio licence;

(v) confirm that the cheaper monochrome licence will be retained, despite Peacock's suggestion that its cost should be substantially increased;

(vi) emphasise the considerable incentive which the new regime will provide for enhanced efficiency and cost consciousness on the part of the BBC;

/(vii)

(vii) say that the Government is exploring with the BBC the possibility of the Corporation taking over administration of the licence fee;

(viii) mention the development of ideas for better arrangements for easy payment methods for the licence fee; and

(ix) confirm the steps we have taken to study the prospects in the medium term of replacing the licence fee with subscription.

I will not go into the arguments in detail. I should add that on our present forecasts of inflation the likely effect of (ii) above will be that the colour licence fee, which was increased from £46 to £58 on 1 April 1985, will increase by only £4 to £62 on 1 April 1988. This decision will mean that the BBC will have to plan for a slight reduction in expenditure in real terms over the next two financial years, and, thereafter, for much smaller increases in expenditure than they have enjoyed in the past. This will be, and be seen to be, a major change in the BBC's expectations of their likely future income.

As regards (iii), we were satisfied that any new concession to pensioners on supplementary benefit would have, in practice, to be extended to all householders containing such a pensioner, some of which could be well off, and that neither the Peacock proposals, nor any variant of them, would avoid creating further anomalies and dissatisfaction. The present concessionary arrangements, though themselves anomalous, should we judge remain as they are until such time as the licence fee can be replaced by subscription.

I recognise that the Opposition will seek to make capital out of the contrast between our proposals and their own promise to give 'free' licences to all pensioners. But, in addition to emphasising the cost of the Opposition's proposals, our own

/intention

intention to index the licence fee to the RPI, on precisely the same basis as the retirement pension is so indexed, means that in future pensioners will not have to find more money, in real terms, for their licences.

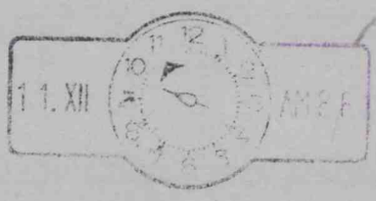
I hope that colleagues will agree that a statement on the lines I have outlined will be broadly acceptable to our supporters in the Commons and that we should ask them to oppose the Second Reading of Mr Winnick's Bill. The more detailed arrangements for handling the debate can be considered by Legislation Committee in the usual way early in January.

I am sending a copy of this minute to all members of the Cabinet, to the Chief Whip, to other Members of Legislation Committee who are not members of the Cabinet and to Sir Robert Armstrong.

Douglas Hurd.

11 December 1986

BROADCASTING — BBC Financing



CONFIDENTIAL

CCB/4
CCPC

Foreign and Commonwealth Office

London SW1A 2AH

10 December 1986

Dear Nigel,

at flap.

World Television Service

Thank you for your letter of 19 November setting out the Prime Minister's view on this subject and for your letter of 25 November enclosing one from the Chairman of the Independent Broadcasting Authority.

I am enclosing a minute that the Foreign Secretary is sending to the Chancellor of the Duchy of Lancaster. As you will see, we have had preliminary discussions within the FCO. But a great deal more work needs to be done and the Foreign Secretary intends to minute colleagues early in the New Year.

Against that background the Foreign Secretary recommends that the Prime Minister should reply to Lord Thomson in the terms of the enclosed draft. It aims to reassure him that we will consider any ITN proposals on their merits and that we are not letting the BBC's proposals dictate the agenda of our consideration.

I am sending a copy of this letter to Stephen Boys Smith (Home Office), Alex Allan (HM Treasury), Tim Walker (DTI), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), and Trevor Woolley (Cabinet Office).

Yours ever

(R N Culshaw)
Private Secretary

N L Wicks Esq
PS/10 Downing Street

CONFIDENTIAL

DSR 11 (Revised)

DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM:

PRIME MINISTER

DEPARTMENT: **TEL. NO:**

Reference

SECURITY CLASSIFICATION

Top Secret
Secret
Confidential
Restricted
Unclassified

PRIVACY MARKING

.....In Confidence

CAVEAT.....

TO:

The Rt Hon The Lord Thomson
of Monifieth KT PC
Chairman
Independent Broadcasting Authority
70 Brompton Road, LONDON SW3 1EY

Your Reference

Copies to:

SUBJECT:

CRD

Thank you for your letter of 24 November. As you can imagine the issues raised by this subject are complicated and we need to consider their long term implications. Geoffrey Howe and his officials are working on the issues raised, but it will be some time before even preliminary decisions can be reached.

I can however assure you that if there were to be any Government involvement in external TV broadcasting, then we would certainly examine proposals from the private sector on their merits.

Enclosures—flag(s).....

CCPC

FCS/86/297

CHANCELLOR OF THE DUCHY OF LANCASTER

World Television Service

1. Thank you for your letters of 21 November and 4 December about this subject. I have also seen Nigel Wicks' letter of 19 November recording the Prime Minister's views, and Douglas Hurd's letter of 28 November ruling out the use of licence fee revenue by the BBC External Services.

2. We have given preliminary consideration to this subject within the FCO. It is clear that a good deal more preparatory work is needed before I will be in a position to make recommendations to colleagues about the feasibility, desirability or possible role for Government in any external TV broadcasting service. I have therefore set work in hand within the FCO to identify the various issues we need to address - i.e. whether there is a case for an external TV service at all, if so who should do it, and whether there is any case whatever for Government involvement. Once we have identified all the issues I will minute colleagues seeking their views early in the New Year. Obviously if there is any question of Government involvement including funding this would have to be considered in the normal PES round.

3. We have of course been careful to avoid giving the BBC any indication as to how we might view their proposal.

/4.

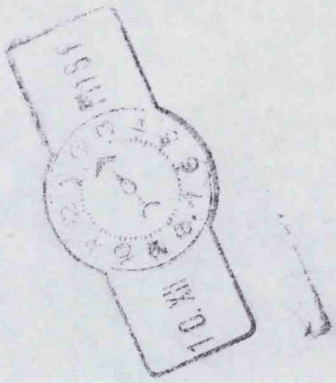
4. I am sending a copy of this letter to the Prime Minister, Douglas Hurd, Nigel Lawson, Paul Channon and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

9 December 1986

BROADCASTING & : Finances pt 3.



FCS/86/298

SECRETARY OF STATE FOR TRADE AND INDUSTRY

World Administrative Radio Conference on High Frequency Broadcasting: Geneva, February 1987

1. Our officials have produced a general policy brief for the United Kingdom Delegation to the Short-Wave Broadcasting Conference to be held in Geneva in February 1987. I enclose // copies of that brief, of an outline of the annexes to the / brief which are under preparation, and of a paper which might constitute the UK Delegation's written contribution to the Conference.

2. You and I agreed in earlier correspondence that our officials together with those of the BBC and other interested organisations should co-ordinate very closely in the run up to this Conference, because of the serious implications for the UK national interest should the Conference approve an international Frequency Registration Board plan for regulating the Short-Wave spectrum which would put at risk BBC External Services frequency requirements.

3. I am circulating the brief now because the effectiveness of the work of political and technical preparation over the two months before the Conference will depend, in large part, on our agreement on the objectives and strategy in the Conference itself. Our officials have already undertaken a wide range of bilateral and multilateral meetings with other Western countries, and as you know I secured the agreement of the Twelve that this subject should be discussed in the context of European Community Political Co-operation. We need to build on these initiatives through a continuing

/programme

programme of meetings to co-ordinate as far as possible the Western position in the EC and elsewhere, and to co-ordinate and initiate lobbying of other ITU member states. The general political objectives and strategy set out in the enclosed brief will, if approved, form the background to the technical brief which your officials will be preparing, to cover such technical matters as signal-to-interference analysis, antennae design, propagation theory etc which are important for the work of the Conference and the promotion of our interests. I should be glad to learn if you and other colleagues are in agreement with the policy proposed in the brief.

4. I am sending copies of this minute to the Prime Minister, George Younger, Douglas Hurd, John Moore and to Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

9 December 1986

CONFIDENTIAL

CONFIDENTIAL

SECOND SESSION OF THE WARC ON HF BROADCASTING (WARC-HFBC 2)

Brief for the United Kingdom Delegation

C O N T E N T S

The Brief, Part I

Annex A Previous ITU Efforts to Plan the HFBC Bands

B Origins of the WARC-HFBC 1984/1987

C Report on the First Session

D Wider UK Interests in the ITU

E Test Performance of the HFBC Planning System

F Tentative Requirements File

G Overall Channel Requirements in All Bands

H Developments in HF Services Other than HFBC

I Tropical Broadcasting Bands

J Draft Article 17A for the Bands Above [15] MHz

K Draft MOD Article 17 for Bands Below [15] MHz

(Part II and all Annexes to follow)

DTI/RRD
Waterloo Bridge House

MD4ABG

CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

SECOND SESSION OF THE WARC ON HF BROADCASTING (WARC-HFBC2)

Part I of the Brief for the United Kingdom Delegation

Background

1. An outline of the past efforts of the ITU to plan the HF broadcasting bands is at Annex 'A'; a description of the foundations of the present WARC is at Annex 'B'; and a brief report on the work of the first session is at Annex 'C'. All this is background material which UK delegates need to read. Additional supporting information is given in further annexes mentioned in the texts that follow.

Introduction

2. All the indications from the intersessional work suggest that the planning system developed by the ITU on the basis of the decisions of the First Session of WARC-HFBC in 1984 will be disastrous for the UK if it is adopted unchanged by the Second Session. It would reduce very substantially the numbers of frequencies available for the External Services of the BBC with far too many of those remaining having inadequate quality and continuity. This would cause extensive losses of audiences built up over many years and would also cause a substantial degradation of quality for those audiences that may remain. Even if some of the worst features of the planning method were eliminated as a result of further discussion and work on the computer programs, the implementation of any planning method based on the present model would still deprive the BBC of more than half of its External Services' frequencies.

3. Any such consequences would be totally unacceptable to HMG. This brief therefore;-

a. Describes the balance of UK interests in the WARC-HFBC2 and our wider interests in the ITU;

b. Lists in order of priority the objectives of the United Kingdom to be pursued by the UK delegation to the WARC-HFBC2;

c. Presents a strategy to deal with the situation expected to develop during the WARC-HFBC 2 and provides a number of 'hip-pocket' proposals which may be used in pursuing that strategy.

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CONFIDENTIAL

Balance of UK Interests in the WARC-HFBC 2

4. Virtually every administrative radio conference (ARC) of the ITU involves some conflict* of interests between different radio services; and if on a major matter an ARC approaches the point of adopting conclusions unacceptable to the UK there could be a conflict between action forced upon the UK delegation and the wider UK interests in sustaining the ITU and maintaining the effectiveness of the UK in the Union. A note on these wider interests is at Annex 'D'.

5. In its preparations for and participation in the long series of ARCs held since 1947 the UK has been obliged to view each such conference as a unique opportunity to secure the specific UK interests involved in the conference agenda. In no case has it been necessary to make concessions to the wider UK interests in the ITU. Obviously UK delegations have never gratuitously damaged these wider interests; it has been sufficient for the delegations to be aware of them, to understand the possibility that some extreme action on their part could inflict damage, and then to do what was necessary to secure the specific interests of the UK in the particular ARC.

6. The WARC-HFBC 2 is in one sense a special case in that the potential for a disastrous outcome looks very high. There are obviously many unknowns (for example, the view that the developing countries will take of the new planning system when they appreciate its grossly inadequate performance under test) and it may be that the majority of participating countries will - however reluctantly - agree to join in efforts to find an outcome which all can accept. Whatever may develop during the WARC-HFBC 2, the UK delegation is authorised and required to do its utmost to secure the UK interests in HFBC by working towards achievement of the objectives listed below.

Objectives of the UK Delegation

7. The objectives of the UK delegation to the WARC-HFBC 2 are, in descending order of priority:-

a. To ensure that if any changes are made to the method of regulating the use of the HFBC bands, these will not reduce the quantity or quality of the frequencies available to the UK below levels that are acceptable to the FCO and BBC;

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*Specific examples are:

1. Region 1 RARC 1984 - conflicts between FMBC and Land Mobile and Aeronautical Radionavigation (VOR/ILS) interests.

2. WARC-MOBILE 1987 - conflicts between ship owners' and unions' interests in maritime communications.

MD4ABG

b. To ensure that any such method is operationally, technically and administratively sound, contains no inherent bias against the interests of the UK, and will not impose unacceptable burdens upon the IFRB, broadcasting organisations or administrations generally;

c. While recognising that the DSB mode of emission is likely to remain the global standard for HFBC for a very long time to come, in the interest of spectrum management to encourage discussion of the general introduction of the SSB mode of emission over the next 20 years;

d. To make such UK contributions as may be possible, in the circumstances of the conference and consistent with the objectives above, towards the development of a genuinely improved method of regulating HFBC frequency usage that is capable of general acceptance for long-term application;

e. To identify and as far as possible act in concert with like-minded delegations in pursuit of these objectives. Should the delegation find it has no alternative but to refuse to sign any final acts that may be produced by the WARC, to ensure if at all possible that this is done in good company;

f. To give support to the efforts to stop jamming in the HFBC bands but to do so without prejudicing any of the other objectives.

8. Should the WARC work towards the adoption of conclusions that will involve significant additional demands on the budget of the ITU the UK delegation is required to enter a formal reservation on the grounds of Article 80 and Resolution No.48 of the Convention. Such a reservation should also if possible be made in good company.

Strategic Approach

9. It is expected that a large number of delegations will attend the WARC-HFBC2 still carrying a political brief, the aim of which was established by the Yaounde conference of the non-aligned movement (NAM) prior to the WARC 1979. In this context the aim, which was "to change the established order", means securing the abandonment of Article 17 and its replacement by a new HFBC planning method. The expectations underlying this aim were that the new method would dispossess the larger HF broadcasting countries of many of their frequencies and release them for use by developing countries.

MD4ABG

The method envisaged by India, which led the NAM at the first session of the WARC-HFBC, was a 10-year fixed frequency assignment plan. This was never operationally or technically feasible, and to avert the prospect of the WARC being saddled - by a majority vote of the NAM - with this approach, the larger HF broadcasting countries reluctantly agreed to an experiment with a computer-based seasonal planning system to be developed by the IFRB and tested on a dummy file of foreseen requirements. The resultant system has many defects. It may be possible to eradicate some of these by further work, but this will not remove the fundamental difficulty that the system cannot cope with a demand for broadcasting space which it has itself stimulated further, and which exceeds supply by more than 100%. The test runs of the system demonstrate that it cannot hope at the same time both to satisfy the interests of the larger broadcasters and to realise the expectations of the developing countries."

11. The best outcome for the UK viewpoint would be for the WARC-HFBC 2 to face up to this reality, agree to abandon what is clearly a failed experiment, decide to resort to Article 17 and seek genuine improvements therein as well as other measures to remedy HFBC frequency congestion. A viable strategy must therefore seek to damp down the short-term expectations of the NAM, and introduce "new" ideas which could be seen as worthwhile contributions to a long-term prospect of meeting some of those expectations.

12. Against this background the following strategic approach may, subject to the judgement of the leadership of the UK delegation in the circumstances prevailing at the WARC, be useful in pursuing the objectives listed in paragraph 7-:

a. To participate in an objective but necessarily critical review of the test performance of the HFBC planning system developed by the IFRB*. (The basis of the UK contribution to such an examination is at Annex 'E'.) Criticisms must not be aimed at the IFRB or its HFBC Project Team. The UK aim in this exercise will be to show that the system is not mature enough and could not do what would be expected of it in operational use. Several years of work following revised instructions to be given by the WARC-HFBC 2, would be required before it might be generally adopted.

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*To lay a foundation for such an examination DTI/RRD has proposed to the ITU that the IFRB should prepare a presentation on the system and its performance under test to a full plenary meeting of the conference, with questions and answers being minuted.

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b. To counter any suggestions that the "Tentative Requirements File" could easily and quickly be converted into a real file of operational requirements. The file construction needs to be improved (eg as regards continuity of frequency availability) and re-compiled before it could be used operationally. (See comments on this file in Annex 'F'.)

c. To support the argument that on the basis of the IFRB's figures (see Annex 'G' concerning channels needed to accommodate all requirements) no planning system - however good - could possibly satisfy all HFBC requirements while the bands available, particularly at 9 MHz and below, are so inadequate.

d. To support the idea that remedial measures are required to cope with this situation, one of which could be the holding of a WARC* expecially for the purpose of reviewing the HF band allocations in the light of developments in all the various services using these bands, the aim being to widen the lower HFBC bands. (A paper outlining some of the developments in services other than HFBC is at Annex 'H'.)

e. To support the proposition that the tropical broadcasting bands should be brought within the scope of any future ITU action on HFBC. The aim here would be to show that these unique bands (see RR2668-2673) are unchannelled, unplanned and under-utilised whereas, if used within the tropical area for what would largely be domestic broadcasting, could ease the wider HFBC problems with consequent advantages to national and international broadcasters. (A note on the tropical broadcasting bands is at Annex 'I'.)

f. To accept if necessary the concept of a further session of the WARC-HFBC for the purpose of assembling, reviewing and acting upon the results of action under 7 a. b. d. and e. above, aiming at reaching a long-term settlement of the HFBC problem. A variation on this line of action would be for the WARC-HFBC 2 to adopt a set of provisional decisions to be reviewed, adjusted as necessary and ratified by a series of smaller HFBC review conferences.

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* A WARC for this purpose would have to be scheduled by the Plenipotentiary Conference to be held in 1989 and could not be held much before 1992.

MD4ABG

g. If the Session looks like moving towards making pragmatic improvements to the present Article 17 procedures so as to accommodate some of the needs of the developing countries, the UK delegation could offer discreet support for this process. It will clearly wish to ensure that any individual steps, which might adversely affect the BBC's interests should be implemented only after careful testing, and preferably on a limited and experimental basis.

13. Several of these ideas have been floated in the intersessional period without attribution. Some will be highly contentious and likely to generate suspicion, even hostility. The relative timing and form of presentation of the ideas may be of help in averting negative reactions, so too may be the placing of ideas by proxy (though the IFRB, committee or working group chairmen, or other delegations - particularly those of countries which are among the smaller HF broadcasters). These are all tactical matters necessarily left to the judgement of the leadership of the UK delegation in their pursuit of the objectives set out in paragraph 7.

14. Given the objective stated in paragraph 7f above the only part the subject of jamming might play in a strategic approach to the WARC-HFBC2 is:-

a. As an element of a trade-off in which a low profile by the western group of countries (apart from the minimum essentially ritualistic actions) might be repaid by support of their strategic objectives; or

b. If no such trade-off is possible, or is considered valueless, then the UK delegation will need to keep open its options to couple the continuation of jamming with any failure of the WARC to reach acceptable conclusions on a new method of regulating use of the HFBC bands. Such coupling would be in an implied cause and effect relationship.

15. Whatever lines the UK delegation follows during the WARC the majority of delegations may seek, by voting, to impose a new planning method that would impose on the UK penalties of the severity foreseen in paragraph 2 above. There will almost certainly be advance indications of any such intention, and in these circumstances the UK delegation is empowered to give warnings of, for example, its probable refusal to sign the Final Acts. The delegation will also need to consult with other like-minded countries, and to consider what alternative or supporting actions might be taken and how effective they might be. If however these warnings and/or any other actions taken by the UK delegation prove ineffective and the majority vote to impose the new system the UK delegation is empowered to refuse to sign the Final Acts (see also paragraph 7e.).

16. Other eventualities could arise such as would stimulate serious consideration of a full or partial, temporary or permanent withdrawal of the UK delegation. The delegation will of course take no such action without first reporting the circumstances, giving an evaluation of the impact of any such proposed action, and securing the prior approval of the UK authorities concerned. For the purposes of providing a back-up to the UK delegation while in Geneva a central contact point will be designated in FCO through which reports and other information from the delegation will be distributed and any necessary authorisations will be sought.

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UNITED KINGDOM BRIEF FOR THE SECOND SESSION OF THE WORLD ADMINISTRATIVE RADIO CONFERENCE ON HIGH FREQUENCY BROADCASTING: ANNEXES

1. The Annexes to the United Kingdom brief consist of a lengthy collection of papers and diagramatic material, intended as the background information for members of the UK delegation to the Conference. The annexes are mostly of a highly technical nature and need not detain Ministers. They may, nevertheless, find it helpful to have a brief summary of the subject matter. This is attached below.

ANNEX A: PREVIOUS EFFORTS TO PLAN THE HF BROADCASTING BANDS

The ITU has a history of 40 years of work on the specialised problems of regulating use of the HFBC bands, starting with the Atlantic City conference of 1947. That conference, following its comprehensive revision of the international table of frequency allocations, gave rise to a series of a priori planning conferences of which one was devoted to HFBC. The HFBC planning conference held several sessions which culminated in a final session at Florence/Rapallo in 1950. After many months of hard work the conference, by a secret vote, decided to cease all attempts at planning HFBC because requirements exceeded the capacity of the bands available and administrations could not accept reductions in their requirements. That conclusion was reported to the Administrative Council which remitted the problem for study by the IFRB in an attempt to find a solution. The IFRB could not solve this problem, the fundamental nature of which had defeated a world conference, and so the problem fell to the Ordinary Administrative Radio Conference (OARC), Geneva 1959. The solution adopted by the OARC was to introduce a dynamic method of managing the HFBC bands involving a seasonal procedure which was established in Article 10 (later renumbered Article 17) of the Radio Regulations. The Article 17 procedure - whatever its shortcomings - has operated ever since.

ANNEX B: ORIGINS OF THE HIGH FREQUENCY BROADCASTING CONFERENCE

During the long run up to the 1979 World Administrative Radio Conference (WARC) there were three meetings of the non-aligned movement (NAM), one outcome of which was a general statement of NAM views in the following terms, "to change the established order, that is our aim". So far as HF broadcasting was concerned the specific NAM aims were threefold, and these only emerged during the course of the 1979 WARC, namely:

a. To prevent or severely limit any expansion of the frequency bands allocated to HF broadcasting;

b. To secure a strong commitment from the WARC 1979 on the holding of a future WARC on HF broadcasting;

c. To ensure that the agenda for such a conference was firmly directed towards a form of a priori planning in which each country would be assigned specific frequencies with a concept of property built in to a frequency plan.

In the event the NAM, led mainly by Yugoslavia, India and Algeria, severely limited the expansion of the HF broadcasting bands, secured a deferment of implementation of the expanded bands, and on a quid pro basis traded a limited extension of the HF broadcasting bands for a Resolution (508) that was more stringently worded than the UK and other western countries wanted. Since 1979, despite considerable pressure from the western world, NAM countries have

held to their pre-1979 aims, and in the Administrative Council's annual sessions have shown no signs of weakening. Indeed, at a NAM meeting in Algeria in 1982 the first point of agreement was that "assignment plans will be the only satisfactory approach for achieving equitable use of the HF broadcasting bands".

Against this background the ITU arranged to hold the High Frequency Broadcasting Conference over two sessions. The first session took place in 1984 and the second, originally scheduled for 1986 but put back because of the time needed to complete the intersessional work, will take place in February/March 1987.

ANNEX C: REPORT ON THE FIRST SESSION OF THE HF BROADCASTING CONFERENCE

The Non-Aligned Movement sought the adoption of a new method of planning the HF broadcasting bands which would dispossess the larger broadcasting countries of many of their long-held frequencies and redistribute them among the rest. The opposition, including the UK, proposed a more conservative approach seeking to retain but improve upon the present method of regulating the use of the HF broadcasting bands.

The new planning method envisaged by India, which led the NAM at the first session of the WARC-HFBC, was a 10 year fixed frequency assignment plan. This was never operationally or technically feasible, and to avert the prospect of the WARC being saddled - by a majority vote of the NAM - with this approach, the larger HF broadcasting countries reluctantly agreed to an experiment with a computer-based seasonal planning system to be developed by the International Frequency Registration Board and tested on a dummny file of foreseen requirements. The resultant system has many defects. It may be possible to eradicate some of these by further work, but this will not remove the fundamental difficulty that the system cannot cope with a demand for broadcasting space which it has itself stimulated further, and which exceeds supply by more than 100%.

ANNEX D: WIDER UNITED KINGDOM INTERESTS IN THE ITU

The UK is engaged in a long series of Conferences involving matters and organisations outside the field of HF broadcasting. Examples are a World Conference on aeronautical and maritime radio services in 1987, another on space radio services and planning for the use of geostationary satellite orbit in 1988. Other examples are the regular meetings of the CCIR[1] annd CITT[2], the prospect in the longer term of a world Conference on telephony and telegraphy. Other interests are the Administrative Council of the ITU and the Plenipotentiary Conference of 1989 which may or may not re-elect the UK to Council membership.

[1]International Radio Consultative Committee

[2]International Telegraph and Telephone Consultative Committee

ANNEX E: TEST PERFORMANCE OF THE HFBC PLANNING SYSTEM

This Annex relates to papers reflecting detailed analyses of the best plans produced by the new planning system. The conclusion is that a very large proportion of the frequency requirements of the BBC's external services (perhaps as high as 80%) could not be satisfied by the new system. This will be true of all major broadcasters, even of many of the smaller broadcasters.

ANNEX F: TENTATIVE REQUIREMENTS FILE

This Annex contains a detailed review of the Tentative Requirements File [of operational requirements] covering the period 1985-1988 both as to format and contents.

The format will need significant improvements before it can be used to provide a provisional file of operational requirements.

The contents will need comprehensive revision requiring the ITU to take steps to prevent or at least reduce the inclusion of false requirements.

ANNEX G

This annex consists of diagrammatic representations (histograms, pie charts etc), the purpose of which is to demonstrate that the available HF broadcasting bands are insufficient to meet the demands on them by existing and potential HF broadcasters.

ANNEX H: DEVELOPMENTS IN HF SERVICES OTHER THAN BROADCASTING

This Annex draws on statistical data available from the ITU and on other sources of recognised authority to show:-

- The progressive decline in the use of the HF bands by long distance fixed services;
- The increased use of satellite for maritime communications thus releasing HF bands for other uses;
- The progressive change over from manual to automatic telegraphy in maritime communications thus permitting more traffic in the remaining HF bands;

- Other trends in the use of HF which taken together with the above give an overall possibility of increasing the useful spectrum available for broadcasting by about 50%.

ANNEX I: TROPICAL BROADCASTING BANDS

This Annex itemises the tropical broadcasting bands, states the unique privilege afforded to any country in the tropical zone which wishes to use them for broadcasting, gives evidence of the limited use of these bands, and suggests how they might be brought into better use as one way of easing the problems in the HF broadcasting bands.

ANNEX J: DRAFT ARTICLE 17A FOR BANDS ABOVE [15]* MHz

If the new planning system is to be brought into use in any bands - say on an experimental basis - there will need to be a detailed radio regulatory procedure to permit its operation. This Annex will contain details of such a procedure which may be taken as a hip-pocket proposal to be offered if and when suitable.

ANNEX K: DRAFT MOD ARTICLE 17 FOR BANDS BELOW [15]* MHz

As a corollary to Annex J above there would need to be modifications to the present radio regulatory procedure so that it continues to be applied to the bands unaffected by the new system. This Annex contains such modifications in the form of another hip-pocket proposal to be used if and when necessary.

*Note: The square brackets indicate uncertainties over the frequency level above which the new system might possibly be applied.

CONTRIBUTION TO THE WORK OF THE CONFERENCE BY THE UNITED KINGDOM

1. The United Kingdom contribution is presented in four sections:

(i) Background - a brief summary of the 40-year history of the work of the ITU on regulatory HFBC;

(ii) The WARC-HFBC 1 planning system - its design and feasibility testing of the "Tentative Requirements File";

(iii) Further testing of the new system;

(iv) Harmful interference and its implications.

Section 1 - BACKGROUND

2. It is not possible to appreciate the size and complexity of the task facing the WARC-HFBC 2 without some understanding of previous efforts to solve the HFBC problem. The ITU has a history of 40 years of work on the specialised problems of regulating use of the HFBC bands, starting with the Atlantic City conference of

1947. That conference, following its comprehensive revision of the international table of frequency allocations, gave rise to a series of a priori planning conferences of which one was devoted to HFBC. The HFBC planning conference held several sessions which culminated in a final session at Florence/Rapallo in 1950. After many months of hard work the conference, by a secret vote, decided to cease all attempts at planning HFBC because requirements exceeded the capacity of the bands available and administrations could not accept reductions in their requirements. That conclusion was reported to the Administrative Council which remitted the problem for study by the IFRB in an attempt to find a solution. The IFRB could not solve this problem, the fundamental nature of which had defeated a world conference, and so the problem fell to the Ordinary Administrative Radio Conference (OARC), Geneva 1959. The solution adopted by the OARC was to introduce a dynamic method of managing the HFBC bands involving a seasonal procedure which was established in Article 10 (later renumbered Article 17) of the Radio Regulations. The Article 17 procedure - whatever its shortcomings - has operated since 1960.

3. Four major developments during the long period of operation of the Article 17 procedure need to be mentioned. These involved increases in:-

a) the global amount of HF broadcasting and the number of countries providing this service;

b) the powers of the HFBC transmitters employed;

c) the amount and severity of interference in the HFBC bands, much of it apparently deliberate;

d) the amount of "out-of-band" broadcasting. much of it in the additional HFBC bands which by decisions of the WARC 1979 are supposed to become operational only in 1989 and 1994.

4. Against this background the first session of the WARC on HFBC was held in 1984, the central problem of which was to find means of reconciling the views of those delegations wanting a long term a priori planning approach and others wanting a dynamic regulatory approach. As a compromise, the IFRB was invited to compile a "tentative requirements file" of all HFBC services expected to be operational during the period before 1 August 1988 on the basis of information submitted by administrations by 1 August 1985, to design, develop and implement computer programmes for the application of a new planning method, and to test it using the technical criteria established by the first session, and to prepare a detailed final report to be sent to all administrations at least six months before the beginning of the second session. In addition, the CCIR was requested to undertake certain studies and provide certain data, essentially for use in the planning system to be developed by the IFRB.

5. The United Kingdom has been impressed by the work of the IFRB, its HFBC project team, and the CCIR which have carried out their tasks effectively within the constraints of the incomplete and sometimes contradictory instructions from the First Session under which they had to operate.

Section 2 - THE WARC-HFBC NEW PLANNING SYSTEM

6. The United Kingdom is concerned about the new planning method and the basis on which it has been devised. The United Kingdom's main criticism is that it has been designed to optimise spectrum use without paying sufficient attention to broadcasting requirements. The following problems are causes of particular concern:

a) the system design fails to deal adequately with the operational requirement for continuity of frequency availability during an individual broadcasting requirement and generates many cases of repeated frequency changes which would be impossible for services to implement or audiences to follow;

b) the system algorithm does not yet show how the problem of season-to-season service and frequency continuity will be handled;

c) it is evident from the substantial excess of bids in the "tentative requirements file" over operational capacity that the proposed planning method has not avoided the problem of inflationary bids which was one of the main reasons why the First Session of WARC-HFBC abandoned the idea of a long-term assignment plan.

d) the First Session of the Conference adopted a concept of "Overall Broadcasting Reliability" as a measure of the quality of the proposed planning method. This has not proved to be satisfactory and the IFRB has used signal/interference ratios as a provisional alternative. This area needs clarification.

e) the system provides no means by which broadcasting organisations or administrations can be consulted about the results of the proposed seasonal plans; this is an important point for big and small broadcasters alike;

f) the system cannot yet produce a "best" plan for any particular season and each run appears likely to produce an entirely different frequency plan. The system cannot therefore be replicated by administrations. It is not transparent in operation and there appears to be a large measure of chance in the extent to which each administration's requirement may be satisfied or unsatisfied. This

uncertainty is impossible for broadcasting organisations to cope with: they employ staff and have large capital development programmes;

g) many of the results published by the IFRB have been calculated on the basis of requirement hours, not frequency hours. This has led to confusion and overstates by about a quarter the amount of broadcasting time which can be squeezed out of the system;

h) the system if adopted would inevitably make very heavy demands on the computer and staff resources of the ITU, and although much has been done to optimise the system design for speed of operation these logistic problems would have to be carefully considered;

i) no account has been taken of the effect that deliberate harmful interference will have on the implementation of the proposed planning method

Section 3 - FURTHER TESTING OF THE NEW SYSTEM

7. All of these aspects plus a number of more detailed technical criticisms would need to be examined, resolved and properly tested before any new system could be accepted for operational use.

8. The criticisms made in Section 2 are based upon an objective examination of the "HFBC Planning System" (Revision 1 - issued by the IFRB during the period April 1985 to July 1986) and various analyses of the first test plan for season D85 including that issued by the IFRB to all administrations in July 1986. That test plan has confirmed tht HFBC requirements exceed the capacity of the available frequency bands. Large proportions of the HFBC requirements cannot be satisfied: in some areas and at certain hours the global HFBC requirements need many more (up to 20) times the number of channels available in certain frequency bands. Indeed if the signal/interference ratio of 27 db adopted by the WARC-HFBC 1 was used as the criterion of satisfaction, then the first test plan produced by the IFRB suggest that about 80% of the world's HFBC requirements cannot be satisfied by the new planning system in the available HFBC bands. Whatever solutions may be considered to the many other technical problems, any revised Planning Method must be able to cater not only for the global HFBC requirements foreseen for the period 1985-1988 but for those foreseen at least 10 years beyond 1988. It should also take account of the contraction of the spectrum from 1991 as the sun-spot cycle decreases.

/ Section 4

Section 4 - HARMFUL INTERFERENCE AND ITS IMPLICATIONS

9. In accordance with Resolution COM 5/1, the IFRB has conducted four monitoring programmes in the HFBC bands with a view to identifying stations causing harmful intereference, to seek appropriate cooperation from administrations in those programmes, and to inform the WARC-HFBC 2 of the results. These programmes have demonstrated that only a limited number of countries are responsible for causing harmful interference in the exclusive HFBC bands. The UK objects to such actions and believes that while such interference exists, it is difficult for the IFRB to plan the HF spectrum realistically.

CONCLUSIONS

10. In the view of the United Kingdom, the development of a workable and realistic planning method depends very largely upon:

a) whether the instructions for the computer can be devised so that it will meet the broadcasting community's requirements for frequency continuity and satisfy the maximum number of requirements in the available frequency bands with an acceptable standard of quality;

b) whether means can be found that will reconcile the large disparities between global HFBC frequency requirements and the frequency allocations available to accommodate them;

c) whether action can be taken to end deliberate harmful interference in the HFBC bands.

11. The first test plan produced by the IFRB needs complete analysis and further study of the results. In the absence of those analyses the UK submits no formal proposals at this stage but will be ready to do so during the conference and to continue to work for its successful outcome. HFBC is an important instrument in the free flow of ideas and information. The United Kingdom is dedicated to this concept and therefore desires an outcome of the WARC-HFBC 2 which will improve and extend the value of this service throughout the world.

10. XII

CONFIDENTIAL

CCBG
CCPC

CABINET OFFICE
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

4th December 1986

The Rt Hon Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
LONDON
SW1

Prime Minister 2
to note
N-W
4.12

D Geoffrey

WORLD TELEVISION SERVICE

I was most grateful to Douglas Hurd for his letter of 28 November. The question of whether, or how, the BBC should extend its external services to television has been greatly clarified for me by Douglas' letter. If there is no question of licence fee support, and in the light of the Prime Minister's view concerning public funding, then it seems that it is really only a matter of whether advertising or programme sales will support a service and, if so, whether it be ITN or BBC.

Are we well qualified to judge this? If it is a matter of marketing of the service concerned, shouldn't it be left to the two services to carry their ideas forward (in the case of the BBC, on a self-financing basis)? If, however, you believe that the FCO must play a role in this, then I am sure that the NAO report, published yesterday, would not be an easy background against which to rest one's confidence in a major extension of the external services of the BBC, if it were in any sense to be to the exclusion of competing private-sector activity by ITN.

I am sending a copy of this letter to the Prime Minister, Douglas Hurd, Nigel Lawson, Paul Channon and to Sir Robert Armstrong.

Yours
Norman

NORMAN TEBBIT

BROADCASTING
BBC
PT3

8

CONFIDENTIAL

Seen
Prime Minister

(F)

cc BG
CCPC

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SWIH 9AT

28 November 1986

Dear Norman,

WORLD TELEVISION SERVICE

In your letter of 21 November to Geoffrey Howe you invited me to comment on the potential uses to which licence fee revenue might be put by the BBC. There is no question of such revenue being used for the BBC's external services, actual or potential.

The BBC's Licence and Agreement makes it clear that such revenue may be used only for the purposes of providing the Home Services on television and radio or for such purposes, other than those of the Home or External Services, as I may specify in a direction to the BBC. I have given no such direction and have no plans to do so. The possibility of the use of licence fee revenue to support the External Services cannot therefore arise in the case of television any more than at present in the case of radio.

I am copying this letter to the recipients of yours.

Yours ever,

Douglas.

The Rt Hon Norman Tebbit, MP

CONFIDENTIAL

CC 8/14

10 DOWNING STREET

Prime Minister

Any meeting with Duke Hussey would have to be considered very carefully.

DLV

27/11

I really don't think I can meet him on this subject.

Someone else will have to put the points so carefully to us here

cc B/LP

PRIME MINISTER 27 November 1986

Television News

BBC and ITN

Recently I spent two evenings observing the production of television news at the BBC (The Six O'Clock News) and ITN (News at Ten). In both cases I attended the editorial conferences before the news was written, and then attended the informal de-briefing following the news itself.

I came away with some clear impressions.

Organizational Structure

The most obvious difference was between the management structures of the two organisations. BBC TV News is a small corner of a huge department store, while ITN is a highly specialised boutique. ITN has a very simple and clear management structure (Chart 1). The Chief Executive (David Nicholas) sits on the main board and is directly answerable for all ITN operations (news, staff, property, product development) to the board. The editors of the four daily news programmes (1 o'clock, 5.45, Channel Four and News at Ten) report to him directly.

By contrast the Editor of BBC TV News is directly accountable to no less than six different people (Chart 2):

Director General and
Deputy D.G. - overall performance

Managing Director BBC TV - overall finance, staffing, unions

Director of Programmes BBC TV	- quality of programmes (balance of views)
Assistant D.G.	- sensitive matters
Chief Asst to D.G.	- political matters (domestic politics, N. Ireland)
Chairman, Development Cttee	- capital spending

In addition to this the Editor of News sits ex-officio on a large number of inter-departmental committees - 7 of which meet every week and another 2 to 3 of which meet in addition every other week.

Under the present structure the Editor has very little if any incentive to be enterprising e.g. by selling the news abroad, developing new products etc. The contract with Visnews in particular needs looking into.

Writing the News

ITN news has always been presented and written by journalists. Newsreaders typically write the headlines and 2-3 items each for the particular programme they are presenting. By contrast BBC News has traditionally been presented by actors/actresses but written by journalists. As a result ITN has attracted senior journalists as newsreaders (Alastair Burnet, Sandy Gall), whereas comparable individuals in the BBC have ended up in Current Affairs (David Dimbleby, Michael Charlton, Robin Day, Peter Snow).

The writing of the BBC News however is changing. BBC newsreaders now typically write the headlines, the lead story and maybe others. The trend within the BBC is to hire journalists as presenters and to strengthen their role in writing the news. In short it is copying ITN.

Editorial Control

On both channels, the editor has the final say over the words read out and the visuals chosen. In both cases however this responsibility is typically delegated to the producer of the individual news, who then presents the programme structure for discussion with the editor at an editorial conference. On both channels the words are written by either the presenter or journalist and then read and checked by the producer and a deputy in charge of sub-editing.

In terms of the accuracy, balance and fairness of the News everything depends therefore on the ethos within which producers, presenters and journalists work and on the choice of the the individuals themselves.

In terms of people ITN has one major advantage. David Nicholas, the Editor, has been at ITN for over 25 years and Alastair Burnet has worked with at least one producer for over 20 years. Since Nicholas has been Chief Executive of ITN he has seen no less than 9 Editors of BBC TV News come and go.

Conclusions

BBC News is just one example of how the organizational structure of the BBC above the level of programme editors is confused and cumbersome. It fails to provide proper incentive for either efficiency or enterprise.

Recommendation

As this is such a complex and sensitive subject politically it might be best to raise these issues at an informal meeting with the Chairman of the Governors.

At such a meeting it would also be useful to raise the matter of how the Governors and senior management go about creating a proper ethos within News: the way they choose staff, training within the department, the rigour within which editing is carried out, the extent to which they receive criticism from above or outside, the method of dealing with everyday complaints and their impact on the operation.

BRIAN GRIFFITHS

Chart 1

Structure of ITN

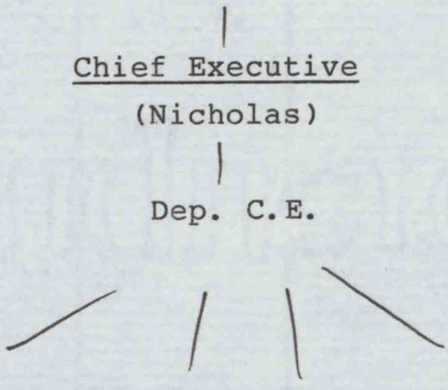
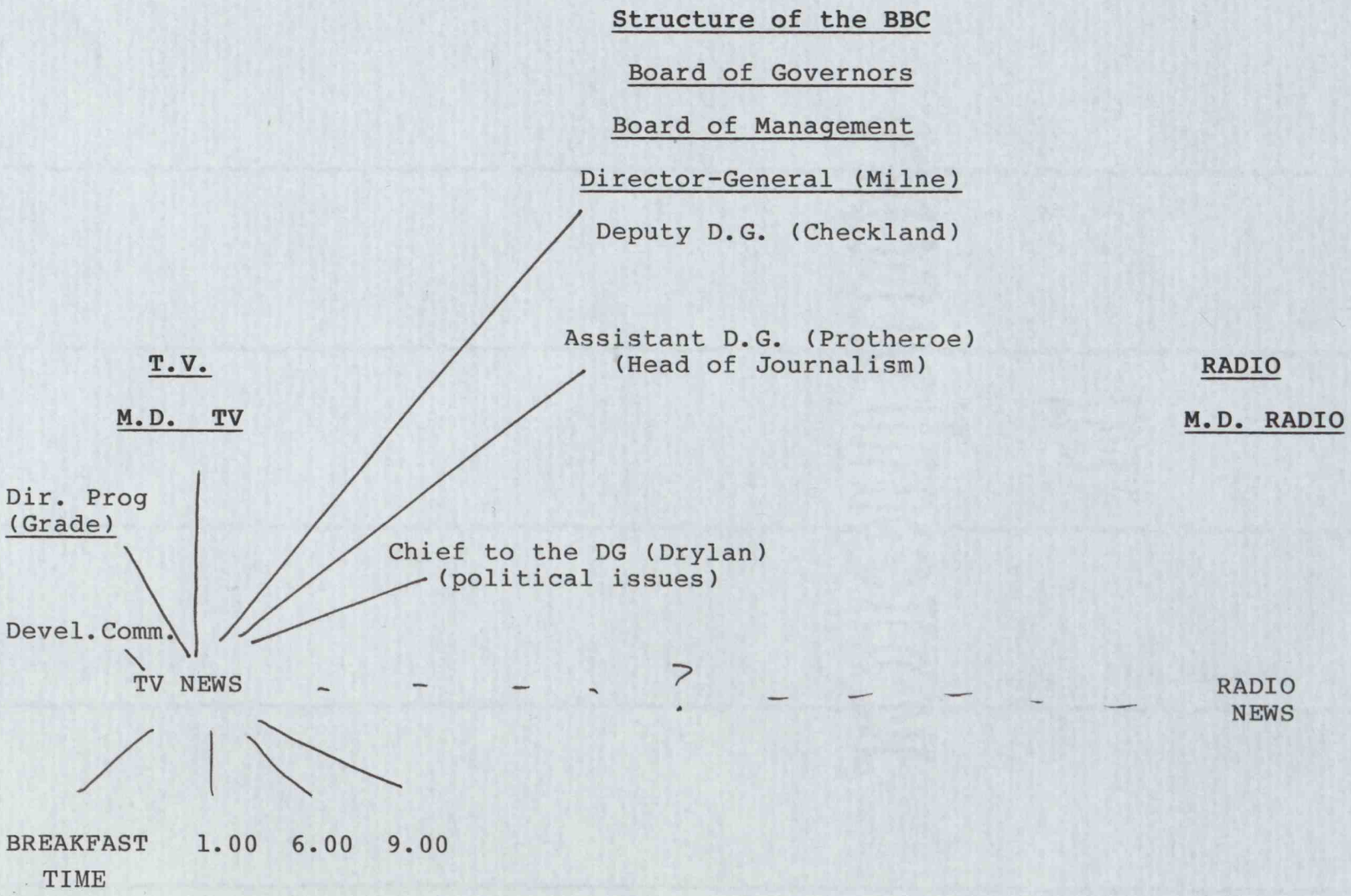


Chart 2


Structure of the BBC
Board of Governors
Board of Management
Director-General (Milne)
Deputy D.G. (Checkland)
Assistant D.G. (Protheroe)
(Head of Journalism)
T.V.
M.D. TV
RADIO
M.D. RADIO
Dir. Prog
(Grade)
Chief to the DG (Drylan)
(political issues)
Devel.Comm.
TV NEWS
?
RADIO
NEWS
BREAKFAST
TIME
1.00
6.00
9.00

Lord THOMSON

9/12

Life SS

(74)

10 DOWNING STREET

From the Principal Private Secretary

25 November 1986

I should be grateful for a draft letter for the Prime Minister to send in reply to the letter attached from the Chairman of the Independent Broadcasting Authority about a world television news service. Please could I have a draft reply by 9 December.

I am sending a copy of this letter to Stephen Boys Smith (Home Office), Alex Allan (H M Treasury), Tim Walker (Department of Trade and Industry), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), and Trevor Woolley (Cabinet Office).

N L WICKS

GA

A. C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office

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Pl cc B.G.

Prime Minister

We are seeking a

Irgt reply.

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26.11

INDEPENDENT BROADCASTING AUTHORITY
70 Brompton Road, London SW3 1EY
Tel: 01-584 7011 Telex: 24345
THE RT. HON. THE LORD THOMSON OF MONIFIETH, KT, PC Chairman

24th November 1986

Dear Prime Minister.

There has recently been speculation in the press about BBC plans for a world television news service, funded initially by the Foreign Office.

The IBA recognises the BBC's legitimate interest in the matter but we view with concern the prospect that public money might be made available to the BBC to fund such a development whilst ignoring the private sector and the potential which ITN could offer.

Earlier this year, David Nicholas, ITN's Editor and Chief Executive, wrote to Geoffrey Howe at the Foreign Office and to Peter Middleton at the Treasury. He outlined ITN's interest in a British world television news service. At that stage no decisions had been taken but given recent BBC statements about their international television ambitions, I believe it right to register with you the IBA's wholehearted support for ITN's case.

Contd/...

A British worldwide television news service could be of great value to Britain. The IBA would wish to see ITN given every opportunity to compete for the privilege of supplying it.

Yours sincerely,

George

The Rt. Hon. Margaret Thatcher, MP,
Prime Minister,
10 Downing Street,
London. SW1A 2AA.

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CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

21st November 1986

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign
and Commonwealth Affairs
Foreign Office
Downing Street
LONDON
SW1

Prime Minister 2.

MB

Dear Geoffrey

WORLD TELEVISION SERVICE

Thank you for your minute of 18 November. I have also seen Mr Wicks' letter of 19 November, recording the view of the Prime Minister.

I should say that I share the Prime Minister's view. It may be unfortunate that the BBC have not been disabused at an early stage of the idea that a Government subsidy might be forthcoming to support a service of this kind, particularly since there are competing developments by ITN, which will proceed further as satellite broadcasting grows.

I am sure it would be helpful if, in the wake of your discussion of 4 December, an early conclusion can be reached on the point concerning a subsidy. Separately perhaps Douglas Hurd may care to comment on whether any limitation should be set upon the potential use of licence fee income by the BBC on extraneous activity of this kind.

I am sending a copy of this letter to the Prime Minister, Douglas Hurd, Nigel Lawson, Paul Channon and to Sir Robert Armstrong.

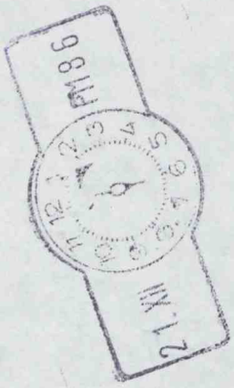
Yours Norman

NORMAN TEBBIT

BROADCASTING

BBC

PT 3



CCBG.

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Secretary of State for Trade and Industry

CONFIDENTIAL

20 November 1986

Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
Queen Anne's Gate
London SW1H 9AT

Dear Douglas.

NBPT.

PEACOCK COMMITTEE: FUTURE OF THE BBC LICENCE FEE

MISC 128 on 15 October agreed in principle that responsibility for the administration of the television licence fee should be transferred to the BBC, and that you should begin talks with them on how this might be done. We agreed that, in doing so, you would bear in mind the implications for the Post Office, particularly with regard to timing. Complete loss of licence business would weaken the viability of the Post Office counters network, and could lead to the closure of many sub-post offices.

I do not need to emphasise the political sensitivity of the Post Office network; it has been the subject of Parliamentary campaigns for several years, and colleagues in the House will want to be satisfied that we are not embarking on changes that will undermine the network. In addition, the Post Office operates the National Television Licence Records Office at Bristol, employing some 600 people, most of whom would have to be made redundant or compulsorily transferred if the operation were wound down. It also employs some 700 staff on licensing enforcement work at local offices across the country.

I recognise that making the BBC responsible for administering the licence fee will not necessarily lead to any change in the Post Office's role, although the BBC rightly would want to explore alternative methods of payment. But it is important that the Post Office is well placed to compete on equal terms with any other bidders for the business. This makes the timing of any changes all the more important. We have recently announced two developments

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which will serve to strengthen the Post Office's competitiveness: a pilot counters automation project, and a commitment to extend the Post Office's powers to enable it to transact a wider range of business over the counter. However, neither of these is likely to take effect until Spring 1988.

It seems to me therefore that we could avoid strong criticism about undermining the Post Office network by ensuring that no changes were made to the arrangement for TV licence fee collection before April 1988. This would mean that we had gone a long way towards improving the Post Office's ability to compete for this business. I cannot believe that this would impose a significant constraint on the BBC, who would in any case take some time to call for tenders for new arrangements. This condition should be made public to minimise any adverse criticism at the time of the transfer of responsibilities.

I am copying this letter to the Prime Minister, other members of MISC 128, and to Sir Robert Armstrong.

PAUL CHANNON

JG5ACI

Moors Murders

4.17 pm

Mr. Geoffrey Dickens (Littleborough and Saddleworth): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 20, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the moors murders investigation and the implications for prosecution and parole".

This will be a three-minute application, Mr. Speaker. As you will know, the Saddleworth moors are in my constituency. The bodies of Lesley Ann Downey, aged 10 years at the time of her death, and of John Kilbride, aged 12 at the time of his, were found buried in those moors, which are one mile from my home. Today, the Manchester police have started a massive dig-and-search operation on the moors, acting on information received from child murderess Myra Hindley. If other remains are discovered, two important issues will be brought into question. Should any deal be upheld with a child murderess for parole consideration in return for information on other murders? Should prosecutions follow for these other crimes committed 21 years ago?

A debate would provide Members of this honourable House with the opportunity to express public opinion so that our principal Law Officers — my right hon. and learned Friend the Attorney-General, my hon. and learned Friend the Solicitor-General and the Director of Public Prosecutions—are in no doubt about their duties. If the DPP, in conjunction with my right hon. Friend the Home Secretary, were ever to be hoodwinked by Myra Hindley and her eccentric friend in another place, they would never rest in their beds. They would be haunted by the spectre of anguished parents and relations who are sadly having to serve their own life sentence. I am convinced that public opinion demands no deal with child murderers and that those who sexually abuse and murder children should stand trial even 21 years later.

If you felt able to grant my request for a debate, Mr. Speaker, you would discover that hon. Members are more likely now to support my call to fight fire with fire. I believe that you would be amazed, Mr. Speaker, how strongly has grown the number of those who would wish to see capital punishment restored for child murderers.

Mr. Speaker: The hon. Member for Littleborough and Saddleworth (Mr. Dickens) asks leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he believes should have urgent consideration, namely,

"the moors murders investigation and the implications for prosecution and parole".

I have listened to what the hon. Gentleman has said, but I regret that I do not consider the matter that he has raised to be appropriate for discussion under Standing Order No. 20. Therefore, I cannot submit his application to the House.

STATUTORY INSTRUMENTS, &c.

Ordered,

That the draft General Lighthouse Authorities (Beacons: Hyperbolic Systems) Order 1986 be referred to a Standing Committee on Statutory Instruments, &c.

That the Medicines (Hormone Growth Promoters) (Prohibition of Use) Regulations 1986, (S.I., 1986 No. 1876) be referred to a Standing Committee on Statutory Instruments, &c.—*[Mr. Portillo.]*

Financing the BBC (Peacock Report)

Motion made, and Question proposed, That this House do now adjourn.—*[Mr. Portillo.]*

Mr. Speaker: Before I call the Home Secretary, may I tell the House that no fewer than 29 right hon. and hon. Members wish to take part in this important debate. It will plainly not be possible to call all of them if speeches are very long. Although I have no control over the length of speeches, I ask for brief contributions.

4.20 pm

The Secretary of State for the Home Department (Mr. Douglas Hurd): Before mentioning the Peacock report it might be sensible to say something briefly about the principles that lie behind the recent exchanges between my right hon. Friend the chairman of the Conservative party and the BBC about its coverage of the Libyan bombings. As my right hon. Friend the Prime Minister made clear, it is not for the Government as such to form a view on that coverage, and that certainly applies to the Home Secretary, but the principles involved are worth restating.

First, the BBC has a responsibility, contained in article 13 of the licence and agreement, to refrain from sending any broadcast matter expressing its opinion on current affairs or on matters of public policy. It has also undertaken to treat controversial subjects with due impartiality. Those are responsibilities assumed by the board of governors. They put the BBC and those who work for it in a different position from those who work, say, for a newspaper or a cable company. Those responsibilities were undertaken in return for the privilege granted by Queen and Parliament in the charter of exercising what was once a monopoly and is now half a duopoly.

Second, it is not for the Government to enforce that responsibility as regards the normal content of the BBC's output. The responsibility rests on the board of governors. Under the charter and the licence and agreement the Home Secretary has some powers, but it is clear from the texts and from past practice that those powers should be used only in an emergency or wholly exceptional circumstances. As I have already stated in public, the Government have neither the power nor the wish to control the normal output of the BBC.

Third, any group or individual who believes that a broadcasting authority is falling below the standards set has an absolute right to say so. There is no reason why the chairman of the Conservative party should be deprived of that right. My right hon. Friend has shown himself entirely capable of distinguishing clearly between his duties as Chancellor of the Duchy of Lancaster and his role as chairman of the Conservative party. He showed that again during Question Time on Monday.

Broadcasters have no reason to believe themselves persecuted or insulted when such criticisms are made, whether by my right hon. Friend or by anyone else. As we observe, they have plenty of opportunities to reply and the public can then judge. Private individuals or political parties have no reason to regard with dumb reverence the output of broadcasters. I have not noticed that broadcasters approach the output of politicians with any such reverence. Both professions are in the public arena and learn to look after themselves. Members of both professions also learn, if they are wise, while defending

themselves resolutely, to watch out for the lessons which they can draw from criticisms brought against them. If those three principles are accepted, the recent exchanges will find their proper perspective.

Mr. David Winnick (Walsall, North): Although the BBC and the other broadcasting authorities should not be immune from any form of criticism and it is the right of private individuals and organisations to complain if they so wish, does the Home Secretary accept that there is a distinction between a private individual or an organisation and the chairman of the Conservative party who is a senior member of the Cabinet? Does the right hon. Gentleman really believe that the BBC or the public will not make much of a distinction between complaints by the chairman of the Conservative party and a senior member of the Cabinet—one and the same person—and those by an individual or an organisation? The BBC has been bullied, harassed and intimidated by the Chancellor of the Duchy of Lancaster and the Home Secretary knows that full well.

Mr. Hurd: The BBC understands that distinction well. Throughout, my right hon. Friend has been wholly explicit that he has been putting forward his observations as chairman of the Conservative party. It is not the BBC or the general public, but only the Opposition, who wish to blur a distinction which is perfectly well understood.

Mr. Jack Ashley (Stoke-on-Trent, South): Will the Home Secretary make it clear that he is now specifically repudiating the views expressed by the chairman of the Conservative party?

Mr. Hurd: Of course not. I shall not fall into that trap. If I began to state personal views on the issues involved I would be accused of acting improperly as Home Secretary, by leaning on the BBC. I have no intention of falling into that trap or of adding to the clear points that I have made on the matter.

Mr. Merlyn Rees (Morley and Leeds, South): I do not wish to become involved in the discussion about the chairman of the Conservative party, but it was interesting and valuable to hear him read the rubric under which the BBC must operate under section 13 of its charter. What is the difference between the BBC and the IBA and, therefore, ITN news? Do they have a similar duty, or is it different? Why not mention the other broadcasting authorities?

Mr. Hurd: I did not mention the other authorities because the immediate controversy is not about them. The right hon. Member for Morley and Leeds, South (Mr. Rees) will recollect that in the Broadcasting Act 1981, which covers the IBA, there is a similar but not identical statutory obligation.

I hope that the debate will concentrate on the long-term future of broadcasting in the light of the challenges and opportunities brought about by rapid changes in technology. When I welcomed the publication of the Peacock report on 3 July, I said that the Government would come to a final view on its recommendations only after they had measured parliamentary and public reaction. Some, out of their native cynicism, interpreted my remarks as a signal that the Government had buried the report, albeit with some compliments and a suitable funeral oration, but I hope that later events have shown that that is not true. The Peacock report is still very much above ground, precisely because it provides a stimulating agenda for the decisions which, during the next few years, must be taken on broadcasting.

The debate provides the House with the opportunity to make its views known. We will listen carefully to those views and take them fully into account in the final decisions on the recommendations, which we have not yet reached. From our point of view the debate is interrogative and exploratory.

The main thesis of the Peacock report has been widely discussed and is now well known. The report argues that the special structure of broadcasting that we have known up to the present day, with its duopoly and sophisticated system of regulation, has been necessary for two main reasons: first, because there has been a scarcity of broadcasting spectrum; and, secondly, because the consumer could not register his preferences directly.

The report argues that technology is changing all that and that new advanced systems for delivering programmes, mainly cable and satellite, will lead to a multiplicity of channels. Sophisticated techniques for encryption, decryption and direct charging will enable the viewer or the listener in due course to pay direct for the programme of his choice. The report predicts that, as those technologies develop, we shall move towards a genuinely competitive broadcasting market with a multiplicity of channels supplied by a wide range of programme providers from which the consumer can make his choice. In summary, that is the committee's view.

There is no doubt that technological change in broadcasting is coming fast, and we should welcome it. I hope that no one will argue as though we were simply discussing the future of the four existing television channels and the existing radio frequencies. That is not so. The initial comments of the right hon. Member for Manchester, Gorton (Mr. Kaufman) on the Peacock report suggested that he was simply interested in the status quo, but the world moves on, and the question is how we move with it.

As I said on 3 July, the Committee's emphasis on consumer choice is very much in tune with the Government's general philosophy and with the broadcasting policy that we have pursued since we took office. We have never doubted that the new systems should be allowed to develop freely with as little interference as necessary from the Government. That is why the Cable and Broadcasting Act set up a new framework for the new wide band cable services, retaining only a light framework of interference and regulation. It is also why in May last year we removed restrictions on the reception of satellite programmes direct by individual dishes, so that in back gardens up and down the country one occasionally sees evidence of a slowly expanding market which is international in character.

Also, after a number of false starts, we asked the IBA, under the new Act, to advertise contracts for the new direct broadcasting by satellite service, which will provide three new national television channels. In response to that invitation a number of consortia have applied for a British DBS contract. The IBA tells me that it aims to make a selection before the end of the year so there is a reasonable prospect—after past disappointments, I do not want to be absolute about this—of progress being made and of a new British DBS service becoming available by the end of the decade. The same period has shown a rapid expansion of satellite programme channels in this country,

[Mr. Hurd]

some of which are already providing diversity of choice for viewers, not just in this country, but in the rest of Europe as well.

We have given our full support to these developments, but we have also been conscious of the need to ensure that we do not lose the great benefits of our existing broadcasting services. Like the Peacock committee, I pay tribute to the very high quality of many services provided by both our major broadcasters. There is no reason why, as the broadcasting market expands, we should lose the high quality of those services. Often in the past when changes have been suggested in broadcasting — for example, when commercial television was introduced — there have been those who, with much grave shaking of heads, have warned that existing standards of excellence would not survive any disturbance of the status quo. We have been familiar with that throughout the history of broadcasting. There has always been a great deal of head shaking and predictions that changing anything means spoiling everything. I see no reason, however, why broadcasting should not develop in such a way as to retain high standards, supplemented by greater diversity.

Mrs. Gwyneth Dunwoody (Crewe and Nantwich): Is the Home Secretary aware of what happened in Italy when the Italian broadcasting authority, the RAI, was subjected to intolerable pressures? Due to the absence of proper legislation, anyone was allowed free entry and the result was almost 90 per cent. American films, no original programmes and material of a standard which I am sure the right hon. Gentleman would not accept.

Mr. Hurd: That is why we put DBS in the public service sector under the Cable and Broadcasting Act and why, although there is a lighter touch and less regulation for cable, there is nevertheless a framework which would rule out the kind of development that the hon. Lady fears.

Mr. Derek Conway (Shrewsbury and Atcham): I welcome the Government's progressive attitude towards extending viewers' choice, but will my right hon. Friend comment on the Peacock proposal that the regional contracts given by the IBA should be put out to tender? Would there not be a danger of losing the valuable provincial services such as we enjoy in the midlands?

Mr. Hurd: I shall cover that and several other points later in my speech.

Mr. Andrew Faulds (Warley, East): Will the right hon. Gentleman give way on that point?

Mr. Hurd: No, I have been warned by the last intervention. I note the hon. Gentleman's interest, but I must get on.

As I have said, the Peacock committee stressed that the two main obstacles to a genuinely competitive broadcasting market were scarity of spectrum and the lack of a direct means of consumer payment. The shortage of spectrum is gradually being overcome by the expanding cable and satellite markets. To speed up the development of a national cable grid, the committee recommended that both telecommunication and cable services should be delivered over common carrier networks operated by British Telecom and Mercury. However, it also recommended that BT and Mercury should be prevented from offering cable television services or interactive telecommunications services over those networks. This is a complicated matter and it is fundamental to Government policies on telecommunication and competition as well as on broadcasting. We are far from sure that the Peacock committee has got this particular recommendation right, but we shall consider the proposal in detail and we shall be interested to note any views expressed today on this important point.

On the second point — the absence so far of direct payment — the committee recommended the development of pay television systems. This is one of the most important and far-reaching recommendations in the report. If a system of encryption and subscription were technically and economically feasible, it could provide a means of overcoming the undersirable aspects of the licence fee system which have been widely discussed in recent years and establishing a direct relationship between providers and consumers of television services.

The committee commissioned some useful research to provide an appraisal of the various options, mainly on the economic side, but we judged that further and more further detailed work was needed on both technological and economic aspects. We have therefore commissioned consultants to carry out a study. They will be looking at the technological systems available and the feasibility, in terms of both security and costs, of adopting them for a major television service. The study will also consider the economic effect on broadcasters of the various options for a subscription service, either as a substitute for the licence fee, or as part of a competitive subscription market. Finally, it will consider the impact on the viewer. Technology is developing rapidly in this area and there is already practical experience, albeit on a limited scale, in both France and the United States. We have asked the consultants to let us have their report within six months, so they will be reporting to us in the spring. I hope that we shall then be in a better position to assess the potential role, feasibility and possible time scale of introducing subscription television in this country.

Mr. Allen McKay (Barnsley, West and Penistone): As the right hon. Gentleman knows, I have long been interested in concessionary licences. If we go over to a subscription system, how will that concession operate?

Mr. Hurd: That would clearly need to be considered. If the licence were to fade away or be abolished, the concessions would clearly follow suit, but that is still some way down the road. It will be some time before we can assess the extent to which concessions might be built into a subscription system, but the hon. Gentleman raises a reasonable point which he may wish to develop later.

If subscription proved to be the natural successor to the licence fee, it would clearly take time to introduce. The Peacock committee saw it as an option for the medium and longer term. The central question for the committee was whether the licence fee should be displaced in the short term by other means of finance, particularly advertising. As the House knows, the committee rejected the idea that the BBC should be funded wholly or partly by advertising, because it concluded that, with the present limitations of the broadcasting market, competition for advertising between the two major broadcasters would lead to a reduction in the range and quality of programmes.

The committee made out a powerful and detailed case based both on economic principle, on the committee's

assessment of the price elasticity of demand for advertising, and on research of experience abroad. The arguments were pretty forceful and I believe that the onus now rests on those who disagree with the committee's conclusions to disprove the arguments underpinning those conclusions. We have not reached a final conclusion on this and I look forward to hearing the arguments to be deployed today, which will be taken fully into account in the conclusion that we reach.

Once a final decision has been taken about advertising, the Government will need to decide on the various recommendations put forward by the committee for improving the licence fee arrangements in the short term. The main conclusion in that group of recommendations was that the licence fee should be indexed. The committee recommended that in future the fee should be fixed by reference to the retail prices index, starting from a notional licence fee of £60 on 1 April 1987.

There are attractions in such a proposal for the Government, the public and broadcasters. It would ensure for broadcasters a guaranteed and predictable income on an established basis and reinforce their independence of the Government. It would also provide a considerable incentive to enhance cost-consciousness and improved efficiency. Most important, it would ensure that future increases in the licence fee would move in line with the ability of the viewer to pay. I shall be very interested to hear the views of right hon. and hon. Members on this matter. We have reached no firm decision, but we have much sympathy with the approach recommended by Professor Peacock.

Until these decisions are taken, the licence fee remains with us at the level fixed by my predecessor in the spring of last year. At that time he announced that the fee of £58 would run for a minimum of two years, with the possibility of extending that for a further year if no decision had been taken in time about replacing the licence fee. As the main questions raised by the Peacock report have yet to be resolved, I have decided that the present settlement should run for the full three years. Therefore, I can tell the House that the licence fee will remain at £58 for the period from April 1987 to April 1988—that is the third year of the period.

The Peacock committee made a number of important recommendations which affect the independent television system. I come to the point raised by my hon. Friend the Member for Shrewsbury and Atcham (Mr. Conway). One of the most significant recommendations was the proposal that in future ITV contracts should be put out to competitive tender. On 3 July I made it clear in my statement that the option for carrying out this recommendation, or indeed any changes to the system, including changes which the IBA has suggested, would be closed off for the next 10 years if the IBA were to proceed under the timetable in the present legislation to award the next round of ITV contracts to take effect from the beginning of 1990.

I have discussed—as I told the House I would—with the chairman of the IBA the means by which the proposed timetable can be amended so that the decisions that we take on the committee's report with regard to ITV contracts may be incorporated in the next contract round instead of having to wait for the next round but one.

I therefore propose that there should be early legislation which would have the effect of enabling the IBA to extend existing contracts, provided that the contractors themselves agree, by a period of three years, which would allow an adequate margin for these decisions to be taken. A Bill for that purpose has been introduced in another place. That Bill has not been brought forward because we have already decided on the changes that should be made. We simply do no want to foreclose the options. There should be flexibility so that the Government, after the next election, can decide to introduce changes which they consider necessary without being told that they can do nothing for a long time because the die has already been cast until the beginning of 1998. Unless the change is made, the IBA would award new contracts which would be likely to run until 1998.

The Government believe it is essential to provide an earlier opportunity for change. The Peacock committee forcefully argued that an increase in the amount of independent production in broadcasting sevices, independent of the BBC and ITV system—

Mr. Tony Banks (Newham, North-West): I wish to come back to the right hon. Gentleman's point regarding the IBA's ability to extend the existing contracts for a further three-year period. Will the Secretary of State allow the IBA to make any other forms of regulation? There is dissatisfaction with some of the franchises which are currently in hand. It would be wrong to make it impossible or difficult for the IBA to carry out its proper role of ensuring that standards are met by various companies. In certain cases, some allow companies will be allowed a further three years to print money.

Mr. Hurd: The hon. Gentleman will have his chance to argue that when the Bill comes to the House. We are in no way modifying the IBA regime under which companies must operate, or modifying responsibilities which the IBA must discharge during that period. I am concerned to avoid the situation, after the election, whereby one is told that any changes that are wanted will not be effective because the next round of contracts is already under way and has to be left under the existing system.

With regard to the volume of production independent of BBC and ITV, the Peacock committee argued forcefully that an increase in independent production would help the general move towards a more competitive broadcasting market, which the committee favoured, and have a good effect on the level of costs and efficiency in broadcasting generally. Many sensible people, inside and outside the broadcasting world, consider that it is desirable to encourage the independent sector for reasons of diversity, freshness and efficiency. We agree with that view and believe that the independents, too, deserve a place in the sun.

Historically, broadcasts have been part of a system where all the aspects of programme production were carried out in-house. The programme was commissioned, produced, scheduled and transmitted within the same organisation. Channel 4 and the Welsh fourth channel show that it is possible to separate production, commissioning and transmission without losing any quality of programme standards. Channel 4 is a publisher rather than a manufacturer of programmes. We believe that independent productions should form a substantial proportion of ITV and BBC television programmes. We would like to see a major shift—a shift more substantial than that so far contemplated by broadcasters.

Peacock recommended an increase of at least 40 per cent. of programmes to be supplied by independent

[Mr. Hurd]

producers over a period of 10 years. We have been in touch with the independent producers, who campaigned for a figure of 25 per cent. Perhaps that is a more realistic goal. We would look for somewhat faster progress than that envisaged by the Peacock committee. However, important issues are involved — such as how one defines independence — which must be considered quickly. I have, therefore, arranged to meet the chairmen and directors general of the BBC and IBA soon to discuss the means of achieving the broad targets that we have in mind.

Most of the Peacock report is about television, but there are specific recommendations about radio, the most important of which is the proposal that part of BBC Radio 1 and Radio 2 should be privatised. I do not propose to tackle that question in detail today. Our reactions to the Peacock recommendations on radio will fit in with the proposed Green Paper on radio services which I plan to publish before long.

Radio may be a good testbed for pursuing deregulation rather faster than may be immediately possible for television. [HON. MEMBERS: "Why?"] Because there is a great deal of change in radio. There was the community radio experiment, which was aborted at the last minute. However, we are aware of the problems of the independent local radio companies and we are aware of the proposal for an independent national radio station. There is a great deal of ferment and activity in radio which we wish to encourage. For that reason, it may be possible to pursue a more rapid policy of deregulation, and we will discuss these options in the Green Paper.

Mr. Norman Buchan (Paisley, South) *rose*——

Mr. Faulds *rose*——

Mr. Hurd: I give way to the hon. Member for Warley, East (Mr. Faulds).

Mr. Faulds: The right hon. Gentleman is really talking about the quality of radio broadcasting and the implications, because of the collapse in the last two years, for that quality. He may not remember, because he is not quite as old a Member as I am of this House, that when John—the chap who disappeared——

Mr. Tony Banks: John Stonehouse — he walks on water.

Mr. Faulds: When John Stonehouse was Postmaster-General, I was his Parliamentary Private Secretary——

Mr. Banks: That is why he disappeared.

Mr. Faulds: I am still around, and shall be around for a long time. When I was PPS to that Postmaster General, he introduced a very misguided paper called "Broadcasting in the Seventies". I resigned because I could see what he could not see—*[Interruption.]* —Take this matter seriously. I could see, as he could not see, the implications for the BBC's maintenance of standards of wanting to compete in the commercial market. All that the Home Secretary is now faced with in the decline of standards in radio stems from the misunderstanding of the introduction of that paper. I may have to refer to this matter later in the debate.

Mr. Hurd: The hon. Gentleman's beard grows greyer each day that passes. I do not know what he may have to resign from next, because I am not sure what the next pinnacle of his political career will be. I should be sorry if he had to resign over the quality of radio services, because I do not share his pessimistic analysis of what has taken place. To conclude——

Mr. Buchan *rose* ——

Mr. Hurd: I was giving the hon. Gentleman his cue.

Mr. Buchan The right hon. Gentleman has talked about the deregulation of radio. Why did he block overnight the one single measure of development that was community-based and had the opportunity of properly serving public service broadcasting in the independent sphere?

Mr. Hurd: That is a fair question. There was to be an experiment, the terms of which were announced, for two years. The service was to be completely free—there was to be no regulation. One had one's licence and there was no requirement even to monitor the output. As the time came closer for that to be implemented there was a good deal of anxiety, which was represented in several parts of the House. There was not a Left or Right pattern. People began to be worried that political parties, extremists—Left or Right—racist organisations, all sorts of people, might get control of community radio stations, and there would be no monitoring, no regulation and no sanction of any sort. We thought of various ways in which we could avoid that by importing a little regulation and monitoring, but that was difficult to do on the basis of the original experiment. The pressure for community radio is there, and the experiment showed that it was there. The hon. Member for Paisley, South (Mr. Buchan) will see, when the Green Paper comes out, how we envisage meeting that pressure.

British broadcasting is thus on the edge of one of those periods of change, just as happened 50 years ago when the BBC took its bold step into television, and just as happened 20 years later when commercial television established itself. I am sure that the House will not lose sight of that basic, underlying fact in the stir of immediate controversies. Periods of rapid change, such as we are entering in the broadcasting world, offer a pretty fair mixture of pain and opportunity, but one will not get through those periods successfully simply by complacency or supposing that one has to stay with the institutions and arrangements of the day. All of us have to rethink our attitudes and, for example, in the House we have to think of what different forms of regulation may be required in the new age.

The prospects are exciting. It is an exciting area, not just because of the new technology, but because of the great wealth of creative talent on which broadcasting in this country has always been able to rely. We have to yoke together the technology and the talent in a way that will bring the greatest benefit to the viewer and the listener. That is the task to which we have set our hands as a Government. It will take some time, and I hope that the House will give us today a first instalment of the guidance and insights that we seek.

4·52 pm

Mr. Gerald Kaufman (Manchester, Gorton): We are debating today the possibility of the most far-reaching changes ever proposed in the structure of British broadcasting. It is important to recall exactly how that has come about.

Year by year, dissatisfaction with the steady rise in the BBC television licence fee has led Governments of all parties to be reluctant, or at any rate cautious, about agreeing to applications for increases in the licence fee. It was interesting to note from the Home Secretary's speech that the Government have decided to peg the licence fee for the 12-month period when the general election will almost certainly take place. That seems like a strong argument for annual Parliaments.

In that impetuous way of hers, the Prime Minister decided that the solution to the long-term licence problem for the BBC was to introduce advertising to the BBC. The previous Home Secretary, therefore, set up a committee to examine and, it was hoped, to endorse that notion. The Peacock committee, having examined and rejected the case for advertising on the BBC as at present constituted, decided to ignore its terms of reference. It "overflowed them", as the Secretary of State charmingly put it in a speech to the Royal Television Society the other day.

The committee set its hand to a fundamental re-examination of the function and role of broadcasting in Britain. As its membership included such free-market zealots as Professor Peacock and the bizarre Mr. Samuel Brittan, who appears to have been the Rasputin of this whole dubious enterprise, the outcome was the document that we have before us today—the Peacock report, one of the most intellectually impoverished and ideologically obsessive documents ever to have been put before the House——

Mr. Gerald Howarth (Cannock and Burntwood): It takes an impoverished intellect to recognise one.

Mr. Kaufman: God, that was a brilliant intervention. No wonder the BBC withdrew its libel action against the hon. Gentleman if it was to be faced with such dazzling repartee.

We are all agreed that any consideration of the issues in the report starts from two bases. The first, as the report concedes at the beginning, is that

"British broadcasting is the most highly regarded system in the Western World".

The second is that technological advance, especially through satellite broadcasting, and also in other ways, will broaden the scope of television in particular and make possible far wider choice. But instead of using those advances to build on the achievements of British broadcasting, the Peacock committee wishes to dismantle our successful structure and replace it with one that would degrade standards and risk turning our present admired system into an electronic equivalent of the tabloid press.

Before Peacock, the Government put forward modest objectives for change. They envisaged not meddling with the present structure but adding to it in three ways—first, by augmenting television choice by a nation-wide network of cable television, established by merchant adventurer enterpreneurs, on whose profitable systems would ride all the interactive services dreamed of by the present Secretary of State for Education and Science before he went on to higher things from the Department of Trade and Industry. Secondly, there would be a direct broadcasting by satellite consortium, which would further expand choice of programmes. Thirdly, a network of community radio stations, would enhance choice for radio listeners at local level.

That entire strategy has, of course, collapsed. Cable has failed to make any real progress, as I warned it would when the Cable and Broadcasting Bill was debated two years ago. The chairman's foreword to the first report of the Cable Authority was published this week. He states the failure quite cheerfully:

"Almost all new developments start off slowly,"

he consoles himself, and goes on:

"It is foolish to doubt the long term prospects for cable because its initial development has been faster."

The Peacock report is franker and, it has to be said, more doleful. It says that by 31 March 1986,

"of about 130,000 cable subscribers, fewer than 10,000 were connected to the new wideband systems currently under installation following the award of franchises."

Today we have read in the press about what is available to those subscribers. At a time when the Government are deeply exercised about alleged Left-wing bias on television, Cabletel, a cable company in Enfield, has begun offering its subscribers programmes from the main channel of Soviet television, relayed direct from Moscow. It is a great relief to know that, as an alternative to the BBC's Marxism, the lucky residents of Enfield now have available to them direct news of the Thatcherite policies that have been adopted by the Right-wing Soviet Government.

As for DBS, the Home Secretary told the Royal Television Society last week, in his euphemistic way that "DBS is not coming about in the way originally envisaged." That is "Hurdspeak" for saying that his predecessor's planned consortium has flopped, and the whole project, which should have been operating in 1988, has been delayed indefinitely. The Home Secretary expressed a hope, no more, that it might be operative by the end of the decade.

Mr. Tim Brinton (Gravesham): The right hon. Gentleman has made many quips about Russian television being received by cable subscribers in Enfield, but is he not missing the main point? However slow is the development of cable in Britain and however slow is the development of British direct broadcasting by satellite, it is inevitable that satellites will be operated from other countries. The right hon. Gentleman will remember that it took about three years for the video recorder to take off in the domestic market. If people buy reception dishes at the same speed, the result of what I understand to be his policy —no change in broadcasting—is that the BBC and ITV will have to compete with popular programmes from abroad over which he will have no control.

Mr. Kaufman: I do not in the least challenge the hon. Gentleman's forecast that satellite television will eventually transform the opportunities available to viewers in Britain. That is axiomatic, but I was not talking about satellite but about cable television.

As I said on Second Reading of the Cable and Broadcasting Bill, cable is a dead duck in Britain because people will buy video cassette recorders and choose their own programmes rather than pay to have them put on cable. That is being shown in the Westminster area now.

Then there was community radio. The experimental stations should by now have been transmitting programmes. The Home Secretary said in response to an intervention earlier that the experiment was

"aborted at the last moment"

as though that was regrettable and nothing to do with him. But he ditched the experiment because he suddenly discovered to his alarm, that the community radio applicants were likely to be less ideologically sound than

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the programmes on Soviet television. The result is that the Government are now searching anxiously for a new strategy to replace the one that has failed—and along came Peacock to fill the gap.

There are two ways in which to plan the future of British television and radio. One is to build on, expand and vary the country's enviable tradition of public service broadcasting, and to preserve and protect what the annex to the BBC's licensing agreement laid down by the Government declares to be the duty to

"provide a properly balanced service which displays a wide range of subject matter".

We should also try to preserve and enhance the generally high standards of ITV which, as every ITV executive will freely admit, derives indispensibly from the standards achieved by the BBC. It is from that structure that the Leeds university study commissioned by Peacock concludes that it is

"highly probable . . . that the range of choice on any day in the United Kingdom is greater than in most other countries including the United States."

It is because of those standards that the Peacock committee had in its report——

Mr. Richard Holt (Langbaurgh): The right hon. Gentleman is wrong.

Mr. Kaufman: I am quoting the report. If the hon. Gentleman disagrees with it, he is welcome to.

Mr. Holt: Will the right hon. Gentleman give way then?

Mr. Kaufman: Not at the moment.

Mr. Holt: The right hon. Gentleman is afraid.

Mr. Kaufman: Yes, it is true—I really am afraid of the hon. Gentleman.

Mr. Holt: The right hon. Gentleman is afraid of the truth.

Mr. Kaufman: Afraid of the truth or economical with the truth? We have a choice these days because of the Cabinet Secretary.

Mr. Holt: That is for him.

Mr. Kaufman: It is because of those standards that the Peacock committee had to admit:

"In every country we encountered expressions of amazement — even from NBC and ABC in the United States — that the British should be thinking of changing their system, which is almost universally admired."

Having agreed that Britain has a broadcasting structure which is the envy of most other countries, Peacock brings forward plans to wreck it absolutely on the basis of addiction to the free market economy which is ideologically deranged and, if put into practice, would not merely fail to work as Peacock predicts, but give us not the best but probably the worst television in the world.

Mr. Faulds: My right hon. Friend was extraordinarily charitable in his introductory remarks to the membership of the Peacock committee and commented on only a couple. There is an accolyte of Rasputin on the committee — the extraordinary appointment of a particular lady with an enormous battery of intellectual ability who was chosen for membership because the Prime Minister knew from long personal contact that the young lady had been born from a Tory womb.

Mr. Kaufman: I am not able to go through all of the qualifications for membership of the Peacock committee, but I am ready to accept my hon. Friend's word that some qualifications were even more bizarre than others, difficult as it may be to believe it.

We have a few short-term proposals about financing the BBC in the report. One is to give free television licences to pensioners on supplementary benefit. That at least is on the right lines, but we do not believe that it goes far enough. That is why the Labour party is committed to phasing out completely the television licence for old-age pensioners.

Another, to which the Home Secretary referred, is indexation of the current licence fee. Of course, the tolerability of that course would depend partly on the level of the licence when the indexation started. Yet another is the proposal to impose a £10 radio licence charge on all car owners. That is unfairly discriminatory and hard to enforce, and it would bring in only a fraction of the money that the BBC needs each year.

For that very reason, Peacock goes on to propose that BBC radios 1 and 2 should be sold off. The report does not explain how the sale should be achieved since Radios 1 and 2 do not exist in tangible form. Exactly what property is it to be sold? Is Jimmy Young to be put on the auction block? Is so, as she is reputed to be very fond of him, the Prime Minister might decide to buy him for herself, but he would then not be available to a wider audience.

Mr. Tony Banks: Stick him on the mantelpiece.

Mr. Kaufman: If those channels' airwaves were to be for sale, what would there be to stop the BBC from using its existing allocation of airwaves to provide substitute Radios 1 and 2? If a sell-off were achieved, with advertising on the privatised wavelengths as Peacock advocates, the effect on independent local radio would be crippling if not in many cases fatal.

The Peacock report provides the statistics which show how fragile and precarious are the finances, and therefore the prospects for survival, of many existing ILR stations. A study commissioned by the Newspaper Society shows that advertising on Radio 1 would take £50 million away from ILR and, what is more, it

"would be certain to bring about closures"

among local radio stations and regional newspapers.

The murder of many channels of diverse information and opinion could surely not be justified by obtaining a once and for all sum which, at its most optimistic, would account for only a tiny fraction of the revenue needed by the BBC, not just for one year but every year. It also goes without saying that turning BBC radio into a ghetto of talk, however enlightened, and of classical music, however admirable, would be an utter violation of the Government's own requirement in the annex to the licensing agreement that programmes should

"provide a properly balanced service which displays a wide range of subject matter".

Peacock's intermediate proposals are based on the supremacy of market forces and the entire subordination to them of quality and standards. As the hon. Member for Shrewsbury and Atcham (Mr. Conway) has rightly warned, under the Peacock proposals, ITV and ILR franchises would be auctioned to the highest bidder. Commercial objectives would reign supreme over a variety

of choice and lead to a bland mash of quiz shows, chat shows and soap operas — the kind of thing which prevails in the United States.

Mr. Roger King (Birmingham, Northfield): What about "Panorama"?

Mr. Kaufman: There are extremely good "Panorama" programmes from time to time.

Mr. Roger King: They cost £500,000 a programme.

Mr. Kaufman: They are worth every penny.

That is not just my conclusion. This is what the Peacock report said would happen:

"Whereas at present both BBC and ITV pursue policies of mixed programming — with schedules which in peak time include news, current affairs, documentaries, serious drama, and science programmes — the requirement to maximise audiences would mean substituting comedy, variety, quiz shows and other entertainment for many of the 'information' programmes and for the more demanding forms of drama."

Cable would also be sold off to the highest bidder and the restriction on non-EEC ownership would be removed. that would be the first of many changes proposed by Peacock, which would allow the Murdochisation of the British electronic media. Channel 4 would be privatised and, undoubtedly, robbed of its distinctive and enterprising character. The night-time hours of BBC and ITV channels would be sold off, with the BBC and ITV companies excluded from bidding, at least in the early years, without any regulation of content for the companies that win the right to use those hours. The Government, with a Prime Minister who proclaims family values at the drop of a hat and a Chancellor of the Duchy of Lancaster who preaches from the pulpit, would introduce the night-hours porn shift.

Plans would proceed for the BBC to be reduced from a universal service to a subscription service. ITV would still have its channels vulgarised and cheapened, but available to all viewers at the turn of a switch or the press of a button, whereas the BBC would be available only to those who agreed to pay the subscription. That would rule out large numbers of people and the Peacock report readily admits it. Peacock states—this matter relates to the intervention by my hon. Friend the Member for Barnsley, West and Penistone (Mr. McKay)—

"The substitution of voluntary purchase of broadcasting services means that poor listeners and viewers will have to pay the same as rich listeners and viewers for programmes and the rich will be able to afford a greater volume and variety in their broadcasting 'diet' . . . The Committee accepts that a move towards a Pay-TV system might result in those on lower incomes paying more for broadcasting services both because of the charges introduced and their desire to alter their 'mix' of the volume and type of programmes that they wish to enjoy. If Pay-TV had any adverse distributional effects then the Committee would prefer to see these taken care of by alterations in the tax or benefit structure or both."

That is the classic argument that anyone may dine at the Ritz, but with the patronising proviso that the Supplementary Benefits Commission should be asked to pay for the dinner. There is a fat chance under the Secretary of State for Social Services or the Prime Minister of anything like that being done. Peacock wants to introduce poor law rules for the reception of television with the added twist that better-off people can afford to, go out for entertainment other than and supplementary to television, whereas for millions of the poor television is the only available entertainment.

Mr. John Gorst (Hendon, North): Notwithstanding what the right hon. Gentleman has said, does he agree that all is not entirely happy in either ITV or BBC, despite their duopoly of purchasing power, when it comes to the sums that they pay for cinema films? Will he concede that there must be a different arrangement from the present one so that the sort of films that have been popular on those two channels should be made more plentifully in future?

Mr. Kaufman: That is an arguable case, but I would go further and say that one of the most admirable ways in which the British film industry in its present precarious state can be assisted is by the types of methods used by Channel 4, whereby original, new films are financed with the intention of showing them in theatres as well as on Channel 4. Some of the best recent British films have been made in that way.

From those proposals the Peacock report goes on to propose a structure of subscription television.

Mr. Hurd: Before the right hon. Gentleman leaves the question of concessions, could he tell us whether the pledge that he has repeated today that the Labour party will make the television licence free for all old-age pensioners is in the outer circle of promises that the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley) has told us we should ignore, or in the inner circle of promises, about which he proposes to do something?

Mr. Kaufman: I am grateful to the right hon. Gentleman for giving me the opportunity to emphasise that pledge which will be a priority of the next Labour Government. That was a helpful intervention and the right hon. Gentleman must feel free to rise to his feet again whenever he regards it as appropriate.

Peacock goes on to propose a structure of subscription television, which it calls electronic publishing, in which it foresees a Nirvana of a myriad of television channels with each of us tuning in, after paying our subscriptions, to the programmes that please us most. But we can tune in only to what is available, not to what we should like, if it is not available. That seems obvious, but it is made clear in the study by Leeds university which was commissioned by the Peacock committee. It states:

"The audience cannot actually demand a programme. It can only accept or reject a programme after it has been shown. Any system which gives 'more of the same' because the same is highly popular is failing in its duty to the audience, since the latter is not given the chance to accept or reject something new."

That danger would undoubtedly arise from the system proposed by Peacock. What would be on offer would be programmes to please the lowest common denominator and programmes that would amass the largest number of subscriptions. We would be treated, not to the Faber and Faber and Sidgwick and Jackson of the air, as the Home Secretary imagines, but to the electronic equivalent of *The Sun* and the *Daily Express*.

It might well be said, "If that is what people want, why should they not get it?" People are much more selective and fastidious than they are insultingly represented to be by the vulgarisers of the Peacock committee. The Broadcasting Research Unit, which is sponsored by the BBC, the British Film Institute, the IBA and the Markle Foundation of New York has today published one of the most detailed surveys of public opinion on television and radio ever undertaken. In answer to the proposition that television programmes should try and experiment, even if

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the programmes often turn out not to be worth watching, 65 per cent. of the respondents definitely agreed or tended to agree, whereas only 6 per cent. disagreed and 16 per cent. tended to disagree.

The Peacock proposal is based on the axiom that minority programmes must be made cheaply, but "Brideshead Revisited", "The Jewel in the Crown" and many excellent nature programmes could never have been made on tiny budgets. Moreover, popular programmes such as "Eastenders" and "That Was The Week That Was" started as minority experiments. Perhaps those are precisely the types of programme that the Government want to kill.

Mr. Tony Banks: Is my right hon. Friend going to declare his interest?

Mr. Kaufman: I can only say to my hon. Friend that I would be a great deal happier if one of those programmes were running now——

Mr. Banks: And a great deal richer.

Mr. Kaufman: A very great deal richer. The BBC's repeat fees now are much higher than the original fees.

Peacock accepts that consumer sovereignty should not be paramount because it proposes some half-baked public service sponsor, although information about how it would work and how much money it would have at its disposal is dubious in the extreme. It is impossible to reconcile Peacock's recommendation of the creation of this body with its optimistic forecast that

"Discriminating matching of individual viewers' requirements with programme costs will be possible."

That is simply a fantasy conjured up by those who seek to convince themselves that the mirage of a completely free market can be made a reality in a world that simply does not work that way. However, we do not know if it would work technologically, which is why the Home Secretary set up his working party.

The Peacock report is far from confident. It says:

"it is impossible to predict with any accuracy how soon technological developments"—

upon which the proposals depend—

"will be implemented. The coaxial cable industry, for example, once heralded as having the bright new future seems to have been bogged down as of late."

Even if the technology were available, it is clear that the subscription base is unreliable. The Peacock report seems to regard as an argument in its favour the information that "nearly a million French households receive Canal Plus". The report claims:

"We are optimistic about the BBC's ability to attract subscription revenue for its two main channels."

It claims in their favour that those two channels

"are not a marginal extra but in the mainstream of broadcasting."

Of course that is the case now, under the present system. However, a million subscribers under a subscription system would not guarantee sufficient finance to retain the BBC in the mainstream. The BBC would then become exactly what the Government want it to be—a marginal provider of minority programmes, subordinated to the commercial giants.

Nobody denies that there will be change, as the hon. Member for Gravesham (Mr. Brinton) commented in his intervention. There will be major change which can enhance the opportunities and widen the choices of our citizens. We must harness change and not become its slaves. We must build on standards of excellence, not demolish and repudiate them. That requires careful thought and preparation, and not dogmatic zeal based on Friedmanite wish-fulfilment.

What is more, the regime proposed by the Peacock report for our ultimate broadcasting structure would lack any regulation or controls. There would be a lack of control on sex and violence and for ensuring balance in politics. The same big business political bias that prevails in most of the press would become the rule on television and radio. Of course, that is exactly what the Government want. It is what the Chancellor of the Duchy of Lancaster is seeking to bring about by his vendetta against the BBC, which seeks also to intimidate ITV. If yesterday's cosy party at No. 10 is anything to go by, it appears to be succeeding.

The Chancellor of the Duchy holds an office which makes him responsible for the administration of the Duchy estates, the appointment of justices of the peace in the counties of Lancashire, Greater Manchester and Merseyside, and for ecclesiastical patronage in the Duchy gift. According to a parliamentary answer given on Monday to two of my hon. Friends, he spends an average of 20 hours a week on those and other ministerial duties. The equipment that he requires for carrying out those duties is unusual.

In answer to a question from my hon. Friend the Member for Jarrow (Mr. Dixon) the Chancellor of the Duchy revealed on Monday that his suite of two rooms and a lobby in the Cabinet office is equipped with a television set and a video recorder. What does he use them for? Are there many programmes about the appointment of justices of the peace in Lancashire, Greater Manchester and Merseyside? If so, does he watch them and record them in order to savour them over and over again? Is there to be a soap opera about the bestowal of ecclesiastical patronage in the Duchy gift, and is the Chancellor to be a consultant on it?

One feels that that public property, together with the electricity needed to operate it, is not being used entirely in the interests of my constituents, and other residents of the Duchy of Lancaster. One feels that it might be being used for wider and more suspect purposes. What is clear, is that whether in his two rooms and lobby or elsewhere, the Chancellor of the Duchy has been watching television in a manner which is obsessive to the point of paranoia.

It is difficult to believe the claim on the first page of his recent letter to the BBC that:

"Media monitoring is not a mainstream Conservative Central Office activity."

Some of the complaints made by the Chancellor of the Duchy of Lancaster against the BBC seem—how can I put it—to display a lack of sense of proportion. There is, for example, his claim that the BBC's use of the phrase "in intensive care with serious injuries"

is

"designed to arouse anti-American emotion."

One would very much like to have a psychiatric explanation for the reasoning which led to this complaint against the BBC:

"Strangely, whereas ITN said the hostages were murdered, the BBC merely said they were 'shot through the head' and 'killed', neutral terms which decriminalise the act, although at the very end of their broadcast, the BBC did acknowledge that the hostages 'have been murdered'."

As it happens, ITN did use the anti-American word "shot" as well.

There is also the mistake that the BBC admits to having made—the linking of the American raid on Libya with Mr. Hindawi's planting of the bomb on the El Al plane at Heathrow. That was undoubtedly an error, but it was an error made by others as well. For example the *Daily Mail* said:

"Scotland Yard had little doubt that the bombing attack was a direct reprisal for Britain's involvement in the American raid on Libya."

The Sun said:

"The bomb was almost certainly meant for an Arab revenge attack following the blitzing of Libya."

The *Daily Express* said:

"The plot is seen as the start of reprisals for Britain's part in the U.S. bombing of Libya."

On reflection, I concede that the BBC is severely to be censured for having followed the editorial lead of the *Daily Mail, The Sun* and the *Daily Express.*

The Home Secretary referred to those matters today in remarks which were deliberately lacking in clarity, a characteristic of the Home Secretary that has seen him safely home through a number of tight spots. The Home Secretary has a clear duty to the House to uphold the licence and agreement with the BBC which was made by his predecessor, Lord Whitelaw.

A few days ago I wrote to the Home Secretary about this matter and his reply to me, dated 11 November, was very soothing. He said:

"I am glad that this particular controversy is dying down, and welcome the further opportunity to remove any misunderstanding."

That, as I said, was on 11 November. However, four days later, on 15 November, the Chancellor of the Duchy of Lancaster stirred the controversy right up again, with his second and even more preposterous letter to the BBC, the one containing the analysis from the anonymous, impartial lawyer, of the Chancellor of the Duchy's acquaintance. I do not know whether that is yet another leak of a letter from the Solicitor-General. On this occasion the Chancellor of the Duchy at least let the BBC see his letter first, unlike the previous occasion when he handed his letter over to ITN to be broadcast on its news before it was put into the hands of the BBC.

I ask the Home Secretary now, so that he can respond in the House—does he or does he not believe that the BBC is fulfilling its obligations under the annex of the licence and agreement, for which he is responsible to the House? That obligation says that the BBC must treat controversial subjects with due impartiality. Does the Home Secretary believe that the BBC is fulfilling that obligation? If he does not, will he tell the House what he will do about getting the BBC to uphold the licence and agreement? If he does not, will he tell us what he intends to do about the Chancellor of the Duchy of Lancaster? Does the Home Secretary really want the controversy to die down, as he said in his letter to me? If so, what is the Home Secretary doing to prevent the Chancellor of the Duchy stirring up again the controversy that the Home Secretary told me that he wishes would die down?

Mr. Alfred Morris (Manchester, Wythenshawe): My right hon. Friend has put a crucial question to the Home Secretary. As he has not responded, does it not follow that he cannot gainsay the fact that the BBC is upholding the licence and agreement. I hope that my right hon. Friend will pursue that matter very hard.

Mr. Kaufman: My right hon. Friend has a particular authority in such matters and he asks that question with that authority. If the Home Secretary does not intervene now when he has the opportunity given to him by my right hon. Friend's intervention, we must take it that he believes that the BBC is fulfilling its obligations under the annex to the licence and agreement and that the BBC is treating controversial subjects with due impartiality. If that is so, it is clear that the intervention of the Chancellor of the Duchy of Lancaster is even more disgraceful than we have previously said, because the Home Secretary is now implicitly denouncing his own colleague in the Cabinet.

Mr. Hurd: The right hon. Gentleman and the right hon. Member for Manchester, Wythnshawe (Mr. Morris) are simply repeating a question put to me by the right hon. Member for Stoke-on-Trent, South (Mr. Ashley), which I answered during my speech and, indeed, in the first three points on which I spent the first five or 10 minutes of my speech.

Mr. Kaufman: All that the right hon. Gentleman needs to do to clear the matter up once and for all is just to say yes or no to the question: Does he believe that the BBC is fulfilling its obligation under the annex to the licence and agreement, for which he is responsible to the House, to treat controversial subjects with due impartiality? The right hon. Gentleman has intervened. All he has to do is to say yes or no. [HON. MEMBERS: "he has answered."] No, he has not.

Mr. Robert Adley (Christchurch) *rose*——

Mr. Roger Gale (Thanet, North) *rose*——

Mr. Kaufman: When the hon. Gentleman becomes Home Secretary, I shall be glad to give way to him. Meanwhile, we have this Home Secretary and we must make do with him.

Sir Geoffrey Johnson Smith (Wealden) *rose*——

Mr. Kaufman: No, the hon. Gentleman is not the Home Secretary either. I want a confirmation. The silence of the Home Secretary must be an implicit condemnation of the Chancellor of the Duchy of Lancaster for unwarranted and disgraceful charges against the BBC when the Home Secretary himself, by his silence, is making it clear that he is fully satisfied with the way in which the BBC is observing its obligations.

Mr. Gale: Will the right hon. Gentleman give way to someone who has worked for the BBC?

Mr. Kaufman: We now know where we stand. The Home Secretary has implicitly repudiated the Chancellor of the Duchy of Lancaster by his silence. That is on the record.

Every test of opinion shows that the public want an independent BBC, free of Government interference. Lord Whitelaw, the Home Secretary's distinguished predecessor, insisted that the first principle of broadcasting must be to defend the independence of the broadcasting authorities from Government and Parliament. Does the Home Secretary agree?

Mr. Max Madden (Bradford, West): I am most grateful to my right hon. Friend for giving way. The Government advise any citizens who have a complaint against the BBC to lodge that complaint with the Broadcasting Complaints Commission. Does my right hon. Friend have any

[Mr. Max Madden]

information on why the Chancellor of the Duchy of Lancaster did not take the advice which he sees fit to give to all other citizens with any complaint against the BBC?

Mr. Kaufman: It is a mystery, but then, the whole conduct of the Chancellor of the Duchy of Lancaster defies any logical analysis and has for some little time now.

Mr. Adley: Will the right hon. Gentleman give way?

Mr. Kaufman: No, it is the Home Secretary to whom I want to give way.

Lord Whitelaw said that the first principle of broadcasting must be to defend——

Mr. Winnick: Where is the Chancellor of the Duchy of Lancaster?

Mr. Kaufman: I have written to him.

Lord Whitelaw said that the first principle of broadcasting must be to defend the independence of the broadcasting authorities from Government and Parliament. Does the Home Secretary agree? If so, what will he do to defend the BBC from his malevolent colleague who sits with him at the Cabinet table?

The Government today are trying to turn the BBC into a Tory party political puppet, with the hope that ITV will fall into line.

Mr. Gale *rose*——

Mr. Kaufman: For the future, if the Government follow the Peacock proposals, they will destroy the standards which have brought distinction to British broadcasting and television. It is because we condemn the Government's present anti-BBC vendetta and oppose the Peacock prospect of a free-for-all future that we shall be voting on the Adjournment tonight.

5.35 pm

Mr. Leon Brittan (Richmond, Yorks): Listening to what the right hon. Member for Manchester, Gorton (Mr. Kaufman) had to say about the Peacock report, the House will have been depressed but not in the least surprised by the antediluvian and backward-looking approach that he displayed.

The House will also recall, at least from the history books for those of us who are far too young to remember it in actuality, that exactly the same kinds of argument were put forward over 30 years ago by those who passionately resisted the introduction of independent television or any kind of breach of the monopoly of the BBC. So respected have the achievements of ITV been that it took a very few years before the Labour party would not dare to criticise or to threaten to repeal that which it passionately opposed coming into existence.

We also heard from the right hon. Gentleman the gleeful repetition of his electioneering pledge to the pensioners. I think that it was one of the people whom he admires who once said that socialism is the language of priorities. The right hon. Gentleman talked about giving free television licences to all pensioners. It is a strange choice of priorities that wishes to give a substantial present to elderly millionaires, apart from anyone else.

What the right hon. Gentleman had to say was not only backward looking; it was also inaccurate. He repeated the canard that the Peacock committee was set up in order to force the BBC to take advertising. There was never any truth whatever in it. The reality of the matter is that, in the debate that raged before I announced the setting up of the Peacock committee, there were, on the one hand, the pro-advertisers who believed that the answer to the problems of financing the BBC was to require the BBC to take in advertising and, on the other hand, there were the defenders of the status quo who could not envisage any possible change in the existing arrangements.

I found myself not persuaded by either of the two camps and it was precisely because I thought that the arguments put forward on both sides were not rooted in a full analysis of the implications of either course for the system of broadcasting as a whole that I anounced the setting up of the Peacock committee. I thought it important to think through the implications of the various forms of financing broadcasting and that that should be done by a broadly based committee, but one with a cutting edge.

I had no preconceived notion of what the outcome of the committee's deliberations would be, although, frankly, I was not in the least surprised when, at a fairly early stage, it became apparent that the committee was unlikely to endorse the financing of the BBC simply by the immediate introduction of advertising.

The right hon. Gentleman also suggested that in some way the Peacock committee exceeded its terms of reference. I can reassure the right hon. Gentleman that I deliberately formulated the terms of reference in a broad way because I wanted the Peacock committee to consider some of the wider implications of the matters that they were considering. It has in no way exceeded its terms of reference.

Some people asked for, and thought it preferable to have, a broader type of inquiry, a general Annan type of inquiry, into the future of broadcasting. I thought about the possibility but rejected it because it seemed to me that a general inquiry into the future of broadcasting, or even into the future of the BBC, would simply encourage the members of the inquiry, whoever they were, to parade their personal prejudices. Moreover, by looking into the difficult question of the finances of broadcasting, one was likely to have a much sharper analysis of the problems and, at the same time, a full and wide examination of the possibilities.

Mr. Faulds: It would be interesting for the House to have information as to whether the right hon. and learned Gentleman personally was responsible for the selection of the rather odd personnel of that committee, or whether he was instructed by others on whom to appoint.

Mr. Brittan: The hon. Gentleman knows that I am responsible for the people who were appointed, although, equally, it would have been absurd if I had simply sat down and written names on a piece of paper by myself.

The result of the committee's deliberations is a report based on principle but founded on practicality. It does not present merely a theoretical blueprint, and one of the best illustrations of that is the careful phasing of the proposals. The committee looked carefully into what had to be done at each stage to move from the system that we have now to a different system which it envisaged for the ultimate future.

The report recognises and explains clearly that technical developments and the proliferation of broadcasting services both make present arrangements

unsustainable and provide opportunities for new arrangements that will be preferable in future. The report encourages choice while preserving the best features of public service broadcasting and reducing state intervention to a minimum.

It was suggested that the report ignores the importance of public service broadcasting and the features of broadcasting that could not be reproduced in a purely commercial environment. That is shown to be wrong by the serious suggestion, dismissed airily by the right hon. Member for Gorton because it did not suit his caricature of the recommendations of the committee, that there should be a broadcasting council with the authority to provide public service grants to ensure the appearance in television and on radio of programmes that would not otherwise be financed by purely commercial operations. In the totality of the proposals, what is suggested amounts to a new way of combining greater freedom for both viewers and listeners, and programme creators.

The central concept is that ultimately the BBC will be financed by subscription, a concept upon which the right hon. Member for Gorton has wrongly poured scorn. There is nothing for the BBC to be afraid of in that concept, and everything to be gained from it. If that concept were followed, it would free the BBC from the shackles of a political haggle every few years over the licence fee, in which there never are, and never can be, winners.

If we had an agreement about the right basis of the indexation of the licence, we might be able to find an objective basis for deciding how to finance the BBC at its present level of activity. It would be formidably difficult to reach such an agreement, but one could just conceive of it and agree on how to finance the BBC to do precisely what it is doing now. However, the BBC, rightly and understandably, aspires to do better than it is doing now and to do more than it is doing now. When it comes to the question of to what extent it should do so, there is no rational basis for that to be determined by the Government except on the broadest possible general conception of what the traffic will bear.

How can the Government know how much extra radio or television, or more costly or complex radio or television, the public want to buy? Inevitably, there will be a constraint on the BBC in its legitimate operations as long as the present licence fee system exists. The BBC should be self-confident enough to be prepared to face its public and sell itself to them.

I can understand that those at the top of the BBC, who have been used to the present system, with all its inadequacies, should be reluctant to face the challenge of subscription. Equally, I do not find it surprising that many younger people in the BBC rightly regard the licence fee as a straitjacket, and subscription as a potential liberation, giving them the opportunity to sell their wares to the public.

Sir Geoffrey Johnson-Smith: I am following my right hon. and learned Friend's argument closely. It may be that in the future the licence fee will be an increasingly stringent straitjacket, but what evidence is there to suggest that the BBC should follow the example of public subscription for broadcasting in the United States, and that that would allow it to escape those restraints?

Mr. Brittan: The studies made by the Peacock committee led it to believe that it is not an unreasonable aspiration for the BBC, which is well established, well regarded and much sought after, that it would be able to raise the finance by subscription. It is significant that many people at the BBC, if not at the top of it, share that view.

I do not agree entirely with the Peacock committee in its view that, when the right conditions are established, there is no need for regulation, apart from the general law of the land, which it recommends should be aligned for broadcasting and non-broadcasting purposes. That recommendation seems too far-reaching. There are two reasons for the present extent of regulation. The first and most obvious one is the monopoly character of broadcasting, even today. In spite of the increased number of services, they are still finite, and monopoly has to be regulated and administered. The second is the special nature of broadcasting and its peculiarly intrusive character as compared with other media. The monopoly is disappearing, and proliferation will enable fewer and fewer regulations on monopolistic grounds.

I warmly commend the proposals in the report with regard to lighter regulations on local radio. However, there is still a great deal in the argument that there is something peculiarly intrusive about radio and television that does not permit it to be handled simply in the same way that applies to the written law.

Although I think that one can have much less regulation than we have had in the past, and although it may ultimately be possible to move to a system in which there is virtually no legislation in advance, I do not believe that it can be left at that. The right course to follow when regulation substantially diminishes is to amend the general law of the land to reflect the particular characteristic of radio and television. It would not be impossible to make changes in the law of obscenity and related subjects so that they applied fully to radio and television, and apply a test of criminality which impinges on radio and television in a way that reflects their greater intrusiveness.

That can be done in one of two ways. Either there could be special provisions affecting radio and television in the amended law on obscenity and related matters or, and probably better, there could be general provisions which took account in their definitions of criminality and the different impact of different media.

In suggesting that, I am not suggesting a specially harsh regime for the BBC or television, but only a way to ensure that the general law achieves the limitation which the charter at the moment requires the governors to impose. I should place the same degree of limitation on what may or may not be shown on the screen, but I think that ultimately, although not immediately, it could be better achieved by a general law rather than by advance control.

Mrs. Dunwoody: Does the right hon. and learned Gentleman accept that there have been many attempts to define obscenity, particularly in relation to something as difficult as broadcast material? Does he not realise from his own experience that it is virtually impossible to find a definition that is both fair to the broadcasters and acceptable to the general public?

Mr. Brittan: I agree with the hon. Lady that it is not easy, but I do not accept that it is impossible.

The Peacock committee also makes important recommendations regarding the independent sector, and I want to touch upon the recommendation that franchise contracts should be put out to competitive tender. Once

[Mr. Brittan]

again, that recommendation has led to howls of anguish from all quarters. The suggestion is that, if implemented, it would lead to the lowering of standards. I am sorry that the IBA has joined in that chorus. I do not agree that in any way that need be the consequence if the recommendations of the Peacock committee are implemented. Of course that would be the case if all that the Peacock committee suggested was a crude auction of the franchises, but even the most cursory reading of the committee's report will show that that is not what is proposed. The suggestion is that the IBA could award the contract to a lower bidder if it believed it to be offering better value for money in public service terms.

I see no reason why the IBA should not be able to adopt an arrangement whereby minimum standards of accuracy were insisted upon. No potential contractor should even reach the starting point unless the IBA is satisfied that that contractor both intends and is capable of providing a television service for the area concerned which meets the standards that are currently required of television contractors. However, all the experience of the past suggests that it would be a grave mistake to believe that there will be only one contractor who meets that minimum standard.

Provided that the minimum standard is insisted upon and maintained, I see no reason why the choice from among a number of contractors, all of whom can meet that standard, should be made on the arbitrary basis of which one happens better to appeal to the members of the IBA from time to time. It would be far better if the IBA confined itself to satisfying itself—and it would be a quite considerable task—that all the contractors who are to be considered meet the basic standard and if the ultimate choice were to be made, from within that limited group, by competitive tender. If that were done, there would be absolutely no threat whatsoever to standards.

The final point that I should like to make does not emerge directly from the Peacock report. However, it is relevant to the general discussion on broadcasting matters that has taken place in recent months. I refer to the management of the BBC. Anybody who has observed the various events and controversies over recent months and years could not possibly believe that the present divorce between the governors and the managers is a satisfactory way of handling the matter. Indeed, it is completely unsatisfactory.

Nobody seriously doubts that it is the duty, the right and the responsibility of the governors to be more involved in the running of the BBC than they have been in the past. At the moment it is extremely difficult for them to be more involved, however much they may wish to be, because the governors represent a rarefied body that sits above and separate from the board of management that is actually running the BBC. Therefore, with the best will in the world, however earnest their intentions may be, it is a very difficult task for the governors to perform.

I am not suggesting constant intervention by the governors in the day-to-day running of the BBC. Because of the tradition of separation of governors and managers, anything that they did would be regarded by the BBC as intrusive and unacceptable and would be met with a solemn, if not a hostile, response. That impasse is unacceptable. It is as damaging to the BBC as it is damaging to the country as a whole.

It may be possible to move to a position in which the governors are accepted by the broadcasters themselves as having a more positive role on behalf of the public. I do not believe that the BBC professionals can seriously think that they should be accountable only to themselves. However, I am sceptical about whether it would be possible to reach a position where there is general acceptance of the propriety of intervention by the governors in the way that I have suggested—not on a day-to-day basis, but from time to time.

Mr. Holt: In trying to define the role of the board and the role of the management, will my right hon. and learned Friend say who he thinks should impose the embargo date, after which it is considered that the general election is taking place and nothing that could affect that general election will be allowed, as Mr. Alasdair Milne has done in the case of Mr. Ian Curteis's play?

Mr. Brittan: The suggestion that I am about to make will answer my hon. Friend's point.

I am sceptical about the change that would be necessary if there were a merger. Therefore, I am increasingly attracted by the concept of changing the present arrangements in a more radical way and having a unitary board that incorporated both the governors and the managers who would run the BBC like other concerns, in which there are some non-executive directors and other working directors. That would bring the two together and would be a much healthier way of running the corporation. We may not have reached the point where such a change is inevitable, but we are coming very much nearer to it.

I have to concede, however, that there is one real problem if we move in that direction—the problem of complaints about the contents of broadcasts. In the situation that I have envisaged, it would be difficult for the governors to handle their current task of dealing with complaints if they were parties, as members of a unitary board, to policy decisions.

If we moved in that direction, the answer may be for that aspect of the present role of the governors to be taken over by an enhanced broadcasting complaints commission. I accept that that would be contrary to existing practice, but the idea of having public interest in the BBC represented on the unitary board that was running the BBC, while there would be a separate broadcasting complaints commission, is likely to be considered increasingly in the future.

Looking at the picture as a whole, it seems to me that the Peacock committee has etched out a principled, practical and attractive future for broadcasting. There is no need for an instant Government decision, nor is it expected that the Government would accept it as a whole, but with due respect to my right hon. Friend I do not believe that an expression of general support and sympathy would be sufficient. At the very least, the world of broadcasting should be given in the very near future a clear signal, by at least one specific decision, of the direction in which we wish it to go.

One small decision could be made as soon as the technical studies have been completed, and I commend it to be my right hon. Friend: the implementation at an early date of recommendation 1 on page 136 of the report that would require all new television sets to have a peritelevision socket, which would foreshadow and enable

the introduction of subscription in due course. That announcement alone would show that the Government were not just mouthing soothing words of general support for the principle but that they were prepared to start on the process of implementation. I look forward to hearing at an early date the good news that an early decision has been reached.

5.58 pm

Mr. Clement Freud (Cambridgeshire, North-East): No one would argue with the contention of the right hon. and learned Member for Richmond, Yorks (Mr. Brittan) about the undesirability of the current relationship between the governors and the managers of the BBC. The whole House welcomes the independent stance which to date has been taken by the new chairman.

We are debating the long-term future of broadcasting, on a motion for the Adjournment of the House. We are debating a report with many recommendations and, as the Home Secretary said, this is an interrogative debate. It is a sign of the lunacy of the procedure of Parliament that the official Opposition are calling a vote on an Adjournment debate.

Mr. Corbett: The hon. Gentleman has not yet learnt why we are calling a vote.

Mr. Freud: I listened with care to the right hon. Member for Manchester, Gorton (Mr. Kaufman), who told the House why. My hon. Friends and I want no part in such a vote. We are not abstaining: we are not voting. We are discussing this report and we look forward to hearing, as I am sure the Home Secretary looks forward to hearing, the opinions of all hon. Members about the suggestions in the Peacock report. In many ways the report is not nearly as bad or as unhappy as the right hon. Member for Gorton said it was.

Mrs. Dunwoody: Will the hon. Gentleman give way?

Mr. Freud: No. I shall make a short speech, and the hon. Lady can make her speech afterwards. What we most feared from Peacock has not come about. We welcome the recommendation that BBC television should not take advertising. I find the Samuel Brittan, near-elitist, idea that the BBC should use only what could commercially be exploited a totally unacceptable and essentially vulgar concept. I am unhappy with the recommendation in the report about the separation of BBC Radios 1 and 2 from Radios 3 and 4. It is immensely to the credit of the BBC that one body is charged with running both the popular and the more intellectual aspects of public broadcasting. To separate those and place them under different nets, each retaining an administrative superstructure, is not only insane but uncommercial.

It is important for us to accept what public service broadcasting is, and to make it keep an eye on viewing and listening figures to justify its continued existance is not what public service broadcasting is about. It is not about competing with everything simply because everything is there. The BBC has made no great contribution to breakfast television. I still fail to see why both channels should show the cup final. There is some merit in having the Eurovision song contest and the Miss World contest switched year and year about, but from my memory as a sports writer covering the olympics, the organised events of boxing, judo and weightlifting were nothing compared to the impromptu battles between BBC and ITV cameramen trying to take pictures of the same event.

We are rather in favour of pay television, because it might well provide a widening of opportunities for independent producers who will be unhampered by the cosy union rules which currently confine programme making to hugely expensive ventures. Channel 4 has shown that that is not essential for good television. Pay TV will help to target programmes to specific sections of society, and that will be welcomed by advertisers. We expect pay television, and specifically the amounts to be charged, to remain under the supervision of a Government Department.

I should now like to deal with licence fees. We have always been attracted by the arm's length principle that these provide, even though we are disturbed by the lack of forward planning which annual or even three-yearly increases deny the Corporation. Indexing is right, but I am not at all sure whether indexing in accordance with the retail prices index is right, because expenditure by broadcasting corporations does not bear much relationship to retail prices. We join all hon. Members in wanting to make it easier for the elderly, the housebound and the handicapped, those who have in common the fact that they do not have a lot of money, to afford licences—if there is a way in which this will not be abused.

Perhaps the Home Secretary will consider that which annoys my constituents most — the unfairness of the current system and the incompetence in tracing and finding licence dodgers. I do not believe for one moment that the vans which purport to be able to tell whether somebody is operating a television set without a licence contain anything except three or four people in the back — playing poker. I remind the Home Secretary of the fury felt by so may pensioners about the 5p per year concession accorded to those in warden-controlled accommodation, while others many of them poorer and less cared for, pay the full £58. I am also disenchanted with the proposed £10 car radio licence, because this will bring in very little money, be exceedingly difficult to implement, and will annoy and harm those who should least be harmed by new legislation.

We do not believe that the BBC has a monopoly of impartiality, or that public service broadcasting benefits from investigation by the sort of politically motivated investigators who published the most recent report. In Sir John Reith's day deference was considered to be impartiality, and it is certainly pleasing to have moved away from that sycophantic stance.

When the "Real Lives" trouble broke, the general public were suddenly aware of the Right-wing nature of the majority of BBC governors. After the Libyan bombing the Tory party became aware that its general stance on broadcasting had made it more enemies than friends among those who run the media and accused the management of being to the far Left. Both imbalances should have been, and probably will be rectified. Neither deserved the intemperate outbursts that we heard from the chairman of the Conservative party and his Doppleganger, the Chancellor of the Duchy of Lancaster.

It is quite clear from the report that many Government Departments are messing about with broadcasting. It has long been Liberal policy to have one Ministry for all aspects of the arts — including broadcasting. We have

[Mr. Freud]

always found it difficult to know what to call this Ministry, because "Ministry of Culture" is a title which we find particularly unattractive.

Mr. Corbett: Give it to MAFF.

Mr. Freud: We could give it to the Milk Marketing Board, but it seem to us totally wrong to have a restrictive Ministry looking after a dynamic medium.

Probably as a result of the diversification of ministerial responsibility, there is a sad lack of forward planning. By not joining the six-country European consortium, British television will in 10 years' time be working on someone else's hardware to someone else's financial benefit. We must ensure that we join in future enterprises, both cable and satellite, to the benefit of our nation.

I am satisfied with the way that we are awarding franchises. I was singularly unimpressed by the suggestions made by the right hon. and learned Member for Richmond, Yorks, who seemed to feel that doing it on a best cash offer basis was satisfactory. For the sake of freshness and efficiency, the assessment carried out by the IBA is a totally satisfactory procedure. I remind the Home Secretary that we in Parliament do not go out to tender. We are assessed every few years by the electorate and that serves us well—or does the Home Secretary think that it might be sensible for us to offer ourselves for tender?

We have as good a television product as any country; let us build on it rather than make changes because they might please the political ambitions of a Government. Let us also define more rigorously what we mean by public service broadcasting. Finally, I believe that we can be more relaxed about pettifogging controls. The laws of the land, when it comes to broadcasting, are already adequate.

6.10 pm

Sir Paul Bryan (Boothferry): I declare my interest in Granada Television and as chairman of Croydon Cable Television.

When the Peacock committee was commissioned, most of us—certainly, myself—expected, after the statutory year in which the committee was given to report, to receive a modest volume, mostly devoted to the future financing of the BBC. In fact, we received a massive work which deals with the entire future of broadcasting; I welcome it. It takes us, in considerable detail, through the development of all the new technologies, which will in time make the present BBC-ITV arrangements untenable and will open up many new opportunities for consumer choice.

The committee wisely divided its consideration of these matters into three stages. Stage one takes us roughly to the turn of the century, by which time technological changes will have begun to take place. During that period, it is estimated that the present arrangements will continue, with the BBC having a slightly altered licence arrangement. At stage two, real changes in the arrangements will have to be made to meet the new technology. During stage one, the main competing technologies will be cable, DBS and, less importantly, one or two satellites from Europe.

I should like to correct some of the presumptions of the right hon. Member for Manchester, Gorton (Mr. Kaufman) about cable television. He described it as a "complete flop". That is not so. Cable television has got off to a slow start, for a number of good reasons. First, cable television is unfamiliar to the British public. I said to an American salesman in Croydon, "In what way is selling cable television in Britain different from selling it in America?" He said, "In America, the potential customer will say, 'At last you have come.' In England, he will say, 'What is cable?'" We simply do not know about cable television. It is scarce. Therefore, the natural self-generation which comes from people talking amongst themselves about programmes has not occurred.

Secondly, we laid down for ourselves Rolls-Royce standards — probably rightly — which make our cable television more expensive than American cable television. The Americans hang their television cables on trees, lamp posts and so on. We insisted upon sophisticated technology with interactive capability. By now, those involved in cable television have reached the stage at which we know that it is not a matter of if cable will succeed but when. At last, that confidence is spreading to the City.

Originally cable television finance in this country came mainly from trans-Atlantic banks. They are used to financing cable television. Recently—I am talking about the last few weeks—there has been a surge of interest from British banks with a view to the long-term future. That is encouraging.

My guesstimate—I underline "guess"—is that by the end of the century 4 million households might receive cable television. That is about one fifth of the number of present television licensees. I have no intimate knowledge of DBS, so I am not qualified to give even a guesstimate.

Next week, five consortia will come before the IBA, each of them apparently willing to risk up to £400 million on DBS. Among the names of the consortia are those of some of the best known and most successful people in communications — Murdoch, Maxwell, Virgin, the television companies, Pearson, Saatchi, Bond, and so on. These people tend to be successful. From my soundings they appear to think that, by the turn of the century, there will possibly be 8 million households receiving DBS programmes. That is almost half the number of present licensees.

Coming to stage two, as my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) and my right hon. Friend the Home Secretary said, subscription television, with a Government subsidy element, is the Peacock solution for BBC finance. I am not as optimistic as my right hon. and learned Friend and my right hon. Friend. For the practical reasons I shall give, cable television would sound the death knell of the BBC as we know it.

At the turn of the century, what will the average viewer be offered? He will be offered two free ITV channels and two or three free DBS channels, provided he is willing to put up a dish, which will be easily obtained through a television rental company. Also, on each of the DBS systems there will one channel for which he can pay if he wishes, and that will undoubtedly be the highly popular film channel. In addition, there is the growing cable system, with customers being offered up to 30 channels. Also, the distribution of video tape recorders, will be even wider than it is now. Distribution is reaching 50 per cent. The price of video tapes, which has already plummeted, will be even cheaper. BBC pay television will face formidable competition.

At the moment, through the licence fee, the BBC raises about £1 billion. How will the BBC, through pay television, ever raise £1 billion? Even if half the number of

licensees had pay television, £100 a year would have to be raised from each family. I have nothing against the system, but I cannot see how it will work.

To justify the practicality of pay television, the Peacock report quoted America. The report states that America started with pay television, but it petered out as it came into competition with superior technology. That is not encouraging.

Also, there is the practical matter of how the BBC will collect its money. That may not sound a very difficult matter, but from my experience of radio rentals the hardest task in the trade is to collect one's money, and the BBC is not skilled at that.

It is proposed that Channel 4 should be independent and raise its own revenue. I remind the House of a phrase used by the Americans—"If it ain't broke, don't mend it." I have never known a stronger case for leaving well alone. Channel 4 has been a huge success. hon. Members ordained the form it should take. We laid down that it should be distinctive, experimental, independent. It should not compete for funds with ITV but be complementary to it. All those aspirations have been achieved. It is now a highly popular and respected channel. We said that it should be the entrée for independent producers, and that is precisely what it has been.

What are the finance arrangements? Channel 4 is paid for by the ITV companies. Last year, it cost them £170 million, about £130 million of which they got back from advertising. Peacock evidently considers that it would be an easy matter to sell its own advertising, but more than half of all television advertising comes from regional customers. The television companies have 15 teams around the country which seek regional advertising. The idea that little Channel 4 would be able to sell on that basis does not arise.

The first part of the Peacock report gives a long, fully argued case on why advertising for the BBC is wrong, but the committee seems to go back on that argument. Once again, it provides for two broadcasting organisations which will compete for funds and the outcome of lower standards will be the same.

We get the same contradiction in the proposal that ITV companies should tender for a franchise. Everyone in broadcasting knows how to produce cheap television. One follows the American pattern of bought-in films, quiz games, and so on. On the programme "The History of Television' an American tycoon said that American television will always be bad because there is so much money in bad television. How will a consortium submitting a bid make a financial estimate of the money it will make in the next 12 years in an industry that is changing quickly and in which, the Government are constantly moving the goal posts? It would be almost impossible to calculate. If the sum turns out too high, the consortium will eventually have to reduce its costs by lowering programme standards. If it is too low, the public will lose. Peacock recommends that if the IBA does not consider that the lowest bidder can provide the right standards, that consortium should be rejected. But we would be back where we are with the present system, except that the Treasury would be breathing down the IBA's neck. If the Treasury saw that the highest bid was not being accepted, it would want to know about it. We are at least clear of that interference now.

I was glad to hear that the length of the ITV's contract is to be extended by three years. I must say as a general proposition that the present eight-year contract has been to the detriment of television. Granada, with which I am connected, is the only one of the original large companies that still exists, and its franchise has been unchanged. Even for a company with its stable record over the years much managerial and creative time has been diverted into preparing for franchise application. If that can be avoided, it will be for the best. I have no magic solution, but it seems to me that the IBA's suggestion of a 12-year licence, with a reassessment at half time, followed a final decision about two years before granting of the licence as to whether the company will be required to reapply would get rid of much of the hassle associated with applications. That is not the best of all possible worlds, but it is the least bad.

Recommendation 15 of the report states:

"National telecommunication systems . . . should be permitted to act as common carriers".

I was glad to hear my right hon. Friend the Home Secretary say that he had great doubts about that. Nearly everyone else seems to have great doubts also, not least British Telecom, which is meant to be the main beneficiary.

6.26 pm

Mr. Merlyn Rees (Morley and Leeds, South): The hon. and Member for Boothferry (Sir P. Bryan) talked about the slow development of cable television. My right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman) made the point that two or three years ago one thought, from the talk in the City and the financial press, that the whole of the United Kingdom would be cable within months, but that has not happened. The hon. Member for Boothferry has hopes for the future. He said that the English were not interested. In the part of Wales where I was born, we had cable radio a long time ago, because that was the only way one could listen to the radio. There was good reason for having cable. Cable may be of interest to people in the United States, but backwardness is not the reason why the British are not interested in cable television. They have a better broadcasting service than that which obtains in the United States.

The hon. Member for Boothferry referred to Murdoch, Saatchi and Saatchi, and so on, being associated with cable. I am sceptical about future standards if they run to form. I, too, am sceptical about pay television, for the reasons that he gave. I agree with him about competitive tendering, and there is no point in my repeating the argument.

I remember discussing with my Home Office colleagues in the appropriate Cabinet Committee our response to the Annan report. We decided to agree with the report and the idea of the Open Broadcasting Authority. We discussed how advertising revenue would be raised, but we lost the election. The Home Office view differed from that of the Labour Government, and the incoming Conservative Government took up the Home Office view. It is strange that, after all these years, we go back to the argument of the OBA, at least on the way in which revenue should be raised.

The right hon. and learned Member for Richmond, Yorks (Mr. Brittan), the former Home Secretary, seems to work on the principle that all political parties get it right all the time. We were wrong in 1954, or whenever it was. In this instance we were probably wrong again, for the very reasons that have been given. The 15 regional companies can raise the advertising far better than the

[Mr. Merlyn Rees]

OBA could do from London. The latter would find it very difficult to get into the regions and to raise revenue in the same way.

The hon. Member for Boothferry spoke about the terms of reference and the rather narrow approach, and was surprised that the report was broader than those terms of reference. I was just as surprised when I read the report. The report is narrow in concept, and although it has overflowed to some extent, it is still narrow in its approach. Unlike the earlier reports, from Crawford to Pilkington, which we all read from time to time, it will not go down in broadcasting history. The report's narrow approach is not very exciting. Of course it deals with future broadcasting. Indeed, no one could consider broadcasting without asking questions about direct satellite, cable, and so on.

I find the new ideological thinking of the Right as arid as the new ideological thinking of the Left. Indeed, the thinking is very similar in approach. The development of broadcasting in Britain since 1926 has not always been right by a long chalk. Nevertheless, during the war the voice of the BBC was heard in many parts of the world. When I am abroad these days, I listen to the World Service. In many ways, our broadcasting system is superior to that in most parts of the world. It is certainly superior to that in America.

I hope that no one will say that I am being anti-American. Before the Americans joined in the war I served with the Americans, or Americans served with me. I served under an American command for four or five years during the war. I am also on the international education board of Boston university, and go to the United States as frequently as possible. However, all that does not prevent me from telling Americans that their broadcasting is pretty poor. They may tell me that there is public service broadcasting, but on a Sunday morning in a hotel room in America or Canada it is pretty frightening to go through the buttons. If that is what free market broadcasting brings, God protect us from the new world.

We are not very good at telling ourselves how good we are. Our natural bent is to run ourselves down, but we do very well at broadcasting, and our job is to adapt and use the technological developments so that we can maintain the standards which, perhaps more by good luck than judgment, have been achieved over the years. The right hon. and learned Member for Richmond, Yorks spoke about "the state". For about 30 years I have not been enamoured of the state boards that run many of the things in this country, but the BBC is not a state board. Sometimes God only knows what it is. However, it was given a charter and independence, and is not a state board. It is difficult to explain that to Americans.

My regard for the BBC is very high, but that does not mean that it does not have problems. I sent evidence to Peacock, and last night I reread what I wrote. As it was written only a year or so ago, it is not surprising that I have not changed my mind about much. From my experience as a junior Minister many years ago, and as Home Secretary, I am convinced that all broadcasting authorities should be independent of the Government, of politicians and of all vested interests. It does not matter what the words say: everything must be done with that in mind. Similarly, those authorities must think hard and avoid becoming vested interests themselves. For example, one thing annoyed me about the BBC when we were looking after Annan. If there was any change pending, or papers and discussions in the Home Office, the BBC seemed to become very upset at questioning.

Mr. Tony Banks: Just like Governments.

Mr. Rees: It is probably true that all Governments become upset when they are criticised, and that is probably true the longer that they are in office. When I was Secretary of State for Northern Ireland, I was often critical of the media. Like most of the English media, the BBC and the IBA are not very good at Irish affairs — *[Interruption.]* As the lights have gone out in the Chamber I shall make a shorter speech, because I shall have to remember what was in my notes. However, the BBC does get things wrong and does make mistakes. It and the IBA must learn that if they are criticised, people are not trying to get at their independence—or are they?

I thus come to the recent exchanges between the Conservative party and the BBC. I have somewhere with me a copy of a letter that I sent to my colleagues in 1978. As the lights are out, I shall have to remember it. I said that the Home Office was not a receptacle for complaints from Cabinet colleagues against the BBC or IBA. I said that if any colleague wanted to criticise the BBC, he should do so in the same way as anyone else and should direct his remarks at a precise point. I also said that it was not the job of colleagues to tell the BBC or IBA how they should run themselves. That is where the Conservative party——

Mr. Tony Banks: On a point of order, Mr. Deputy Speaker. I have heard of people turning up to see the lights, but it is a bit strange to see hon. Members turning up to see the darkness. They are making it very difficult for my right hon. Friend the Member for Morley and Leeds, South (Mr. Rees) to make his speech, and even more difficult for us to hear it.

Mr. Deputy Speaker (Mr. Ernest Armstrong): I thought that the right hon. Member for Morley and Leeds, South (Mr. Rees) was doing very well indeed.

Hon. Members: Hear, hear.

Mr. Rees: That point of order enables me to move to another topic that I wish to raise.

Mr. Holt: I hope that the right hon. Gentleman can hear me, even if he cannot see me. When he was Home Secretary and received all those complaints about the BBC from Labour Members, just as complaints are being made today, is it not true that the BBC never once conceded —just as it does not concede now—that it was wrong?

Mr. Rees: The complaints did not get anywhere near the BBC. However, they were rather different in kind.

The BBC believes that the licence fee protects it from Governments and that it is a mark of its independence that it obtains its money through a poll tax that has developed over the years. It knows that it runs into trouble because of the plateau in the amount of money coming originally from broadcasting and then from the television licence. I and the BBC know that when the licence fee is considered the Treasury enters into the discussion, and a small but excellent department in the Home Office also holds discussions with the BBC. Eventually, an amount is arrived at. At present, it is £58.

I no longer believe—I did not believe it very much at the time, but there was not much chance of doing anything

about it — that the licence fee should go on being collected in the same way. We have heard this evening about the inefficiencies of collecting the licence, and we know that about £80 million is not being collected by the licence system. I put it to the Peacock committee that the amount of money for the licence fee should continue to be determined in the same way, and let us suppose that the fee is £58. It should then be determined what the total sum is to be, and instead of collecting it through post offices and through Bristol, with all the inefficiencies of that system, that sum could be voted by the House. That would not be done at the time of the Budget. Instead, there would be a special procedure within the House, and if the fee were £58 and the total sum to be collected were £X million, collection could be on the same basis as income tax, and once a year. We would do away, of course, with the £5 licence fee for those in sheltered accommodation and warden-controlled accommodation, which I introduced to try to help people in that position when I was Home Secretary.

We have the present system of collection because the BBC believes that it protects it, but I no longer accept that. I do not believe that it protected the BBC when the curious relationship between the Government and the BBC went wrong a year ago. The protection for the BBC lies in its independence, and for my money it does not even lie in the charter. The IBA is subject to an Act of Parliament and does not have a charter, and the fact that one organisation has a charter and the other an Act does not mean that there is any less protection for the IBA.

We should remember that the board of the IBA consists of members who are not managing television companies. Instead, they have regard to the principles that are laid down in an Act. The problem with the BBC is that the governors are too close to the management. Perhaps the BBC should be modelled far more on the way in which the IBA is run, and perhaps there is no need for a unitary board. That may well be the right approach.

Mr. Holt: I am grateful to the right hon. Gentleman for giving way to me for a second time. Can he say whether his mind has moved away from his policy, when he was Home Secretary, of introducing a form of national insurance surcharge and phasing out the television licence, as he stated on 6 December 1979? He will find this policy set out in column 648.

Mr. Rees: It seems to be a daft idea. If I thought of it, I must have been out of my mind. As it was not the view of the Government, nor that of the Home Office, I must have been in a funny mood that evening when I chose to relate the licence fee to national insurance. Of course, those were difficult times. The Government had a small majority.

I understand it when my party says that those of pensionable age should not have to pay the licence fee. I believe, however, that it is time to bring an end to the licence fee altogether. The suggestion in the report that the ending of the fee should be confined to those on supplementary benefit is an extraordinary one. We hear about privatisation and all the rest of it, and that is, I suppose, "politics", but in my constituency there would be an enormous amount of trouble if someone in receipt of supplementary benefit did not pay the licence fee and the family next door, which had received £1 a week from Leeds tramways for the past 20 years, had to do so. Whatever else those who formed the Peacock committee are—they may be good ideological Right-wingers or Left-wingers — they know nothing about what goes on in constituencies and about those who come to see us on Saturday mornings.

The Peacock committee recommended also that those who have radios in their motor cars should pay a licence fee. When thank heaven, I drive away from London tomorrow, I shall find it pleasant to listen to Radio 2. I am an avid listener to the Jimmy Young show in the mornings, and thereafter I move on to Radio 4. I listen more to the radio in my car than I do in my home.

The House will recognise that the Home Office has a responsibility also for the police. There are far more policemen than we have ever had, but there are complaints that there are not enough in rural areas. Does anyone really think that chief constables will say, "We shall, of course, have far more policemen on the motorways. We shall stop cars at pull-ups to see whether they are displaying somethng that indicates that they have a licence from the BBC"? The police do not do ther job properly now in ensuring that the car licence fee is paid. Right hon. and hon. Members will recall that one of our colleagues in the House some years ago recited a hymn of criticism of the police for not checking cars in the Metropolitan police area to ensure that the owners had paid the licence fee. A week later he was done for not having a road fund licence displayed on his car.

Mr. Tony Banks: My right hon. Friend is speaking about my predecessor in Newham, North-West, and I must complete the story. When my predecessor was stopped, he was found to have a Guinness label where his road fund licence should have been.

Mr. Rees: If the Home Office is considering introducing a car radio licence, it should listen to the story that my hon. Friend the Member for Newham, North-West (Mr. Banks) has completed, instead of going to the police. If such a system were introduced, the number of Guinness lables in lieu of car radio licences would be extremely great.

I have two main concerns. First, there is the independence of the BBC. When I was Home Secretary, I ate only once, I think, at the BBC. It is not the Home Secretary's job to be friendly with the BBC, and nor is it the BBC's job to be friendly with the Home Secretary, so that everybody knows one another and everyone is Bill or Bert. It is necessary to keep one's distance all the time. That is far more important in many respects than a piece of paper which sets out the rules.

Secondly, we should do away with the licence fee. We do not wish to remove the independence of the BBC, but what a way to collect money in the later years of the 20th century.

Finally, we should all be pround of the development of public broadcasting — not that it is perfect by a long chalk. However, public service broadcasting is something of which we should be proud. How do we operate it in a fast-changing world? The report poses the problems, but it has not helped me very much in deciding what we should do to overcome them. Before the Government — well, they do not have much time—or any of us legislate, we should think hard about how we maintain public service broadcasting, with our knowledge of what goes on in the United States. Another example is television in Catholic

[Mr. Rees]

Italy. The developments there are unbelievable. If Mrs. Whitehouse thinks that television is bad here, she should see what is happening in Italy.

It would be easy to make mistakes about public services broadcasting, but "Public Service Broadcasting" should be written in the form of a notice on the front of the Home Secretary's desk. I am not clear how we translate such a notice into action, and that is the weakness in the Peacock report. Its terms of reference were those of an accountant, and it is not an accountancy approach that we want. The most important consideration is the standard of British broadcasting, and for me public service broadcasting is worth supporting.

6.49 pm

Mr. Nigel Forman (Carshalton and Wallington): I agree strongly with many of the well-made points of the right hon. Member for Morley and Leeds, South (Mr. Rees), including those which he made in the dark. I commend him on them.

In paragraph 547 of the Peacock report it is argued clearly and fairly that

"the fundamental aims of broadcasting policy should in our view be to enlarge both the freedom of choice of the consumer and the opportunities available to programme makers".

It also maintained that, with the benefits of some technological developments, those in the media should overcome the two key problems to which my right hon. Friend the Home Secretary referred—the problems of spectrum scarcity, and the technical problem of developing and installing the various gadgets, whose names I cannot pronounce—one is peritelemetry—of pay-per-view.

In paragraph 551, the report states that if those two things were done there would be,

"at least a chance of creating a genuine consumer market in broadcasting combined with a continuation of public service."

That was the stated hope of the authors of the report. Those aims may be admirable, but they pose other important questions which the House should consider carefully. The first question that comes to my mind is whether there is a compelling need to change or even abandon the present "comfortable duopoly", as it is called rather pejoratively in the report. The report states that the "comfortable duopoly" must be changed,

"in view of the pace and scale of future technological changes."

It is not self-evident that that must be done right away.

Secondly, is it likely that the benefits of facilitating more of a free market in broadcasting will outweigh the costs? If they do not—that is a reasonable expectation—we should pause for thought before leaping ahead.

Thirdly, will it be possible for public service broadcasting, to which the right hon. Member for Morley and Leeds, South referred at the end of his speech, to survive and, I hope, prosper in a media world dominated by free market pressures? Much of the evidence from abroad suggests that it will not.

The main assumption underlying the Peacock report is that there will soon be a compelling need for change since escalating broadcasting costs and, in some cases, a vaulting media ambitions will sooner or later be constrained and made impossible by the relative non-buoyancy of the licence fee as people cease to change from monochrome licences to colour licences, and the apparent —I stress the word "apparent"—unhappiness of the public to pay for its radio and television in that way.

I hope that it is not too late at least to question some of those assumptions. Even the colour licence at £58 a year costs only a little more than £1 per week. I and, if they thought about it for a moment, many others would regard that as very good value for money. However, even that amount can be difficult for some people to pay. Surely the answer is to make provision for more people to pay in easier and smaller instalments throughout the year, as is already possible.

The Peacock report also proposes that future increases in the licence fee should be linked to the retail price index as a financial discipline on the BBC, with its high and rising operating costs. Conservative Members understand and agree with the arguments in favour of greater efficiency. It is hard to dispute that, but we must also consider, in a broadcasting debate, the likely effects on the quality and range of the BBC's output if that discipline were to be imposed. It might increase the productivity of the BBC's activities, but how would that be manifested? It would probably be manifested in more sales of BBC programmes and other published material here and abroad and in the sale of tapes and records, of books of the film and films of book and so on. It would probably be manifested also in cuts in staff and in what the BBC might regard as marginal activities. That would be sad because it might mean a reduction in diversity and possibly in quality. It would almost certainly result in a narrowing and lowering of qulaity in the programming through the much more extensive use of repeats and archive material.

Those who already see some of those tendencies in the BBC and regret them would not wish to make the problem worse. The financial restraint which the committee recommends would be unfair to the BBC in its implicit competition with commercial broadcasting which has been the reality since the 1950s, as the commercial broadcasters would presumably continue to rely on buoyant advertising revenue as the economy expanded.

Mr. Michael Morris (Northampton, South): Has my hon. Friend seen the recent evidence from the IBA which suggests that, by 1990, the difference in resources between the two channels will be £1,000 million?

Mr. Forman: I am grateful to my hon. Friend for making that point.

In all those circumstances, it would be fairer and more realistic to put the BBC on a broadly comparable basis with the commercial companies by indexing the licence fee on a formula of retail price index plus an agreed modest percentage for a stated period.

We must also consider the longer-term outlook and whether the likely benefits of facilitating more of a free market in broadcasting would outweigh the likely costs. In the medium to longer term, extra finance from somewhere will be needed to make possible a wide range of new services using the new technologies of co-axial and, later, fibre optic cable and direct broadcasting by satellite.

The key point is that if the BBC is to be involved in all those developments it will need to charge or to supplement its existing sources of finance. If it cannot do so, the task of doing all those things simultaneously will become increasingly difficult or impossible.

Mr. Brinton: My hon. Friend seems to assume that the BBC should go into every new piece of progress. Will he explain why?

Mr. Forman: I was coming to that point. It is at the heart of the debate as to whether the future BBC—we are looking at the next 10, 20 or 30 years—should seek, as it always has done, to do everything or whether it should have a more specialised role.

The benefits of using the direct market mechanism of individual subscriptions, as suggested in the Peacock report, should include those of extended personal consumer choice, which we welcome, and the elimination of any form of cross-subsidy from those who watch only programmes made by other sectors of broadcasting.

However, the costs or the drawbacks of individual subscriptions seem likely to include a degradation in the quality of programmes. Anyone who doubts that assertion need only consider the record of Canal Plus in France, which was well documented in a recent article by Raymond Kuhn of Queen Mary college, University of London. The BBC would be placed at a serious competitive disadvantage compared with the advertising finance of commercial television. That point is made clear in table 10.1 of the Peacock report.

On the point of my hon. Friend the Member for Gravesham (Mr. Brinton), the dilemma for the BBC is that if it cannot or is not prepared to stand aside from taking up all the opportunities which will offer themselves to the media in future it must swallow its traditional aversion to advertising and/or sponsorship and adopt a buoyant form of mixed financing, as is the case in many other countries.

However, if those in charge of the BBC would specialise more and concentrated within a rapidly expanding total market on what they do best and what they know best, they could continue to entertain, educate and inform in a high quality way, but on the basis of substantial assured public finance supplemented by revenue from sales and sponsorship at the margin.

Mr. Deputy Speaker: Order. I am sorry to interrupt the hon. Gentleman, but the lights will go out at 7 o'clock for about five minutes. We will, of course, continue the debate.

Mr. Forman: I can take a hint, Mr. Deputy Speaker.

My final question is whether public service and commercial broadcasting can and should co-exist in one large organisation—or rather two in the current duoplay —or whether it will be possible for the different roles of broadcasting to be performed alongside each other in different organisations with a variety of different purposes. The latter model suggests the future BBC concentrating on its public service role in ways which complement the commercial output of other organisations. We should recognise the dangers inherent in that model and the political interference or control to which such a restricted BBC could be subjected, because it would then be the only form of broadcasting likely to cause embarrassment or pose a threat to those in power. At the same time, the rest of the broadcasters would be drawn to compete for a mass audience on highly competitive commercial lines, which, I believe, would lead to lower overall quality and the inexorable working out of a Gresham's law of broadcasting in which the bad drives out the good and in which the public is provided with what they are believed to want, thus making it difficult, if not impossible, for the broadcasters to provide the best of which they are capable.

I believe that the Government should proceed cautiously in this area. It is clear that we cannot legislate satisfactorily on this enormously important topic in a hurry and probably not this side of the general election. I hope very much that the Government will take full account of the powerful speeches from both sides of the House and will pay very close heed to them, because if we rush ahead according to some kind of technological determinism we shall make irremediable mistakes and damage the quality of our lives in a more fundamental way than some hon. Members may realise.

7.1 pm

Mr. Jack Ashley (Stoke-on-Trent, South): If the lights go out again, I shall not be unduly concerned. I shall simply go to the Dispatch Box, where there is a lamp, and where I feel more comfortable anyway.

I have a special interest in broadcasting, because before I came to the House I was a BBC television producer for some eight years, having been a radio producer for seven years before that, and when I came to the House I joined the general advisory council of the BBC. I therefore have a deep interest in the subject and I welcome this debate.

However, the two people responsible for this debate are not present. The first is the Prime Minister, who got a black eye when Peacock rejected her wish for advertising on the BBC. The other is the Chancellor of the Duchy of Lancaster, who got a black eye when the BBC rejected his absurd and malevolent attacks on the BBC. If Dennis Potter ever writes a play about the Government's attempts to manipulate the BBC, he will undoubtedly find a way to break into the old ditty, "Two Lovely Black Eyes", as he likes to bring in the old songs.

The main person with whom we are concerned today, however, is Professor Peacock. He is very worthy but he has shown himself to be lacking in judgment by offering solutions for the future of broadcasting when no one knows what the problems will be. He is like an irresponsible motorist peering through the fog—instead of pausing, he has put his foot on the accelerator and gone charging ahead. So it is not surprising that he has run into trouble. He should have waited for the fog to clear before making recommendations. It is impossible at this stage to evaluate the consequences of the new technologies. They are far too complex and distant for us or Professor Peacock to be jumping to conclusions and making firm recommendations. We should advance pragmatically and with great caution, but Professor Peacock has done the opposite, and I believe that the Government will do the same and charge ahead regardless if they get the chance.

I hope that the House will exercise caution and urge the Government to do the same. To judge from the Home Secretary's speech, the Government want to confine broadcasters to the Government's own narrow commercial ideals, which I believe will damage or destroy our magnificent broadcasting values, which are respected world wide. I do not say that every Conservative Member takes that view. I know that some Conservative Members and, indeed, a couple of Ministers, are well aware of the values of broadcasting, but the Government as a whole will damage both the BBC and the commercial companies if allowed to run amok. The Prime Minister, the Chancellor of the Duchy of Lancaster and some of their

[Mr. Jack Ashley]

colleagues are obsessed with dislike for the BBC, which is a very dangerous emotion, and they must be resisted by the BBC, by responsible Members on both sides of the House and by the public. I believe that if we all combine we can frustrate the Government's attacks on the BBC.

The BBC is by no means perfect and will eventually need restructuring. As our brilliant former colleague, Phillip Whitehead, so aptly put it:

> "Loyalty to public service broadcasting is not co-terminous with admiration for the present structure of the Corporation."

I agree with that, but I still admire the BBC and I know that Phillip Whitehead does, too. In addition to eventual restructuring, the BBC will need to adapt to rapidly changing circumstances, but it is reconstruction rather than destruction that is required. The Prime Minister and the Chancellor of the Duchy will bring about its destruction if we are not careful. The Prime Minister and to some extent the Home Secretary are making a serious error in equating the provision of broadcasting with the sale of detergents.

Some Ministers, and their allies, the brash entrepreneurs, are great enthusiasts of pay-as-you-view television, but such a system for all would be disastrous because it would erode broadcasting standards and lead to a diet of caviar for those who could afford it and bread and marge for those who could not. Pay-as-you-view television would deprive the millions of people in poverty of the right to view the excellence of television and deny them the information, education and entertainment which are the hallmarks of British television — the traditional fare provided by the BBC and now willingly accepted by ITV. Millions of poor people would be cheated out of something that genuinely enriches their lives and provides them with a window on the world.

There may well be a place for pay-as-you-view television for a few special films of a limited basis, but there is no case whatever for pay-as-you-view television over a wide area. The fat cats of television, these new commercial people, will have to look elsewhere for their fast bucks. They must not be allowed to make a great profit out of pay-as-you-view television. We need to return to public service television and eschew pay-as-you-view at all costs.

I should like to take a stage further the argument concerning the provision of television licences. Although, in principle, I agree with my right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman) that we should phase in free television licences for all pensioners, the priority should be that free television licences are given to those old pensioners on supplementary benefit. That could be paid for by a tax on car radios. I know that my right hon. Friends the Members for Gorton and for Morley and Leeds, South (Mr. Rees) are not happy about a tax on car radios. Yes, it would be difficult to enforce and it would be an anomaly to have a car tax on motorists and no similar tax on other people, but it would not be as anomalous as having pensioners unable to afford a licence compared to those who can afford to have a licence. It would be far better to have an anomaly of people with car radios paying extra tax which would pay for the television licences for those very poor pensioners on supplementary benefit.

We have to cope effectively with the complex problems of the future — modern techniques, satellite dishes, cables, finance, franchises, standards and many other things. We should not be motivated by personal or political animosity, but I believe that the Prime Minister and the Chancellor of the Duchy of Lancaster are so animated at the present time.

The way forward is by constructive and careful consideration, and that could be provided by a permanent standing Communications Commission. It is not by accepting Peacock's recommendations. If we accepted those recommendations for commercialism and pay-as-you-view television it would damage the standard of broadcasting, damage the skill of broadcasters and damage the interests of millions of poor viewers. We should fight to protect the interests of the BBC and the other television companies—such companies have done splendid work. We must protect the interests of viewers who enjoy television. They are entitled to do so and should not be deprived of it by the Peacock recommendations.

7.14 pm

Mr. Madden On a point of order, Mr. Deputy Speaker. You will be aware that the Chamber and large parts of the House have been in darkness for various intervals of the evening, and indeed some parts of the House remain in darkness. I should like to know whether there will be a statement from the Leader of the House on the reason for this, and will he assure us that the Chancellor of the Duchy of Lancaster has not pulled out the plugs to avoid the lights being focused on his recent activities?

Mr. Deputy Speaker: No, I do not think so.

7.15 pm

Mr. Neil Hamilton (Tatton): The right hon. Member for Stoke-on-Trent, South (Mr. Ashley) will not be surprised to learn that I do not agree with a great deal of what he said. In contrast, I thought that the right hon. Member for Morley and Leeds, South (Mr. Rees) spoke much common sense in his speech, which will find echoes in various parts of the Chamber. It was in great contrast to the speech by the right hon. Member for Manchester, Gorton (Mr. Kaufman). It was one of the most reactionary speeches, that I have had the misfortune to hear in this House. The right hon. Gentleman appeared to accept the proposition that all was well with broadcasting at the BBC and that there was no criticism that could fairly be made. He was being the most pliant poodle of the Establishment that I have seen for a great many years. That contrasts starkly with what he must have said as his master's voice when Lord Wilson was involved in a great many scraps with the BBC over alleged bias in the late 1960s.

The House will appreciate that I have so special reason to love the BBC, except that, a short time ago, as a result of its failures, I derived a great deal of gratifying publicity. My right hon. Friend the Member for Henley (Mr. Heseltine) and my hon. Friend the Member for Littleborough and Saddleworth (Mr. Dickens) told me how envious they were of the amount of publicity which I had received and which had pushed them from the front pages of the newspapers.

I had to pay a price to derive that publicity. The price was that for three years, I was robbed by the BBC of peace of mind. My family and I underwent considerable

suffering and anguish. My hon. Friend the Member for Cannock and Burntwood (Mr. Howarth) and I put our good names, reputations and posessions on the line and risked bankruptcy and our places in this House to fight what we belived was a great evil on the part of the BBC. That evil must be rooted out so that the BBC's reputation can also be salvaged. As a result of the case, which was settled between my hon. Friend, myself and the BBC, £500,000 of public money was lost. The ethical guidelines which the BBC had laid down were flagrantly breached and, as a result, the BBC's reputation was gravely damaged.

On the basis of that catalogue, what action was taken in the BBC to rectify that matter or to explain it? The answer is that the Director-General said that there would be no disciplining of the journalists responsible for making the "Panorama" programme which had defamed us and that that there would not even be an internal inquiry into the events which had taken place.

Mr. Tony Banks *rose*——

Mr. Hamilton: I am anxious not to give way, because many hon. Members wish to take part in the debate. I am sure that the hon. Member will make his own speech in due course.

The experience of my hon. Friend and myself is not unique. In May 1985 the BBC lost a case against Dr. Gee which cost £1·25 million, but once again there were no disciplinary proceedings or an internal inquiry. Dr. Gee was libelled in the programme made by Esther Rantzen, who was observed giggling by one of my constituents as she was travelling in a train after that case and the experiences of Dr. Gee. In May of this year that programme continued to broadcast unfairly about Dr. Gee, and it is now the subject of a complaint before the Broadcasting Complaints Commission. I shall say no more about it.

In the past few years the BBC has lost many libel actions. They have cost the corporation a considerable amount of money and have identified many weaknesses in the management of the corporation and in the standards which are acceptable to its journalists. Nothing whatever seems to have been done, and I cannot see any similar cause celebre which may be laid at the doors of the independent television companies.

We must analyse why the BBC seems to be peculiarly susceptible to the failures and weaknesses identified by our cases. The main reason for this weakness was identified by the right hon. Member for Morley and Leeds, South. It is that the BBC considers itself infallible and thinks that it never makes mistakes. The BBC is the reverse of that, and the truth of the matter is that the BBC is out of control. It is too big and too diverse in its operations. Its constitution is archaic and anachronistic, and it is all tied up with the question of funding.

The management at the top level of the BBC appears to me to be weak, ineffective and incompetent. The managers are far too frightened of the National Union of Journalists' threat to pull out the plugs if they attempt to discipline any journalist for whatever cause. That constitutes weak management.

On the other hand, there are some journalists—I do not wish to damn everybody—probably not more than a small minority, who do disproportionate damage to the corporation's reputation. There are a great many journalists working for the BBC—but not only for the BBC—who have an armour-plated arrogance, which leads to recklessness because they think that they will never have to explain the programmes that they make and will never be examined in minute detail on what they have had to say. They are prepared to fight for injustice and to defend their lies to the last penny of taxpayers' money, but when it comes to putting their own money on the line to defend their own reputation, they are not prepared to risk that.

Mr. Julian Critchley (Aldershot): Will my hon. Friend give way?

Mr. Hamilton: I am sorry. I did not give way to the hon. Member for Newham, North-West (Mr. Banks). I must be fair if I am accusing the BBC of being unfair. It would be improper if I were to be inconsistent.

The governors of the BBC are supposed to be the representatives of the public interest. In the past—and this will probably happen in the future—they have displayed a stunning ineffectiveness, which is tied up to some extent with the nature of the individuals who are made governors, and to a greater extent with the nature of the office itself, which is part-time. Most governors do not come to the corporation with the necessary experience and weight to counterbalance the management in the BBC. All the evidence is that they are often hoodwinked.

Let me take as an example the current fracas over the complaints of the Chancellor of the Duchy of Lancaster, in his other capacity as chairman of the Conservative party, about the Libyan reporting, on which I intend to make no comment. Did the governors meet at any stage to discuss their response to his criticisms? We have not yet had the answer to that question——

Mr. Corbett: We have.

Mr. Hamilton: The BBC made a response. It would be interesting to know the way in which the BBC management collected the opinions of the governors on that issue. In the case of the libel action of my hon. Friend the Member for Cannock and Burntwood and myself, did the BBC seek the opinion of counsel, for example? I understand that the BBC was given less than a 40 per cent. chance of winning on a good day with a happy judge. No commercial organisation would go into court with such an opinion.

The problem was identified recently in *The Independent* by William Rees-Mogg, the former vice-chairman of the governors of the BBC, who said:

"there are whole systems of communication inside the Corporation to which they have no access. They issue policy instructions which are solemnly noted and as solemnly disregarded."

That is what I think has happened in this case. The truth is that we have a constitutional structure in the BBC which was fit for the period between 1930 and 1950, before competition was introduced to broadcasting, but which is wholly unsuited for the different times in which we live today. In those days, perhaps television journalists were more scrupulous than they are today and the BBC was more of a national institution.

Politicians should not fear criticism or mockery, but that criticism and mockery must be placed firmly on the bedrock of truth. My objection is that so often in current affairs programmes the bedrock of truth is not there. That economy with the truth, to be complimentary about

[Mr. Hamilton]

journalists who have been guilty of infractions of the BBC code, arises because of the security of funding of the BBC, arising out of what is effectively taxation. It brings about irresponsibility by virtue of lax management.

The vast resources of the BBC—now £1,000 million a year or more — incline the BBC to the view that whatever costs arise out of legal actions, they can conveniently be ignored. The costs and damages that the BBC had to pay in the cases of my hon. Friend the Member for Cannock and Burntwood and myself amounted to over £280,000. That is two hours' income for the BBC, but a lifetime's income and more for most of those who would be faced with the task of fighting a corporation the size of the BBC were they defamed by it. The BBC is uniquely unaccountable. It cannot be examined in the House because there is no ministerial responsibility for its internal workings. I should not like to see that change, because I do not want to see the BBC become a plaything of any political party or grouping.

The BBC has no shareholders who must be faced at an annual general meeting. At the moment, the Director-General and those who are responsible for the debacle in our legal actions are skulking in their bunkers, their heads well below the parapet, and it seems that nobody can get at them. We expect to be attacked in the House and outside it for our errors, infractions, failings, deficiencies and so on. If they are sufficiently salacious and newsworthy, the television cameras are parked outside our garden gates waiting to catch every facial contortion, grimace or sadness.

The Broadcasting Complaints Commission seems to me to be a toothless bulldog and suffers from a great many deficiencies, not least of which is that a great many people who were libelled on the same "Panorama" programme as my hon. Friend the Member for Cannock and Burntwood and me have been prevented from securing any consideration of their case because the commission cannot consider a complaint while legal proceedings are pending. There are still cases to come involving hon. Members of the House, which have not been concluded.

The justification that is put forward for maintaining the licence fee, which underpins the system of irresponsibility, is public service broadcasting, yet if we look at a copy of the *Radio Times* for this week we see in it a great many programmes which cannot be justified on the principle of public service broadcasting, however agreeable they might be to watch. The quality of the programmes does not seem to be uniquely the result of the principle of the taxpayer funding public service broadcasting, because every year the independent companies walk away with the bulk of the awards for quality programmes.

The BBC does not seem to be very innovative, because most of the great innovations that have arisen over the years have come about under the impulse of competition from commercial stations, whether it be afternoon broadcasting in the 1950s, local radio or breakfast television. As the right hon. Member for Morley and Leeds, South said, quality seems to have become synonymous and confused with lavishness of production. That is surprising, because, as the costs of the technicalities of broadcasting have fallen in recent years, the costs of programmes seem to have risen, when the reverse might have been expected.

The real issue to which we should address ourselves in the debate and in the wider debates outside the House is not political bias of the BBC but ethical standards. The BBC is engaged in a ratings war with the commercial stations. There is considerable sensationalising and trivialising. I agree with the right hon. Member for Chesterfield (Mr. Benn), who for many years has campaigned for fairer treatment of Left-wing Labour Members of Parliament by the BBC and other broadcasting institutions. There is more than a kernel of truth in the things that he has been saying.

What we want from the BBC is that it should observe its own code of ethics. That is set out in a paper by Alan Protheroe, the Assistant Director-General of the BBC, with several simple propositions, which seem to have been conveniently ignored. He says that basic honesty is something that all contributors to BBC programmes should be able to expect, yet recently in a case involving the "Rough Justice" programme the Lord Chief Justice condemned the interview methods that were used by the people making the programme as "outrageous", and referred to "investigation by menaces." He said that had those methods been used by the police they would have merited instant condemnation from the courts.

When Mr. Justice Bingham was considering an interlocutory application in the proceedings on the Dr. Gee case, he said that these were the methods used by the programme makers:

"the Defendants made a sham appointment with Dr. Gee at his surgery and then proceeded to attempt to interview him in the presence of Dr. Gee's other patients and without giving Dr. Gee any notice of their intentions."

He said that they wrote a letter three days before the programme went out posing a number of questions

"of the when did you last stop beating your wife variety and clearly Dr. Gee was being given little time to consider the criticisms being made or to respond."

Mr. Justice Bingham concluded:

"the Defendants would I think be very well advised to give careful thought to any criticism that they might make and do not think that their initial handling of their investigation reflects great credit on a corporation such as the BBC and I hope that given what I have said the appropriate caution will be exercised by the Defendants."

That hope was completely ignored.

We must also consider the fabrication of evidence, as happened with my hon. Friend and me. In spite of the Director-General of the BBC now saying that there was no deliberate falsehoods in the manufacture of the "Panorama" programme, the reverse is true. The programme wanted to claim a connection between David Irving, the historian who claims that the holocaust never happened, or that Hitler did not know about it if it did, and the Conservative party. It could not find one, so it rang various student Conservative associations to persuade them to set up a meeting with David Irving which the "Panorama" team could then film. It used that filmed evidence to say that there was a connection between Irving and the Conservative party, which it must have known was false.

It is quite clear from the uncut film in our case that another objective of the corporation's code of ethics—to produce programmes that are independent, objective, impartial and fair—was infringed, because it decided the story line in advance and tailored the facts accordingly. The rule in the BBC is "defame first and justify afterwards". That is never necessary if one can oppress and intimidate—a word that we have heard often from the

Opposition — the private people who are the corporation's victims with the vast and oppressive weight of the resources available to it.

The BBC uses third degree tactics in interviews if the interviewee is to be the victim, but if the interviewee is helping the programme makers in their nefarious purposes, he is groomed and coaxed to give such performances as are likely to make the programme more viewable.

The BBC is also warned in its code of ethics to be careful not to be manipulated by lobbyists and the mouthpieces of groups with points of view to put forward. How was it, then, that the prograamme made on my hon. Friend and me could have been researched by a former Communist party candidate, a convicted burglar with a known record of stealing documents——

Mr. Corbett: Cheap.

Mr. Hamilton: —and the editor of a magazine which employed convicted arsonists? Stolen documents were used in the programme and produced at the trials on the basis——

Mr. Corbett: Say that outside.

Mr. Hamilton: I have said it outside. I should like to observe to Opposition Members that I do not seek the cloak of privilege to defame hon. Members.

There are a great many other techniques of which the BBC should be utterly ashamed. They are used by its employees to defame individuals who often cannot defend themselves. They use Goebbels' techniques. That could happen to any of us, including Opposition Members. If there is a Labour Government again, I dare say that Opposition Members will be subject to treatment such as we have received.

The answer to these problems is to restore real management control and responsibility in the corporation. That can come about only as a result of a complete reassessment of the methods of funding. I applaud the direction in which the Peacock committee exhorts us to go. I entirely support its proposal to privatise Radios 1 and 2. We could extend that to BBC 2, because public service broadcasting ought to be a sort of Arts Council of the air. That would reduce the BBC to manageable size and restrict it to producing high quality or admittedly controversial programmes made from an admitted political stance, as happens on Channel 4 with "Diverse Productions".

Management must manage and be accountable. Privatisation seems to me to be one of the ways in which to achieve that. When the BBC has to be responsive—as eventually it will have to be with pay television and subscription television—to the needs of its viewers and the people who are responsible for providing the money to make the programmes, many of these evils will be swept away.

It is a great pity that the BBC does not have a system such as we have with the ITV companies, which have to compete for franchises and account for their stewardship from time to time. That is another source of the evils which seem to be endemic in the present vast octopus of the BBC. I warmly applaud the Peacock committee's forward-looking proposals. Not all will be universally accepted, but the broad thrust is in the right direction. Market solutions are the right ones for broadcasting, as for other parts of the economy.

7.35 pm

Mr. Norman Buchan (Paisley, South): The hon. Member for Tatton (Mr. Hamilton) might realise that we would probably listen to him with a little more sympathy if he had been less free and loose in here about other people. In view of his panegyric on the virtues of the market, it is worth keeping in mind the old slogan about the man who was hanged for stealing the goose from off the common, but let the greater villain loose who stole the common from the goose. That is precisely what the Peacock report does.

The greater villains are those whom we saw rejoicing when the Peacock committee was established. There was an orgasm of joy on the Conservative Benches as they saw the opportunity, with the Peacock committee, to get up to their elbows in gravy. They saw an opportunity to smash one of our greatest public service institutions and to have a go at the BBC, which they regard as an especially snooty organisation.

We might have considered standards, bias and fairness and what the Conservative party has said during the past few weeks through the Chancellor of the Duchy of Lancaster and the hon. Member for Tatton and the Home Secretary today, until we consider their own standards of bias. The Home Secretary told us that debate on the Peacock report would be delayed. It has been brought from the back burner very quickly.

The Government have already asked Communications Studies and Planing International to prepare a report for the Home Office on pay-per-view. It cannot be an objective study. Mr. Jonscher, who has been put in charge, is an enthusiastic free-marketeer who is strongly committed to the expansion of pay television and convinced of the merits of a system in which viewers can buy the entertainment that want to watch. He says:

> "There is too little entertainment material coming into people's homes. Television is hopelessly under-financed here. It costs viewers two or three pence per hour. I can't help feeling people would pay more than that".

The Conservatives are delighted at the prospect of being up to their elbows in gravy as a result of subscription televison. The same organisation has been advising on the use of the spectrum—the frequencies on which television and radio signals are transmitted — and the sum for which it could be sold off to interested users. The objective people who the Government have put in charge of the investigation are firmly committed to turning the licence fee into a subscription and to scrambling the signal.

Having listened to the hon. Member for Tatton, I find an article in today's *The Guardian* about the attack on broadcasting during the past few weeks especially interesting. I should like to concentrate on the media monitoring units. They are apparently objective, and issued the recent report of alleged Left-wing bias among broadcasters. All of them have intimate links with the Conservative party. The hon. Member for Gainsborough and Horncastle (Mr. Leigh), who was in the Chamber for a moment or two earlier, is involved. The Coalition for Peace through Security and Mr. Lewis, the well known Right wing——

Mr. Holt: Will the hon. Gentleman give way?

Mr. Buchan: The hon. Gentleman has interrupted quite a bit today.

Mr. Holt: The hon. Gentleman has just told a lie and I want to tell the truth.

Mr. Deputy Speaker: Order. The hon. Gentleman must withdraw that statement. He cannot accuse an hon. Member of telling a lie.

Mr. Holt: Of couse I withdraw the word "lie". The hon. Gentleman just forget the truth.

Mr. Buchan: I am quoting from *The Guardian*. It may be wrong, but I shall quote it again. It says that the Coalition for Peace Through Security has among its members

"Mr. Edward Leigh, Conservative MP for Gainsborough."

The hon. Gentleman had better check that with his friends. I thank him for his withdrawal, but it is a pity that he ever made the allegation.

We are witnessing a double attack upon the public service in general and on public service broadcasting in particular. The message coming through from Peacock is quite simple. When we were preparing the evidence for Peacock we recognised within the first three or four weeks that the argument for advertising could not be sustained, because to have any effect on the BBC, such advertising would in particular smash the regional aspect of commercial television. We therefore decided that it would not happen.

Our fear was that no such committee once established would say that there was nothing to report. Our worry was about what it would report, and what it has argued is astonishing. It is in line with a general attack on the public service, with the Prime Minister's view of pushing back the boundaries of the state and her view that she wants to end what she calls Socialism, although we might call it public or welfare service.

Peacock's short-term proposals are not so finally serious, although we must beat them if we can. Even more disturbing are the report's long-term concepts. It has basically argued that the new technologies will inevitably mean that we must move away from public service broadcasting because satellite broadcasting cannot be controlled or subject to regulation. Peacock himself said that like Canute, we could not push back the waves, and as it could not beat the new technologies, the committee took the view, "Let us close our eyes, roll on our backs and think of England. If we cannot control the technology, let it move uninterrupted and let us hasten its coming." Hence the argument about fixing television sets by a certain date to allow pay television to occur.

It is a surrender for mankind to say that the technologies themselves must control us. We recognise that there is a basic problem and difficulties, but the argument used by Peacock that broadcasting should move in exactly the same direction as the press moved in 1694 bears some examination. As all hon. Members will recall, 1694 was the date on which pre-publication censorship was ended. Fifty years before then Milton had used the same argument in relation to the Areopagitica. As a result, freedom of the press came into being. Peacock, and, to a limited extent, Peter Jay, also used the same argument—that we can move in the same direction of unlimited, free market broadcasting as has happened with the press since 1694.

The difficulty is that at that time the campaign for freedom in the press was a campaign against a nervous and tyrannical state. Over the last 300 hundred years the real tyranny in relation to the press is not that of the state but the tyranny of wealth, power and riches. The truth is that with a free market the entire popular press of this country is dominated by three people. In addition we need only look at Berlusconi in Europe. Virtually the entire dissemination of news on a popular basis in the whole of western Europe is controlled by five people—Maxwell, Murdoch and the Express syndicate in Britain and Berlusconi, for example, in Europe.

It should be remembered that human beings do not operate on reality but on our perception of reality. This is the power within the media that we must examine. The central thrust of Peacock is the argument about freedom. At the conference last year, he said that I was the only one who understood the central thrust of the paper, which was the question of freedom. He believes that we achieve freedom by removing all controls and regulation and that this will open up the possibility of an entirely free market which will then determine what happens. We argued that in such a situation we merely surrender to two, three or four monopolies, and Peacock, his committee and the Home Secretary know it.

The analogy with the press is absolutely right. An opening up of unrestricted, unregulated, satellite dominated broadcasting would mean in the same way in broadcasting a surrender to three or four people. That is the end-point of Peacock's view of freedom, and it is time that we contrasted it with a better view of freedom, because this really is the central thrust of the argument.

The truth is that uncontrolled broadcasting leads to monopoly and control. Regulated broadcasting by the community is not of itself a restriction. On the contrary, properly regulated broadcasting, which in this country we have to a very great extent, opens up the possibility of access and a diversity of opinion.

These arguments matter and are linked exactly to the philosophy of the Hayeks, Friedmans, Tebbits and Thatchers of this world. Incidentally, can one imagine what the Chancellor of the Duchy of Lancaster would say if "Diverse Reports" were to devote six programmes not to examining the philosophy of the so-called new enlightenment—the old reaction, as I call it—of Hayek and Friedman, the Chicago centre and the St. Andrews school—heaven help us, the second most reactionary university in the Western world—but to marxism or democratic Socialism? I use the Chancellor of the Duchy of Lancaster as an example of that school of thought. That is the kind of argument going on at present.

To a curious extent this has been the central argument throughout politics since the beginning of time. It has lasted for several thousand years, and Peacock has suddenly resurrected it again at the centre, just as the Prime Minister has done in her social and economic arguments.

We reject the view that we cannot control the technologies. Once we surrender to technologies and say that we can do nothing else, mankind has finished his chance of progress for ever.

We shall have to recognise that no matter what is done here, we shall still be able to get unrestricted broadcasting from overseas. Incidentally, the freedom for all to do their own broadcasting does not mean the bloke next door who is buying into the satellites, because the people who have bought into satellite broadcasting are the Maxwells and the Murdochs. They have got a share of the action, and that will mean unrestricted pap.

One of the difficulties is that we are accused of elitism. Let us look at the most recent report undertaken by the

NOP for the Broadcasting Research Unit. It analysed the percentage of people who were "agreeably surprised" and stated:

"the surprise factor and the possibility that a programme which a person felt would not be enjoyable might turn out on exposure to be agreeable and acceptable."

Three per cent. of those interviewed said that this happened very often, 20 per cent. said that it happened fairly often and 46 per cent. said that it occurred occasionally. In other words, nearly 70 per cent. of those asked said that far from it being elitist to think that things that are slightly above the common denominator should be broadcast, they had enjoyed such programmes when they had seen them. Therefore, we are arguing not so much about elitism as about an understanding that if they go below the lowest common denominator, audiences will be maximised. That is what happens with uncontrolled and unregulated broadcasting.

That is not an elitist argument. It is one that says that we cannot secure diversity of opinion and diversity of programme—be it from coarse fishing to politics, opera to jazz—unless broadcasting is controlled in this way. That is the problem to which we must address our minds. Peacock is a massive step backwards in this regard, and it should not be tolerated. It is an immediate, massive backwards step in the arguments about radios 1 and 2.

The one section of independent radio with which Peacock could do something positive was community radio which gave groups the opportunity to broadcast community or neighbourhood interests. It is astonishing that at the time of Peacock and deregulation, community radio was barred and banned. Why? The Government were terrified of some of the views that might be expressed. They were afraid they would be inimical to the Government. That had nothing to do with freedom.

We now come to the curious case of the Chancellor of the Duchy of Lancaster. The Peacock report is one aspect of the double attack on all public service and all community activity. Another aspect is the attack that we have heard from the hon. Member for Tatton and that released by the Chancellor of the Duchy of Lancaster. I am afraid that he is not very bright. He and the Prime Minister both suffer from tunnel vision and second-rate minds.

Mr. Tony Banks: They also suffer from low cunning.

Mr. Buchan: Indeed, they also suffer from elements of low cunning which act like adrenalin upon them.

The Chancellor of the Duchy was asked about bias. He criticised apparent bias in the BBC as did the media monitoring unit. He was asked why he had chosen to attack the BBC over Libya. He said:

"Well, there were a number of possible subjects, some of them would have required a very, very large amount of work, for example the allegation that there was bias in the drama side. What we looked for was something self-contained, something where there were transcripts, where we were dealing with facts."

The interviewer asked whether, if the Libyan broadcasts were self-contained, he thought them typical of BBC news reporting. He replied:

"No, no I wouldn't, and indeed that's part of the whole point I was seeking to make. On the whole, standards are high"—

he might have been kidding, judging from his attack on the Libya broadcast—

"but there are lamentable lapses, and you have to focus in on these."

In other words, sometimes people make an error, so he will focus in on them. Quietly in an interview, he thought that the standard was good, but 90 per cent. of the British people did not gain that impression from the right hon. Gentleman. The interviewer then asked what the Chancellor of the Duchy was trying to do by "focusing in" on the odd lapse or two. He replied:

"Well if you make the generalised statement that the BBC is biased against the Labour party, which is so often being made, then this statement can be brushed off very easily . . . So you do have to be precise. And if the standard is generally good, as it is . . . though there is a tendency to muddle news with comment, and a tendency to sensationalise . . . er I have lost track of what your question was."

That was his analysis.

The right hon. Gentleman has undoubtedly unleashed and given credit to media monitoring, now exposed as a Right-wing group. He has let loose the moral majority who can take every opportunity to be associated with that.

I see that the hon. Member for Gainsborough and Horncastle has now joined us. That is to buttress attacks on the best television and radio in the world today. If hon. Members do not believe that, they should lock themselves up for two or three hours and look at some of Murdoch's satellite broadcasting and see how they like that.

Hon. Members could do what I did when I was preparing the evidence on Peacock. I took off to Italy for five days—any excuse to spend five days in Italy. I knew Italian television reasonably well and I was staggered at its unbelievable degeneration. I grew up on bad American B-movies. I did not expect to see four of them at the same time on the 10 available channels in Italy, but I did. They were so bad that even I did not go to see them at the age of 15. There was an absence of commercial breaks. The adverts cut straight into programmes. I was watching a Russian pole vaulter attempting to break the European record and as he loosened up and took off two steps he ran straight into a line of nappies, advertising soap. I have never yet discovered whether he broke the record because by the time that had finished, we were in the middle of a 1,000 metre race. I experienced a kind of culture shock at the logo flickering constantly during a film.

The curious result of deregulation and the large-scale expansion of programmes — about 300 private T.V. stations in Italy—is that they are almost all controlled by one man. It is curious that with relaxation and deregulation, which open up the possibility of more programmes, there is in fact less choice. Berlusconi has now bought into the 300 small private commercial programmes, so basically three massive commercial networks control the 300 apparently private commercial stations. That is what is meant by Peacock's free-for-all and "Do your own broadcasting". Berlusconi is one of five who controls the entire dissemination of news in western Europe. In the United Kingdom, we have three.

Peacock knows the end result. Indeed, he is clear about it. Peacock recognises that the commercial world will not produce programmes of value. The report states:

"The Committee has its own views on the types of programme suitable for public patronage, and which form a large part of its concept of Public Service Broadcasting."

So, together with the freedom to have pap, since the stations will not put on good programmes, the Committee say that we must call on the public purse to transmit better programmes. The committee expects a minor quantity of "news, current affairs, documentaries, programmes about science, nature and other parts of the world . . . high quality

[Mr. Buchan]

programmes on the Arts (music, drama, literature etc.) . . . critical and controversial programmes, covering everything from the appraisal of commercial products to politics, ideology, philosophy."

What kind of television and radio has Peacock got in mind when he says that religion, ideology, drama, literature, music, news, current affairs, documentaries, and programmes about science will form a minor part of broadcasting which must be paid for from the public purse?

We are seeing an attack on some of our most important values. It is not merely a minor matter, as to whether we have historical accuracy in "The Monocled Mutineer" for example. It involves the type of civilisation that we wish to create. That cannot be left in the hands of the profit-makers, not only because that is the greater immorality, but because they have no vision or concept other than that of profit. Indeed, they cannot, because, by the nature of the beast, that is all that it can do. Freedom will not remain if it is entrusted to the pockets and the purses of the Murdochs, Maxwells and Berlusconis. They will not preserve the quality of broadcasting, ensure the diversity of programmes nor will they seek to eliminate bias by extending genuine access.

The BBC is not the perfect body, any more than ITV is, but the quality of our commercial television is protected by the existence of the BBC alongside it and through the regulations imposed on it. Without that, it will be unadulterated pap. The people who will not watch that unadulterated pap, but will themselves go to the Royal Opera House or the south bank will be the very people who try to push this on the ordinary British people. It must be defeated and I believe that it will be defeated. We have been suffering under this philosophy for a long time. The sooner the election, the better for British civilisation itself.

Mr. Deputy Speaker: Order. I should remind the House that Mr. Speaker appealed at the outset of the debate for brief speeches.

7.59 pm

Mr. Tim Brinton (Gravesend): I appreciate that the hon. Member for Paisley, South (Mr. Buchan) cannot entirely grasp the principles of capitalism and profit. However, I am also considerably worried about his version of freedom. He seems to think that control over what is broadcast is a way of establishing freedom. I look forward to the day when there are so many broadcasting channels in this country that we can have the absolute freedom to have radio and television stations to the far Left and to the far Right, and also in the middle.

The hon. Member for Paisley, South alluded to the beginnings of such a broadcasting system, that is to say, the sadly aborted community radio experiment. It was right to abort it because it was but a pilot scheme involving about 20 stations. Those 20 stations would have stuck out like sore thumbs. I hope that when my right hon. Friend the Home Secretary considers this matter he will go at it full bloodedly so that we get that sort of variety and begin to see that absolute freedom to broadcast can work through from the little local centres to something much more important.

Although we sometimes complain about the BBC and ITV, we have to remember that most of the stuff that we see is excellent. It was sad that the criticisms of the chairman of the Conservative party happened to coincide with the 50th anniversary of British television, because during that week we saw what the BBC was really made of. I have said publicly that the BBC has problems, and may do so again later. However, I do not believe that they are as deep and difficult as some people suggest, or that the BBC is as white and pure as others suggest. I feel rather like the lady soothsayer—most unsuitably cast—in "A Funny Thing Happened on the way to the Forum" with Frankie Howerd which was repeated during that celebratory week, who comes rushing in saying "Woe, woe!"

In a sense, although not in the total sense that the hon. Member for Paisley, South meant, we shall be controlled by the developments of the new technology. It is difficult to know when this will come about. The value of the Peacock report was that it brought added emphasis to the previous attempt by the Annan committee, which was also laudable, to say, "The face of broadcasting in this country will change one day."

Many right hon. and hon. Members have accepted that. My difficulty is that I see it as almost a certainty within the next 10, 15 or 20 years. I have scant experience of the House compared with many right hon. and Members, although I have been here seven and a half years, but having considered parliamentary timetables I realise how long it would take to make major changes in legislation in time to carry out that sort of exercise.

If we keep the BBC's activities at the same level and fund them in the same way, or even if we allow it to expand as it has done instinctively during the past few years, understandably so because it wanted to, and nobody was going to stop it, the BBC will be forced into either competing directly against a multitude of popular down-market programming which we shall be unable to control because it will come from abroad, or backing off and contracting to some degree.

In the 1950s I worked for the BBC, and I am proud of it and all that that means. In the new world of fragmented receiving, viewing and listening, I should like to see a public service broadcasting system in this country that is ready to fit in and that will not be decimated.

In the past few years we have seen the BBC's professional attempt to claw its way back in the ratings. Its ratings in the top 10 were going down, so it employed Mr. Grade, who is an expert in this area, and slowly and steadily, and quite rightly, he pulled them up on the important programmes. In the present climate of competition, there is nothing to be ashamed of if the BBC competes on popular programming. However, if, as the hon. Member for Paisley, South suggested, this material from outer space is all down market, like Italian television, and apparently everyone, although they do not really want to watch it because they would rather go to the opera but cannot afford it, tunes in and watches that unsuitable stuff, our public broadcasters will have to produce similar material to secure the viewers. That is the basis of the Peacock committee's thesis.

The Peacock report gives a few ideas but says to us, and, I hope, to the BBC, "Look ahead carefully. It takes time. How will you fit in in this new world which has not yet come along?"

We should have a public element of funding for the BBC for some time to come. I am not speaking on party political grounds, but one cannot justify continuing the full licence fee for much longer. As multiple choice arrives,

why should a compulsory tax—that is what the licence fee is because one cannot have a television set without having a licence — be levied to finance, for example, "Dallas", and "Dynasty" which are brought from American and are highly popular? Such programmes would multiply on the other channels, so why should the BBC offer the same?

Like the hon. Member for Paisley, South, I do not claim to be an elitist. I want the BBC to spend its money on the things that it does best, including popular programmes made by the BBC, for example, "Hi-De-Hi" and "The Two Ronnies". Those programmes regularly come at the top of the top 10. They cannot be made by commercial interests because, first, they cannot develop that sort of series because of the nursing and financing needed, and, secondly, because of the constriction of fitting in commercials. When Morecambe and Wise went over to the commercial station, the programme was constrained to roughly a 12½ minute slot before the commercials. There was an artificiality about some of those sketches, good though they were, which did not occur on the BBC's 45-minute programme, because their sketches could stretch to eight minutes, or even to 12, or go back to three minutes, or whatever they wanted. Timing constraints did not matter.

The BBC's genuine talent should be preserved in public service broadcasting. I am not saying that ITV and Channel 4 do not produce excellent shows; it is just a different system.

An element of licence fee should remain, but it should be pegged to a target which allows the BBC to remain independent but which has eventually and in the roughest of ways to be sketched out by Parliament. The Peacock committee rightly suggested that we might move towards a pay television socket being installed in all new sets in about a year's time. That is very important and a matter for technological advance. As those television sets come into use over a period of five years, if the BBC would move BBC2 to a subscription service, leaving BBC1 paid for by licence fee, that would preserve the universal nature of one British channel, in BBC1, while BBC2 would be paid for.

The concept of paying for a channel is not as scandalous as one might think. When BBC first started, there was no way that individual payments could be made for the supply of what were then called wireless signals or crystal set signals, so another method had to be thought of and the licence became a universal tax. If there had been another way, I am sure that the corporation would have chosen to send a bill as for the supply of electricity or the telephone. Indeed, we would not be having this debate because if everybody had paid for their television viewing the matter would have been straightforward. We have all paid to go to the cinema, which was the chief form of visual entertainment before television took off in the early 1950s.

I do not contemplate selling off Radios 1 and 2. As many hon. Members have said, there is nothing to sell except a couple of wavelengths. Jimmy Young can be sold off any day by the BBC or bought by anyone who attracted him. He is independent of the BBC. There is no property there for the BBC to sell, even if it were a good idea.

But we want some far-reaching reforms to cope with the new scene of, perhaps, a contracting BBC with fewer staff and a contracting BBC radio. I like the idea of beefing up the management board of the BBC so that the governors become non-executive directors. That would be good. But having done that, I should like that board to run the BBC, not do the policing as well. I should then want to see one television authority policing—if that is the right word—or regulating the public service broadcast element of television and a separate radio authority doing the same for BBC radio, independent local radio and any national independent radio that comes along. In that way, the policemen—the governors, or whatever they are called—will be further away from the problems of management and routines within the BBC, but there will be a stronger board with non-executive directors looking after the day-to-day policy of the BBC.

I do not want to say much about the letter of the Conservative party chairman to the vice-chairman of the BBC, except to applaud the vice-chairman of the BBC because when he spoke in Edinburgh he said, rightly, that all politicians and all political parties always complain about the broadcaster. But, having said that, there are identifiable events, which have happened over the years, which we should draw together. One is the recent libel case against the BBC of my hon. Friends the Members for Tatton (Mr. Hamilton) and for Cannock and Burntwood (Mr. Howarth). I know that there are staff within the BBC who are muddled as a result of that case. I am not taking sides, but what was the BBC's management doing saying that it would fight the case and then withdrawing so quickly after a few days?

Secondly, there is the play about the Falklands by Mr. Curteis. I am not interested in the virtues of whether he was asked to write scenes differently, but I have not heard anyone contradict the fact that that play was apparently commissioned by the Director-General of the BBC. As an old BBC man, I ask what the Director-General of the BBC is doing commissioning plays directly. He has many people to do that for him, such as the head of drama, whom he called in to go to see the playwright. That is not denied and that gentleman apparently went down to the playwright's house and talked about changes, forgetting that the BBC had appointed a producer for the venture, Mr. Messina, who had never been brought into the story. That is odd procedure within the BBC's management.

It is that odd procedure which I think gave rise to the guts of the chairman of the Conservative party's attempt to criticise. I do not go along with all his criticisms, but I should like to point to one specifically. It is a narrow point, but it is important because it has not had much publicity. As hon. Members will remember, the BBC admitted that there was one major failing and that has been discussed. But on page 20 of its response the chairman of the Conservative party, in the first paragraph on the right, it also admitted that there were two sentences which, with hindsight, drew the wrong inference and were ill-advised. The first was:

"in Beirut and in London the terrorists and bombers have struck against the British people."

The second sentence was:

"and the long arm of Arab revenge reaches Heathrow Airport."

The BBC has admitted that it regrets the inclusion of those two sentences. I highlight them today because they illustrate where, perhaps through natural evolution and style, the BBC governors have something serious to look at. There was no attribution of those two sentences and they had language which was opinionated. In a sense, that is an example of the worries that some of us have about

[Mr. Tim Brinton]

clause 13(7) in the BBC's licence, which makes it clear that the BBC accepts that it has no opinions on political matters, except for broadcasting. When the staff reader is giving out such news it presents worries.

The only other example to which I want to refer now is the blurring of comment and hard news. I shall fight for the BBC governors' independence from Parliament and politics, but I sincerely hope that the governors will look seriously at those two issues and then many of the other things will come right.

This is the beginning of a long trail. I hope that after the election the Government will start to put in place the pegs for the policy change which we must have if we are not to see the end of public service broadcasting as we have known it.

8.15 pm

Mr. Tony Banks (Newham, North-West): It is always interesting to hear the hon. Member for Gravesham (Mr. Brinton) talking on a subject about which he has a great deal of knowledge and experience. Indeed, for someone such as myself thinking back to television in the 1950s, when he speaks he conjures up many of the images of the BBC at that time. I know that he is not as old as this, but 2 LO calling and Alexandra palace come back as vivid images to me when I hear him. I shall be brief in view of what I said the other night, but I hope that the hon. Member for Wealden (Sir G. Johnson-Smith) will also catch your eye, Mr. Deputy Speaker, so that we can have another blast from the past of the BBC.

One point that I want to take up with the hon. Member for Gravesham is that an element of editorialising is creeping into BBC news reporting. In many ways, that has come about because there is too much aping of Fleet street in the BBC at the moment. I was an official of the Association of Broadcasting Staffs when, with the National Union of Journalists, we were negotiating the newspaper allowance for the newsroom. The journalists were saying that they needed to have the daily newspapers in front of them in order to have the agenda for the news. The BBC should be separate in that sense. I should like to see far more investigative journalism coming from the BBC and far less of the worst practices of Fleet street beginning to infiltrate it.

Having said that, the debate is welcome. I have listened with interest and great care to the contributions that have been made. I am glad that we have been able to strike a fairly objective balance in the debate so far. However, that is not something which is going on in the rest of the media. I must put the blame for that firmly at the door of the chairman of the Conservative party and, indeed, the Prime Minister. The levels of paranoia that they have reached have taken them to the point where they seemed to believe that the BBC is run by Maoists and that the Church of England has become the Kremlin at prayer.

This is an interesting debate, but is it the most important thing that the House should be discussing? Britain faces many other problems as the Government's policies take us closer and closer towards economic and social chaos. When North sea oil runs out, Britain will become a banana monarchy, without the benefit of the bananas. There are many things that we could be discussing, but we seem to be discussing one of the few British institutions that is a success story and is recognised as such all round the world. This is an interesting debate, but it cannot be the most important issue that faces the House or the country today.

The real crime that the BBC has committed in the eyes of the Government is not the crime of bias. We all have our feelings about bias in the BBC. Many of us on the Left regard the BBC as biased against the Left—and that was certainly true during the miners' strike. The real crime of the BBC in the eyes of the Government is that it is a public corporation. The Government are opposed to the public sector, whatever the body and whatever its social and economic worth. Therefore, we are talking not about careful consideration of the BBC in terms of its quality and social standing but about attacking a public corporation because the Prime Minister finds it objectionable on ideological grounds.

No doubt the Prime Minister and the chairman of the Conservative party would like to see the BBC as slavishly loyal to them as *The Sun*, the *Daily Mail*, the *Daily Express*, *The Times*, the *Daily Telegraph* and so on are. Many other people would prefer some objectivity in the news and reporting of current affairs. For all its faults, we are nearer to that objectivity in news reporting and current affairs with the BBC than we are with the mad dogs of Fleet street and Wapping.

It is obvious that the Government were disappointed with the outcome of the Peacock committee. Perhaps that does not include all the Government. I detected from what the Home Secretary said that he viewed with some suspicion the opinions of Peacock and will treat them with circumspection. There is sufficient feeling within both the House and the country for no or very few changes to come about in the BBC as a result of Peacock. On this occasion, I would be on the side of those advising caution.

Peacock did not deliver to the Prime Minister justification for her prejudices. She certainly wanted justification for the break-up of the BBC so that it could be sold off to the likes of Rupert Murdoch. Peacock did not provide that justification. It rightly rejected advertising, which would have been a bad choice. Many people want to choose to look at a television programme or listen to a radio programme without having the interference of advertisements. If there is to be any selling off of any parts of the BBC, and if the Government or the Prime Minister have their way and commercialism comes into the BBC, many people who do not want advertising on radio or television will have lost their choice.

The proposals in the Peacock report for the eventual replacement of the licence fee by subscription are unacceptable. I know that people do like not paying their licence fee. They also do not like paying their rates, taxes or bills. It is a natural reaction. However, for that £58 a year we get two television channels, four national radio channels, a great collection of local radio, and other services. That amount works out at about 15·8p per day. There is no national newspaper of which I can think that costs as little as 15·8p. Even *The Sun*, which can hardly be classified as a newspaper by any stretch of the imagination, costs 20p. The only objection that people have is that they do not normally pay their paper bill once a year. If they did they would realise what little value for money they are getting for newspapers such as *The Sun* or the *Daily Mail*. The licence fee must stay.

Alternatives have been canvassed. We have strayed away from the Peacock recommendations and this has given us an opportunity to trail a few coats. We could look

at the BBC's finances over five years, which would take them away from the normal term of Parliament. It should be set by an independent review body, which would take much of the politics out of the licence fee. It cannot be beyond the minds of the BBC governors, when considering their programmes, that they must go to the Government to ask for an increase in the licence fee. That would happen with any Government, because no Government like criticism, and this Government like it least of all. I hope that I am not boring the Minister too much. He keeps yawning.

If we were to have something like an independent review on a five-year basis, that could take the BBC out of the political arena in the direct and rather commercial sense. I do not believe that the market conditions about which Conservative Members have spoken improve the choice. The BBC offers the viewer and listener a great deal of choice. That is excellent, and we should want to defend it.

I say this with due deference to my right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman). I know that my right hon. Friend will soon be sitting on the Government Benches as the Home Secretary. However, I should like the BBC and broadcasting to be taken away from the Home Office. Many countries call such a department the Ministry of the Interior. There is something rather grating in having broadcasting in the hands of the Government Department that is responsible for police and prisons — even in the fair mind and capable hands of my right hon. Friend the Member for Gorton. I want the BBC not in the Home Office, but, together with broadcasting, printing and publishing, in an enlarged Ministry for the Arts. We shall have to wait for a Labour Government to introduce that change.

External broadcasting should be taken away from the Foreign and Commonwealth Office. In the minds of many people overseas, the connection between the financing of the BBC External Service and the Foreign Office means that the External Service is giving the opinions of the Government. It does not do so. It is one of the best services that we have, and I know that hon. Members on both sides of the House listen avidly to the World Service and hear a much better quality of news. It is strange that the further one moves along the dial, the more the quality of the news and stories changes, as broadcasters decide that they should shed or cut the news to meet what they see as the expectation of their audience. That is an unacceptable level of patronising.

We need to have far more access to broadcasting by the public. We have already had the discussion about community radio. Community groups, ethnic minorities and interest groups should be able to secure air time.

There should be a television channel delegated wholly and exclusively to the broadcasting of Parliament. People could dip in and out at any time in a debate that interests them. There would be no question of broadcasting authorities deciding what people are interested in. If Parliament is so essential to democracy, it should be available to all the people. The only way to do that is through television, as we are clearly limited in the space that we have in and around the Palace of Westminster.

We do not have a free press in terms of its objectivity or balance. *The Sun* is not crucial to the maintenance of democracy. However, I deeply believe that in the BBC we have a unique institution.The BBC is central to the maintenance of democracy. The language of democracy is that impartial and objective reporting of the news should be available to everyone. For all its faults, I still believe that we get impartiality from the BBC, and if we meddle with it we do so to our cost.

8.30 pm

Mr. Julian Critchley (Aldershot): I agree with a great deal of what was said by the hon. Member for Newham, North-West (Mr. Banks). Many of the high hopes of our ideologues regarding Peacock have been, happily, disappointed. First, there is to be no advertising for the BBC. That was always a foolish suggestion. Fortunately, it has been put on one side. Secondly, it was recommended that the licence fee should be indexed. We should do that in the middle term, and do it promptly. However, even by indexation we should still starve the BBC of additional resources over and above the rate of inflation.

There is a curious recommendation regarding the privatisation of Radios 1 and 2. I should have thought that both of them were vulgar enough. I use the word "vulgar" in the proper Latin sense of the word. Why should the BBC be restricted to Radios 3 and 4? The idea is crazy.

More significant is the recommendation regarding the future franchises for the ITV companies. Many of our newspapers are owned by foreigners who do not live in the United Kingdom. The House might care to look at that problem one day with a view to legislation. The idea that at a future date our independent companies will fall into the hands of Hugh Heffner is something that not even this House would welcome.

A few years ago a former chairman of the BBC governors and I talked over lunch about bias. He said, "You should not worry about news and current affairs; what you have to worry about is the drama department." However, if we think about it, we realise that all art is subversive, whether it be the 18th the century theatre, the 19th century novel, the 20th century cinema or the "box" of the 21st century. Perhaps we need a Right-wing playwright like Jeffrey Archer.

Surely enough has been said about the dispute between the chairman of our great party and the BBC. The BBC must remain independent. It is one of our great state institutions. The monarchy and the BBC are probably the only two institutions in Great Britain that work. The BBC should be protected from the leaders of political parties in an election year. The electorate is far more interested in government than in politics. The chairman of the Conservative party has laid himself open to the charge of playing politics at this time.

I admire the courage of the chairman of the Conservative party — who does not? — and I enjoy his wit, which is very considerable, but I am under no obligation to agree with him on this issue, or on many others. It is an open secret that within the Cabinet the chairman of the Conservative party had doubts about the wisdom of the American attack on Libya. Therefore, all that he had to do, if he felt so strongly about the Libyan coverage, was to pick up the telephone and get through to a governor. That is the way it should have been handled.

I suspect that the advice that the Prime Minister ought to give to the chairman of the Conservative party is the advice that Mr. Attlee gave to Harold Laski — that on this issue, if on no other,

"a period of silence would be welcome."

8.33 pm

Mr. Chris Smith (Islington, South and Finsbury): I begin by declaring an interest. I have a very close association with the Association of Cinematograph, Television and Allied Technician, to which a few hon. Members on both sides of the House belong.

Before I turn specifically to the Peacock report one essential point needs to be made, and I am glad that the hon. Member for Aldershot (Mr. Critchley) has made it. It is the duty of this House to uphold absolutely the independence and impartiality of the BBC. It has an absolute right to tell the truth, no matter how unpalatable that truth may be, to any political party or to any Government, and to tell it interestingly and somtimes graphically. That is where, sometimes, the BBC may be open to criticism. Criticism can always to justified, but pressure is not justified. During the past few months the chairman of the Conservative party has been placing undue pressure, because of an imminent election, on the BBC. That is unacceptable. This House must uphold the impartiality and independence of the BBC.

The Peacock report has provided us with an opportunity to examine many of its specific recommendations and also to examine the general issue of the future of broadcasting in this country. I give a warm welcome to the rejection by the Peacock report of advertising on the BBC. Quite rightly the committee came to the conclusion that the pool of available advertising revenue is limited and that the imposition of advertising on the BBC would be detrimental to the existing independent television channels. That conclusion is completely valid and I welcome it. I sense that the Government have accepted that recommendation, although they have to say that they are keeping an open mind.

Also, we must acknowledge that the licence fee cannot and must not be unlimited. It cannot continue to rise for ever. I favour a standard licence fee, from which pensioners would be excluded, that would be topped up and complemented by funding from general taxation. That would have to be established by a mechanism that was independent of political debate between the parties in this House. It would be difficult to achieve such a mechanism, but that route would provide the best and the most suitable and progressive form of funding for the BBC.

Certain immediate and short-term issues arising out of Peacock and also out of the Home Secretary's speech today pose some important questions. Peacock proposed, though it was not a unanimous recommendation, that Radios 1 and 2 should be privatised and funded by advertising. Today the Home Secretary hinted that this issue is likely to be addressed in the Green Paper on radio, which is expected within the next few months.

If Radios 1 and 2 are to be privatised and funded by advertising, we have to make exactly the same point about the available radio advertising income as Peacock makes about television. Peacock tries to establish a quantum leap into a different generation of advertising that might be generated by the establishment of advertising on Radios 1 and 2. I do not believe that that would happen. There is a limited pool of available radio advertising, just as there is a limited pool of available television advertising. The imposition of advertising on Radios 1 and 2 would have a deleterious effect on independent local radio, which at present is funded by advertising revenue. It would also have a deleterious effect on the remaining programmes that are broadcast by the BBC. That point has already been made and does not need to be greatly stressed.

We are entitled to ask the Minister of State, who is to reply to the debate, whether these proposals will be considered in the Green Paper and, if they are to be considered, what time scale the Government will seek to propose for the privatisation of Radios 1 and 2. The Government are playing their cards close to the chest on this issue and I hope that they will come forward with rather more information before the end of debate.

The other related issue raised by Peacock and by the Government in their first response to the report is the proposed extension of television franchises for — if I heard the Home Secretary correctly — three years. In principle I have no specific objection to the extension of the existing franchises for a limited period. Nevertheless, we are surely entitled to ask how rapidly decisions will be made on whether or not changes to the franchise system should be adopted.

The Peacock proposal is for selling to the highest bidder, but the minimum standards point raised by the right hon. and learned Member for Richmond, Yorks (Mr. Brittan) does not offer any real protection from competing operations. Going for the highest bidder will not necessarily present us with the best mixture of programming, style, content, educational and current affairs programmes, and we need such a mixture if we are to have good and decent television from the independent channels. I would be worried if that were in the Government's mind and if it were the real reason behind an immediate extension of the existing franchises. I am powerfully opposed to the Government going in that direction.

The major proposal in Peacock is the one for subscription television. The proposal is that a much freer market should be allowed in the availability of television programmes. The principle behind that is a perfectly valid and honourable desire for wider choice for the consumer, and surely we all support that. In addition, there is an entirely mistaken assumption that choice comes from the freest possible commercial market. We must challenge that assumption.

There is an illogicality in what Peacock recommends, because stage 2 of the forward-looking proposals says that we should have independent television still financed by advertising revenue and, therefore, free at the point of delivery to the consumer. It also says that side by side with that we should have subscription television provided by the BBC, for which people will have to pay hour by hour to watch. We do not need a free market economist to tell us that people's instant reaction will be to watch the free channel rather than the one for which they have to pay. The impact on BBC income would be disastrous, and if that proposal is adopted I fear for the long-term future of the BBC. It would not be logical to implement that recommendation. I hope that the Government will not choose the road of subscription television, but if they do they should not introduce it piecemeal for one channel or for a couple of channels, but simultaneously for all channels.

There are many flaws in the principle of free market, free-for-all competition for the provision of television, and that is the principle that underlies Peacock. Of course, it fits in perfectly with much of the Government's philosophy, and for that reason I can see why it may be

attractive to the Government. The first flaw is that it will discriminate against the poor, the unemployed and pensioners if they have to pay to watch television. Such people spend most of their leisure time watching television.

Secondly, it leaves the market open to predatory multinational ownership of precisely the kind that we see in the tabloid press. I do not want to see that happening to British television. Thirdly, it will inevitably drive quality towards the lowest common denominator and bring about fierce and vicious competition for the highest ratings and the highest income for programmes. Fourthly, in reality it will not provide sufficient income to enable minority interest programmes to be well made and provided on anything like a regular scale. Fifthly, Peacock envisages deregulation as a component in opening up the free market, and that would lead us to far fewer safeguards than we have under the present system of guidelines. Sixthly, a proposal of this kind ignores the educational and cultural roles played by television, and those things are important parts of our national life and culture.

For all those reasons, subscription television and the free market principle that underlies it are not appropriate for a good television service for our people. The basic philosophies enshrined in Peacock and the illogical and incoherent conclusions contained in the report will do nothing to enhance choice. They will damage the standards and availability of public service broadcasting. Of course, our present broadcasting network has its faults and failings, but on the whole it has served us well. The Peacock recipe will certainly not improve it.

8.46 pm

Mr. Gerald Howarth (Cannock and Burntwood): I do not entirely agree with the hon. Member for Islington, South and Finsbury (Mr. Smith), but he has certainly made a serious contribution to the debate and attempted to be brief. I shall attempt to do the same, and for the purposes of my speech I shall assume that the lights have gone out. I hope my hon. Friends will understand that, having observed a self-imposed silence for nearly three years, there are one or two things that I would now like to say and that it may not be possible to encompass them all in as short a time as I would like. However, I shall be as swift as possible.

It is common ground in the House that much of what the BBC puts out is excellent and of the highest standard, and that is that which we hear around the world. I listened to the World Service broadcast about the Falklands victory while huddled over a wireless in Lagos. I was with a number of other expatriates and we heard Lily Bolero being broadcast to Nigeria. The voice which said, "This is London", had something special and authoritative about it. Having said that, I must add that there are serious shortcomings in the management of the BBC and that is manifesting itself most clearly in the area of current affairs.

My principal worry is not so much about bias, although that is a factor, but about accountability and the maintenance of professional standards about which the hon. Member for Islington, South and Finsbury spoke. If I refer to the recent High Court actions which affected my hon. Friend the Member for Tatton (Mr. Hamilton) and me, it is not out of any sense of wishing to have a go at the BBC or in any sense being vindictive. It is a matter of speaking about an experience which, fortunately, few hon. Members have had. Indeed, few people in the country have had such an experience, and I believe it is my duty to raise in the House matters arising from that experience. I hope that the House will understand that.

In 1984 the BBC produced a publication entitled "It's your BBC". How right that is, but the actions of the BBC contradict that title. The BBC should be held in trust for the British people, but instead in recent years it has increasingly become the plaything of the board of management and of a minority of journalists. Quite unlike Parliament, it is a uniquely powerful institution. We are among the most accountable of people. There are no secret votes or secret debates here. The BBC is unlike the trade unions whose members benefit from an increasing amount of accountability and democracy. It is unlike the press or even commercial television. It is accountable to no one. Ministers cannot answer for its day-to-day activities. There are no shareholders to stir up trouble at an annual general meeting. Yet we all have to pay this compulsory £58 levy simply for the privilege of owning a television, even if we refuse to watch the output of the BBC. The only available sanction is the parliamentary approval required for an increase in the licence fee and the power of the Government to appoint governors.

The argument runs that it is to the board of governors itself that the corporation is accountable. That argument has been mentioned a number of times by hon. Members on both sides of the House. Mr. Duke Hussey, the new chairman of the BBC, was reported in last week's edition of *The Sunday Times* as having told the chairman of the Conservative party:

"It was the job of the governors to uphold the charter of the BBC."

How real is the grip of the governors, that band of 12 good men and ladies true, who speak for the nation? I am sure that they are worthy and excellent people. Well known they may be to many television viewers, but I confess that I do not know and am not familiar with a number of governors of the BBC. It is to them that the nation looks for the protection that everybody agrees they are unwilling to put into other hands. I do not know whether hon. Members know, but there are national governors for Wales, a national governor for Scotland and another for Northern Ireland. Despite the fact that England produces 93 per cent. of the corporation's income, there is no national governor for England. I wonder who, on the board of governors, speaks for England.

Mr. Tony Banks: The hon. Member for Epping Forest (Sir Biggs-Davison) .

Mr. Howarth: Perhaps my hon. Friend the Halesowen and Stourbridge (Mr. Stokes), if he is on the board.

The former BBC vice chairman, Sir William Rees-Mogg, quoted in an excellent article in the first issue of *The Independent* of 7 October, which was slightly at variance with subsequent remarks he made said:

"The Governors, miserably underpaid, take responsibility for an organisation they have ceased to control . . .

They feel themselves to be under the influence of continual bureaucratic manipulation, and read in the newspapers of decisions taken in their name of which they often thoroughly disapprove."

Further extracts from that article have been quoted by my hon. Friend the Member for Tatton.

It is the fault not entirely of the governors, but of the system that they operate. If they are the body to whom the BBC is accountable, and Sir William Rees-Mogg is right

[Mr. Howarth]

and they do not have control, the BBC has become de facto unaccountable, because, we are told, it is the board of governors which is answerable for the actions of the BBC.

I am sure it is common ground across the House—and I agree—that the BBC must remain independent of the Government and of any undue political influence from any quarter.

The corporation's reaction over recent weeks shows, however, that it is neither willing to brook any criticism nor to take proper action following that criticism. With an Olympian arrogance as unique as its status, the BBC effectively claims diplomatic immunity. This attitude—this overbearing arrogance—is evident. This unwillingness to respond to any criticism is endangering the very independence of the BBC itself. Those in the corporation who stick their heads in the sand are damaging that which they claim to hold most dear.

The BBC, in its own handbook, recognises the relationship between its prized independence and high professional standards. It states:

"Without genuine independence, it is difficult, if not impossible, for broadcasters to maintain the highest standard of truthfulness and impartiality."

It goes on to say:

"Conversely"—

this is quite right—

"without having established a reputation for just those qualities it is difficult for any broadcasting organisation to be recognised as being truly independent and worthy of trust."

In other words, it accepts that the price of independence is to uphold the highest possible standards of truth, decency and integrity. Some of those who work in the corporation are in danger of forfeiting that trust and thereby endangering the independence that we all wish them to have.

My hon. Friend the Member for Tatton mentioned the guidelines drawn up by Mr. Alan Protheroe and how they have been so flagrantly breached. I shall refer only to one — that information from pressure groups is often tendentious and is a filter between the programme and the primary source. The only guard against manipulation of lobbyists is the professionalism of the programme maker. In the case of the BBC's "Panorama" programme, not only was the evidence taken from the lobbyist, but the lobbyist was on the research team. Mr. Gerry Gable, a former Communist party candidate and convicted burglar——

Mr. Alfred Dubs (Battersea): Come on.

Mr. Howarth: I must tell the hon. Member for Battersea (Mr. Dubs) that these are the facts of the matter. He has tried in the House to raise matters on behalf of Mr. Gable, who has conducted a most scurrilous campaign, through this programme and by other means, against my hon. Friends. I can assure the hon. Gentleman that nothing that has been said in the House today has not been said outside.

The BBC has made a grave mistake in breaching the guidelines. I shall not draw attention to any more. Let us leave the "Panorama" programme to one side. Clearly, I have a close—closer than I should have wished—interest in "Panorama." "Rough Justice" has been alluded to. Those people were responsible for that travesty, which was so strongly criticised in the courts. If that had been the behaviour of others, it would have been the subject of investigative journalism by the BBC. As I understand it, those people are still in the corporation. There was "Monocled Mutineer"—the rewriting of history—and Ian Curteis's play, that scandalous action which my hon. Friend the Member for Gravesham (Mr. Brinton) mentioned. Something which has not been mentioned is the poaching by the BBC of ITV film in April of this year concerning Princess Michael of Kent. The BBC deliberately videoed the ITV output and stuck it on the BBC, pretending that it was part of their original film.

Behaviour like that is intolerable. I shall not allude to the submission by my right hon. Friend the Chancellor of the Duchy of Lancaster, apart from saying that I think that he was right, because I watched both programmes. Let me leave any further argument aside and mention that the BBC recently put out a questionnaire inviting the public to comment on that attack by the chairman of the Conservative party. The question that was put to the public was:

"Do you think the Conservative party is right to try and influence the way the BBC covers news items, or should it leave such matters to the BBC governors and managers?"

That is not what the chairman of the Conservative party was on about. He was not saying that it was the job of the Conservative party to influence that programme; he was saying that those responsible for that programme had got it wrong. We all make mistakes from time to time. My wife tells me that even I do occasionally. It is the BBC's willingness to brook any criticism that is so unacceptable. The fact that such a disingenuous question was put to the public proves a degree of malevolence which is thoroughly undesirable.

My hon. Friend the Member for Tatton mentioned a number of outstanding libel actions and the number of times the BBC had to pay out large sums in damages. I draw attention to just one. In March 1985, the Grunwick film processing company and its director. Mr. George Ward, won substantial damages and all their legal costs for false allegations on "Open University". The press stated:

"This was 'the latest in a series of damages awards'. Grunwick was libelled twice on the same matter in Open University; the BBC paid damages twice on the first libel then repeated it."

That is thoroughly bad management, at the very least.

Turning from the political arena, there is great anxiety in the commercial world as well. It is not simply politicians who feel that they are getting a raw deal from the BBC. I do not know whether you, Mr. Deputy Speaker, or hon. Members saw a quarter page advertisement in *The Times* and other newspapers on 22 May 1985 by the British School of Motoring. I believe that it is a supporter of the Liberal party, although I am not sure. That proves that this matter is across party lines. It is to do with standards; it is nothing to do with bias. The BSM advertisement said that the BBC was expected to transmit a programme which it felt was thoroughly unfair. The first point was:

"The BBC is not prepared to specify any of the particular allegations or criticisms which will be made of BSM in the forthcoming programme sufficiently to give BSM an opportunity to investigate the matter."

That type of lousy journalistic standard is a breach of the Protheroe guidelines. It is not a breach of my standards or those of my hon. Friends or Labour Members; it is a breach of the BBC's own standards. It is a breach of decent standards, and that is the problem. The BBC does that because the licence fee arrangement gives it a guaranteed income.

I was slightly distressed to hear my right hon. Friend the Home Secretary say that it was reasonable for the BBC to require a predictable income. Few organisations have that privilege. I do not see why the BBC should not be subject to pressure from the need to satisfy customers in funding its activities. I do not believe that the BBC should be immune in the way it is when it can use licence payers' money to freeze out those who wish to take action against it in the courts but do not have the necessary resources. This is not an attack on investigative journalism, which was mentioned by the hon. Member for Newham, North-West (Mr. Banks)—investigative journalism has its place—but it is not a licence to defame and rob people of their livelihoods and reputations.

The essence of the BBC's case against the introduction of advertising has been that it cannot allow its high standards to be sullied by commercialism, yet the catalogue which I have outlined at the very least shows cause for concern and generates a demand for answers which have not been forthcoming. The BBC remains silent. There have been no investigations, inquiries, sackings or resignations. If we had lost our action, all the journalists would have been on our doorsteps. "Doorstepping" is an expression used in journalism. I am told that it means getting one's foot in the door, ramming a microphone up someone's nostrils and getting him to comment with the arc lights on him. That would have happened to us.

The BBC has been able to go to ground. No journalist from the BBC has gone to ask Mr. Milne how he came to lose £500,000 of licence payers' money—the same has been true in all the other actions I mentioned—and no journalist from the newspapers has done so either. Mr. Milne can simply go to ground in a way that we in the House cannot. Of course the BBC is human and capable of making mistakes. Unless it accepts that, it cannot expect to impose its compulsory levy on the rest of us.

I should like to conclude by making a number of short recommendations. The licence fee must be frozen. Any increased revenue required to fund its programme plans should be met either from the sale of programmes, by contracting out work, in the way that channel 4 does, by advertising or by a combination of the three. The board of governors must be strengthened with people who can take a much closer interest in what is going on. The suggestion of my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan), the former Home Secretary, for a unified board may be the answer. The board must take a closer interest in current affairs. It must ensure that those libel actions which have been outstanding for three months are properly looked at to ensure that there is no repetition of the recent fiasco which involved my hon. Friend the Member for Tatton and me. Those journalists whose behaviour falls below the standards that the BBC itself sets and whose slipshod actions result in the corporation and, therefore, the licence payers incurring substantial loses must be disciplined. I hope that the board will take that action to heart and see it not as a vindictive response to what has recently happened, but as a constructive approach to try to get some sense.

9.5 pm

Sir Geoffrey Johnson Smith (Wealden): The hon. Member for Newham, North-West (Mr. Banks) has disappeared from the Chamber, but he tempts me to evoke the glowing embers of the past by referring to the days when I was involved in the BBC. However, I shall resist that temptation, as time is moving on. I have no wish to join in the dispute, although my hon. Friend the Member for Cannock and Burntwood (Mr. Howarth) has my sympathy, as I was once involved in a libel case, but I have no doubt that many sections of our community have felt unfairly treated by the BBC during the past decade.

On the whole, standards have not been as high as they should have been. It is tempting for me to say that they were higher when I was involved in current affairs. There was certainly a redoubtable woman, Mrs. Grace Wyndham Goldie, who was very tough and rigorous when dealing with young producers, researchers and interviewers. I suspect that that rigorousness no longer has quite the force that it used to have. It may have something to do with the fact that the edifice has expanded and that the interaction between senior producers, heads of department, assistant heads of department and young sprouts straight from university is not as close as it should be.

I declare an interest as a non-executive director of London Weekend Television. I believe that the BBC and ITV are on the whole, great success stories. Their success no doubt stems largely from the fact that as a people we are rather good at television, just as we are rather good at writing, acting and producing for the theatre. I must tell my right hon. Friend the Home Secretary that that success also has something to do with the structure that we have devised. It has been a pretty good example of a mixed economy. The ecology is changing and the airways spectrum is widening. We can now get more companies involved, and there is DBS and cable. All that will encourage new entrants.

It is wholly understandable that many of my hon. Friends should begin to think seriously about dismantling the structure that has been patiently built up and about leaving broadcasting to market forces, such as newspapers, books and magazines, but I believe that that course could be disastrous. Equally, it would be foolish to let things go on and to do nothing, because the new ecology will have a marked effect on broadcasting. In order to survive and flourish our broadcasting institutions will need to change, but there are three reasons why I counsel caution, and why I believe that we should think most carefully and allow the Government to take their time about the changes that should be adopted.

First, as the hon. Member for Newham, North-West said, the industry is prosperous. We do not have many examples of this in this country, and I do not want the Government to muck about with it so that we are left with something that is less workable. The industry makes good profits, provides many jobs and provides the Chancellor of the Exchequer with a lot of money. Secondly, the industry as a whole has shown itself to be not only responsible but responsive.

The company with which I am involved, London Weekend, is involved in a consortium for DBS. Also, along with other companies, in January of this year, using a low-powered satellite, British programmes will be linked into European cable. I reckon that that will provide the best of British and do a lot of good on the Continent. The BBC should be given time to adjust, and it also has its own ideas for the future. Some of them may be a little bigger than the BBC can afford, but it is not lacking in ideas for future programmes.

[Sir Geoffrey Johnson Smith]

Thirdly, the new DBS stations are not in place, so we need not panic. Many people have yet to come into the market, and so it would be unwise of the Government to rush in with ill thought out reforms. The Government and Parliament have adequate time to analyse, reflect and ultimately to propose changes that will, I hope, enable our traditional broadcasting organisations to adapt successfully.

Consequently, I urge my right hon. Friend the Home Secretary not to rush into the idea of abolishing the present licence system that finances the BBC and to make it wholly dependent on advertising. I am shocked that my right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan) should suggest a subscription. I can think of no evidence to show that a large national broadcasting corporation, which covers a wide spectrum of broadcasting, can be financed by subscription. It is the sort of begging bowl, low-powered broadcasting system that is found in the United States, and I cannot see how it will do the BBC any good.

It seems that the public do not resent the licence fee, but they may as DBS and cable television proliferate. When that time arrives, I hope that my right hon. Friend the Secretary of State, with the BBC, will have ready and waiting other means that will supplement the licence fee, including pay TV.

I ask my right hon. Friend the Home Secretary not to scrap the present method of applying for commercial franchises by substituting for it an auction. I shall not develop that argument, because of the weaknesses of the Peacock committee's proposals have been adequately exposed during the debate. It is a bad idea for one basic reason: it will weaken the public service feature of commercial television. With this in mind, I hope that my right hon. Friend will be careful about severing the links of the commercial contractors with Channel 4. That may give greater independence to Channel 4, but to sever all links would be a serious step to take. The present link enables popular programming to feed minority programmes. London Weekend has proposed a long programme on the trial of Lee Harvey Oswald and the entire programme will be broadcast on Sunday afternoon by Channel 4.

I suspect that the linking of popular programmes with minority programmes is one reason why the BBC is so popular. The licence system is more successful than any other I know in combining popular and minority tastes at peak viewing times, and I would not want to see that unique element disappear.

More positively, I hope that my right hon. Friend the Home Secretary will embrace the Peacock proposal to increase the proportion of programming made by independent producers. This should help to keep costs down and encourage new talent and innovation. I welcome my right hon. Friend's intention to continue to welcome the participation of new consortia in broadcasting by satellite.

I am far from happy about my right hon. Friend's proposals to privatise Radio 1——

Mr. Hurd: That is one of the Peacock committee's proposals.

Sir Geoffrey Johnson Smith: I am sorry. Yes, I understand that. Those who are involved in local radio have a tough enough time anyway without having that extra burden to bear.

I conclude by saying that I am glad to see my right hon. Friend the Home Secretary on the Front Bench. I urge him to accept change in a manner that will enable the best of our excellent broadcasting traditions to be carried forward into the next century. It would be a pity if they were buried by new technology.

9.12 pm

Mr. Richard Holt (Langbaurgh): The last occasion on which I was able to speak on television licensing was in the last Adjournment debate on a Friday before the House went into recess. On that occasion I had the company of a duty Minister, a duty Whip and the duty Mr. Deputy Speaker. I shall repeat this evening, some of the comments that I made on that occasion, but I want to make it clear that they are what I said previously and do not constitute second sight.

I am in favour of the abolition of the television licence, but there is a danger that the anomaly in which we find ourselves—further exclusion will only make things more difficult—will lead to far greater problems. I have not yet come to a conclusion on how the licence system should be replaced.

I was delighted to know that my right hon. Friend the Home Secretary, after he had responded to my Adjournment debate on 25 May, when he said that nothing would be done about television licensing, was reported in *The Sunday Times* 10 days afterwards as saying:

"Who should pay for television? The Government are considering alternative means, says Douglas Hurd."

I must have been heard on that occasion, if not read very widely.

I find from my own researches into television licensing that some extraordinary statements are made, especially about the elderly and the disabled. As the law stands, an elderly person can have his television supplied and television licence paid for by his local authority.

Mr. Allen McKay: That is rubbish.

Mr. Holt: If hon. Members wish to dispute that, they should take note that I am referring to House of Commons research note No. 105, which states:

"Local authorities have the power under the Health Services and Public Health Act 1968 to make arrangements for promoting the welfare of old people. According to a written answer in 1973, this covers the provision of television and licences for elderly people, although the extent to which the provision is made is a matter for the individual local authority."

It is not untrue unless the House of Commons Library has produced a false research note. I say to those who suggest that it is untrue that the people of Rotherham have been especially well supplied as a consequence of that. When I obtained the research notes, 18,493 people had been helped, of whom 12,726 lived in Rotherham. They all received a £7 subsidy towards their television licences.

Mr. McKay: That is a Labour council.

Mr. Holt: I am not suggesting that it was not. My argument is that provisions exist within the law to make the abolishing of licences unnecessary.

Mr. McKay: Will the hon. Gentleman give way?

Mr. Holt: No, I shall not give way because I have waited for six hours to speak. How long has the hon. Gentleman waited?

I wish to develop further the value-for-money argument —whether we are receiving what we should from the BBC. For some considerable time, standards have been dropping. I must defend the Chancellor of the Duchy of Lancaster in carrying out his duties. It was not the imagination of the entire Conservative party that caused everyone to write letters to the BBC or to Conservative Members to complain about bias. One need only read the media monitoring report which has just been published——

Mr. Corbett: That is neutral, is it?

Mr. Holt: I am not suggesting for one moment that it is neutral. It identifies the cases where there is bias to the Left and to the Right. Even if the report is not as entirely accurate as it should be, we should not place the BBC under a microscope in that way to discern whether there is bias. The report alleges that 94 per cent. of programmes such as "Open Space" have a Left-wing bias. That is not even-handed. Then it suggested that "TV Eye" on ITV was biased. According to the report, none of the programmes is biased in favour of the Right.

Something must be wrong and we must consider what it is. Perhaps it is the management of the BBC, which is in the hands of Mr. Alastair Milne. I refer specifically to the Ian Curteis play. Yesterday, I had the opportunity of meeting Mr. Curteis after corresponsing with him. Therefore, I obtained full details about what has happened with his play. My hon. Friend the Member for Gravesham (Mr. Brinton) said that he had heard allegations that Mr. Milne had commissioned the play, although he had no evidence of that. I have evidence because Mr. Milne wrote a letter to me on 14 November which states:

"Ian was commissioned to write a play by me in the summer of 1983 and took rather longer to finish it than was expected."

It is alleged that Mr. Curteis was late in finishing his play, but he asserts that he was dissuaded from continuing his play at the time of a dispute between the BBC and the Ministry of Defence. Consequently, the play was not completed by the commissioned date of 31 December 1983. Mr. Curteis was not asked to recommence writing it until July 1985. The play is now complete, but what worries me—it should concern Opposition Members and everyone in the House—is that Mr. Milne personally exercised a judgment that the play was not to be performed because, in his opinion, it was likely to affect the outcome of the next general election, whenever that may be.

I will quote another letter. Mr. Milne must be away an awful lot as in September I received a reply from the Assistant Director-General and the reply to my letter of 2 October was dated 20 October and came from the Deputy Director-General. The letter of 20 October states:

"The decision to schedule the production and transmission of the play after the next General Election was taken by the Director-General in the knowledge that it dealt with recent history in a way that would be likely to lead to controversy. In particular, there were obvious difficulties in directing actors to portray serving politicians in the run-up to an election."

If that is so, why did the Director-General commission the play in the first place?

Mr. Tony Banks: Will the hon. Gentleman give way?

Mr. Holt: No. I will not give way.

Having commissioned the play, the Director-General did not like the content so he tried, through Mr. Goodchild, to force Mr. Curteis to rewrite the play, which had received critical acclaim from independent people. When that attempt failed, he shelved the play, saying that it might affect the outcome of the general election. What right has he to make that decision?

Mr. Tony Banks: He is editor-in-chief of the BBC.

Mr. Holt: Has ITV been consulted? Is there a coterminous date after which anything liable to affect the outcome of a general election is shelved at the behest of one man and without reference to anyone else? That is the kind of thing that needs to be looked into and the kind of thing that my right hon. Friend the Chancellor of the Duchy of Lancaster and members of the Conservative party have been complaining about.

Mr. Eric S. Heffer (Liverpool, Walton): They did not complain about what happened to Ken Loach.

Mr. Holt: Having commissioned the play, Mr. Milne wrote to Mr. Curteis in May to say that he was reading the play. Yet in October he had still not finished reading it. If he is that slow a reader, he should not be in his present position and someone else should take over.

Mr. Banks: Norman Tebbit, perhaps?

Mr. Holt: It is not pleasant to have to indulge in this form of character assassination, but the honesty and standing of the BBC have been under the microsope today and it is from the top that we must examine them.

As I wish to leave some time for my hon. Friend the Member for Northampton, South (Mr. Morris) to speak, I shall not be able to expand further on the cases of bias about which I personally have written to the BBC in the past 18 months, but out of 47 instances the BBC admitted bias in only one—the 6.30 am religious broadcast, "Lift up your Hearts".

Mr. Banks: Perhaps the hon. Gentleman was wrong about the other 46.

Mr. Holt: The BBC cannot be right all the time. That is part of our argument with it. The new chairman must be given the opportunity to deal with the problems within the BBC. In a truncated debate such as this, it is difficult to deal in a structured manner with the three aspects under discussion—the finance, management and political bias of the BBC—and to deal with each point definitively, but I urge the Government not to come to any urgent or early conclusions. In my view, the Peacock report is a half-cock report, and does not provide the answer. Perhaps it was to be an interim report, but there must be a further and proper examination of the finance, management and political aspects of the BBC. I am told that it is not political influence from without by politicians such as ourselves that needs more thorough examination, but the politics of influence from within. Perhaps an independent body should be brought in to carry out that examination.

9.24 pm

Mr. Michael Morris (Northampton, South): I gave evidence to the Peacock Committee because I suspected that the role of advertising would be misunderstood. As I had been a director of a major advertising company for some 13 years, until a few years ago, I felt that I ought to submit a paper that explained in reality how advertising

[Mr. Michael Morris]

was bought by advertising agencies. It is sad that the report ignored not just my evidence but the evidence from the Institute of Practitioners in Advertising.

I suspect that the only people who really welcome the Peacock report are the ITV companies who managed to persuade the Peacock committee that the bonanza of the past 10 years was about to burst and that the growth in advertising expenditure, which had run at the rate of 7 per cent. in real terms, was about to end. Reality, of course, has been totally different. As forecast by the IPA and myself, the bonanza has continued. It has continued because the old trade cycle, which was influenced by the packaged goods manufacturers, who used to be the heavy advertisers, has changed. New advertisers have come in from the world of finance, leisure and other industries which are less affected by the traditional trade cycle. That major point was ignored by the Peacock committee, yet that has a major impact on whether, from a financial point of view, the BBC should consider taking advertising and whether the small TV companies will go to the wall.

I suggest to my right hon. Friend the Home Secretary that if one looks at the history of television, as several hon. Members have done, it is clear that the beginning of ITV raised standards. That would be commonly accepted across the House. When ITV first came in, it raised standards not only at the BBC but within the ITV organisation. If a pay television system is introduced—I do not support it—surely there is an analogy with the press. Tomorrow morning, any of us could buy for 75p a copy of *The Times* that has no advertisements in it, but we do not. Instead, we pay 25p because it contains advertisements—

Mr. Tony Banks: I do not buy *The Times*.

Mr. Morris: The hon. Gentleman may not buy it. He probably buys *The Guardian*, which is equally subsidised by advertisements.

The choice is available as regards pay television—perhaps a mixture of part pay and part advertising. The key point that I wish to address in the three minutes remaining to me relates to the vital question asked by the chairman of the Peacock committee, whether programming standards would fall if advertising were introduced on the BBC. It is sad to record that only 10 paragraphs, covering just two pages, deal with that vital question. There is the evidence of the National Opinion Poll, which shows that, roughly speaking, 80 per cent. of people do not believe that advertising would be an adverse dimension on television, while the remaining 20 per cent. — whose views are reflected by many hon. Members—believe that it would.

The Peacock committee states that if the Incorporated Society of British Advertisers' model was followed it would have a detrimental effect on the BBC. Evidence was also submitted from the IPA model, as well as other models, all of which suggested that there should continue to be regulations to control the output from the commercial sector. The committee quotes at great length from Mr. Fremlin and Miss Rantzen, but these are highly personalised contributions and, frankly, many of us would wish to see them refuted.

Peacock argues that advertisers would buy space on a programme which had many viewers—10 million for a comedy programme—instead of on an arts programme which had just 6 million viewers. That is absolute rubbish. The success of Channel 4 and the advertising space that is bought by advertisers on that channel demonstrates that advertisers want a spectrum—a range—of programmes which have different viewers. No advertiser wants to keep hammering away at the same viewer. Advertisers want width and a range of programmes.

When people suggest that the standards of ITV are lower than those of the BBC, we all know that that is a travesty of the truth. It is interesting to look at the export figures—£82 million from ITV and just £24·5 million from the BBC.

Today a great problem faces my right hon. Friend the Secretary of State. The revenue figure forecast by the IPA is that by 1990 there will be a £1,000 million difference in the revenue available to the BBC from the licence fee compared to the advertising revenue available to ITV. That means an unfair situation and that resources are mismatched. Frankly, I see no evidence from the Peacock committee that that gap will be closed.

If I find the Peacock committee disappointing, I suppose that there is a little hope from across the Channel, where the Commission of the EEC, both in its Green Paper "Television without Frontiers" and in its proposed directive, recognises and welcomes the role of advertising. The assumption it makes is that broadcast advertising will be recognised and extended. That is a challenge that my right hon. Friend the Secretary of State should address when he considers these matters.

9.30 pm

Mr. Robin Corbett (Birmingham, Erdington): This has been a quiet and thoughtful debate so far. I understand why the hon. Members for Tatton (Mr. Hamilton) and for Cannock and Burntwood (Mr. Howarth) said what they did, although I wish that they had left much of it unsaid. Let us not forget that the start of the affair over the "Panorama" programme was not only allegations from the Labour party, but a report drawn up by the Young Conservatives concerned about extremist Right-wing infiltration into the Conservative party. As a result of the settlement, the experienced BBC journalists involved in the making of that programme have been denied the opportunity of putting their point of view and being able to defend their actions.

I say this to the two hon. Members in their absence. If Gerry Gable, whom they bad-mouthed in the House tonight, does no more, he should stand high in our praise for unmasking the Conservative candidate in Stockton, South at the last general election as a former National Front candidate in the last two elections in 1974 in my constituency of Birmingham, Erdington. It is to the credit of the right hon. Member for Leeds, North-East (Sir K. Joseph) that when he went there, having found that out, he refused to share a platform with Mr. Finnegan.

It is a pity that the debate has taken place against a background of sustained abuse and hostility towards broadcasters generally and the BBC in particular, which reveals the extreme face of Conservatism. *[Interruption.]* I thought that that would bring a protest. That is not my judgment about extremism, but the judgment of most of the electors in today's Gallop poll in *The Daily Telegraph*. Most voters asked to identify which party they saw as the most extreme opted — quite rightly — for the Conservatives. Fifty-two per cent. of them said that the Conservatives were extreme and 34 per cent. saw them as

moderate, a word which the chairman of the Tory party, if he were here, would instantly reject. Thank you, Tory party chairman. It will surprise no one that his lone rantings have shown up so dramatically and quickly in the polls.

The right hon. Gentleman is coy about answering questions in the House. He will be more coy tonight, because he is not here, but I have two questions for him. First, if, as has been alleged, the complaints were made in his role as chairman of the Tory party, and in that sense as a private individual rather than a putative Minister of truth, why did he not send them straight to the Broadcasting Complaints Commission, which his Government set up? Secondly, if, as he and some of his hon. Friends imply, the BBC is riddled with Trots and Marxists, can he explain how that happened? Has he forgotten that until last year at least every editorial appointment at the BBC was vetted by a grey man in a small office in Broadcasting House? Is that MI5 failing again in its duty?

What the Tory party chairman wants to achieve—and this applies to other extremists in his party—was demonstrated yesterday when ITN's "News at One" came from 10 Downing street. As my hon. Friend the Member for Ogmore (Mr. Powell) said, there were 14 minutes of the Prime Minister. He had complaints from his constituents that they should not have to watch that while eating their lunch—it put them off. The broadcast ended with the words:

"This is Leonard Parkin and Margaret Thatcher at Downing Street."

Doubtless there will be no complaints about bias there.

Broadcasting will clearly experience more change more quickly than ever before. If that leads to continuing high standards and increased access to groups and interests that are now denied it and widens the scope of information that is available to listeners and viewers, I shall welcome it. Other people, however, have other benefits in mind. They see a chance to make more money and to strip away the protections offered by the BBC board of governors and the Independent Broadcasting Authority. They would privatise and let the people with the deepest pockets and purses take over, just as they have all but dominated the national press and turned Fleet street into a giant bingo hall. That is what lies behind calls for so-called competition and freedom of choice. The route that is advocated by Peacock and supported by the Government would restrict choice to those who are able to pay.

Peacock's argument, and that of the Government, is wrongly based, because they regard broadcasting as consumer driven rather than citizen driven. There is an important difference. Everybody is supposed to be an equal citizen under our law, but all consumers are not equal. What kind of consumer choice do the 4 million jobless people have? How real is consumer choice for the millions of pensioners who are forced on to means-tested supplementary benefit? What consumer preference can be exercised by the 5 million who are at work but on coolie-level wages?

Peacock and the Government want, not pay television, but no pay no television, further to deny the 16 million people who live in poverty any real place in society. It has been asserted today that we pay for BBC television but that somehow we get commercial television free. There is no such thing as free television. There are two ways in which to pay for television—through the licence, or each time we shop.

Supposedly free commercial television costs about 4p for every hour of viewing. It is paid at the supermarket checkout and over the lounge bar, irrespective of whether the programmes are watched. The cost of advertising is drawn from all consumers and puts an estimated 15p on a jar of coffee and 10p on a packet of tea bags. Free commercial television costs each household an estimated £55 a year, as opposed to £58 for the BBC licence, which provides a wider choice and a national service.

Mr. Brinton: I know that the hon. Gentleman has experience in marketing matters. Has he considered that advertising keeps down the price of goods?

Mr. Corbett: That is another story. I am not making that point at all.

We accept that the BBC licence fee is regressive and hits hardest people with the least cash. That is why, as my right hon. Friend the Member for Manchester, Gorton (Mr. Kaufman) said, we are pledged to phase out the licence for all pensiioners. [HON. MEMBERS: "Phase out?"] Phase out. The vast majority of viewers can and do pay the licence in return for programmes which are generally recognised as among the best in the world.

No Opposition Member is saying that the BBC is perfect. Many of us would argue that, if bias exists, it is a bias against the Labour party, but that it is by no means as great as the bias against Labour in the pro-Tory national press.

There was an interesting Gallup poll in July 1986. People were asked:

"Do you think BBC programmes tend to be biased against any political party?"

Some 26 per cent. said yes and 59 per cent. said no. They were then asked:

"Which party do you think BBC is biased against?"

The reply was Conservative 34 per cent., Labour 51 per cent. That does not prove the point, but it reveals people's perceptions.

The banner of so-called competition as advocated by Peacock will not wash. We assert our unshakeable commitment to public service broadcasting, where chasing the ratings to attract advertising is not the main reason for making or showing programmes. Down that route lies round-the-clock "Eastenders" and the equivalent of a junk food diet.

If it is all about giving viewers what they want, we had better know what they do want. The Broadcasting Research Unit asked viewers what they expected—97 per cent. said that television should entertain, 93 per cent. said that it should inform, and 84 per cent. said that it should educate. Those preferences do not live in separate boxes, and most programmes are a mix. Those preferences show that the viewers are not the mindless morons which the likes of the sewer *Sun* take them to be. Those preferences will be ignored and overridden in the quest for profit if bits of the Beeb are flogged and ITV licenses auctioned to the highest bidder and, no doubt, those with the lowest standards.

It is the same with the notion of pay television. Peacock said that the decoder cost between £100 and £150 in the United States. How are the millions on supplementary and welfare benefits expected to pay that on top of the cost of the price of a new set? Among the heaviest viewers of

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television are pensioners and those denied work. How much will they have to pay to view what they want, and where will the cash come from? Just imagine a pay television channel buying up the cup final, the State Opening of Parliament or the Queen's Christmas message — the sky would be the limit as to what they could charge both viewers and advertisers.

It is no wonder that the distinguished Professor Alastair Hetherington, a Peacock committee member, said:

"It is daft because no one has thought out what could be sold."

The same is true of plans for advertising. Where is the extra advertising supposed to come from at a time of recession? Advertising on ITV rose by about 14 per cent. in 1981-82 and 19 per cent. in 1982-83, but slipped back to 10·8 per cent., to reach about £1,000 million, in 1984.

There are many in the industry who believe that advertising has reached a plateau. Advertising on the BBC would hurt both commercial television and the radio stations, many of which are now struggling to make ends meet, as the latest rental reduction agreed by the Government shows. It would also impact on the share of advertising carried by provincial morning and evening newspapers, as well as some consumer magazines. Peacock failed to understand that advertising is not confined to one section of the media, because many campaigns have a carefully chosen media mix.

It is suggested that there are no controls on the broadcasters. That is rubbish. Both the BBC and ITV have standards to meet and machinery to deal with complaints. Neither want signals that the Government intend to stiffen controls. The NUJ, with many members in broadcasting, has this week established an ethics council to investigate complaints in broadcasting and the media generally from those who work in it and the public. Indeed, it invited the Tory party chairman to send his silly dossier to the council, but he has not yet responded. TVS and the NUJ have agreed guidelines for the conduct of interviews, and the NUJ and ACTT are developing a joint policy on a right of reply. The Home Secretary has been asked to meet the NUJ over broadcasting policy, and I very much hope that he will respond to that request.

Labour wants a vibrant, independent, responsive and responsible system of broadcasting, with a regulatory system which encourages rather than restricts, and which does not limit access to television and radio to those who can pay. That is why we want the go-ahead for community radio development and the building up of regional television and radio, to let more voices be heard, especially from those currently denied access, or find it difficult, in our many ethnic communities.

Satellite broadcasting, properly run and handled, can cross frontiers which now separate us and in its way make a better contribution to improving understanding between peoples. Our democracy will survive and flourish if we preserve and promote what is best in our broadcasting and if we widen and sustain the BBC's role in public service broadcasting. The mix of this mixed economy gives us the best of both worlds. That is why we want to build on it rather than tear it down and let cash alone determine what we view.

The Government and Peacock pose serious threats to the worldwide justified reputation of the BBC, which is rightly described as the envy of the world. All that could be put at risk or lost by the Government, as Professor Hetherington said. Once again the Government have shown that they know the price of everything and the value of nothing.

9.45 pm

The Minister of State, Home Office (Mr. David Mellor): Perhaps I can begin by paying warm tribute to those who sat with Professor Peacock and in 12 months produced such a thought-provoking report. It deals not only with the central issues on which they were invited to report, but sets the matter in the proper context, looking more widely at the future of television and radio at a challenging time.

Today's debate has been lively and interesting, indeed, even livelier after the speech of the hon. Member for Birmingham, Erdington (Mr. Corbett). Inevitably some hon. Members agreed warmly with Peacock's proposals, some sought to reject them utterly, and rather more found many recommendations of value, while taking issue with others. That is as it should be.

The debate was in no sense to establish the Peacock report and to pre-empt discussions. The Peacock report was the stimulus to informed discussion. It is in that spirit that the Government come before the House tonight. I was happy to yield up half the normal time that hon. Members must endure a Front Bench speech so that almost all hon. Members could speak. The purpose of the debate was not for the Government to tell the House what we intend it to accept, but for us to have a chance to listen to the House and to hear what hon. Members, especially those with genuine interest in and experience of the media, feel should be the future direction when there is no option but to make changes. The questions are: in what direction do we go, and how far down certain roads do we try to go in the years ahead? It is on that basis that we have listened to the debate and shall study carefully the text in *Hansard.*

There were some distinguished speeches and some amusing ones. Those of us with a well-defined sense of the ridiculous enjoyed what the hon. Member for Newham, North-West (Mr. Banks) said about value for money. I admit that I yawned at one point and he properly rebuked me for it, but it was not at that point. He had no difficulty in persuading me that the BBC offered better value for money than the GLC ever did.

My right hon. and learned Friend the Member for Richmond, Yorks (Mr. Brittan), who has apologised to the House for not being present for the winding-up speeches because of an outside engagement which he could not postpone, properly referred to the report that he commissioned. We should be grateful for his foreight in doing so. He described the report as being based on principle and founded in practicality. The recommendations must be considered on that basis and against that interesting test.

Most hon. Members endeavoured to do that, with the exception of the Opposition Front Bench. In 40 minutes the right hon. Member for Manchester, Gorton (Mr. Kaufman) and in 15 minutes the hon. Member for Erdington drew attention not to the inadequacies of Peacock, but rather to the flimsiness of Labour party thinking on the crucial area of the future of broadcasting. In particular, one of their charges was well wide of the mark. In no sense is Peacock gratuitous in the sense that it is inviting us to consider matters that do not need to be addressed. Peacock is taking one view—not necessarily one with which everyone, even on the Conservative

Benches, wishes to agree—about future decisions that must be taken against the background of inevitable change, such as the development of the VCR, the introduction of cable, DBS, and international developments which mean that, whatever we choose to do, the rest of the world will take decisions that have implications for us, and, indeed, that offer opportunities for us.

Why should we in Britain always see change as a threat? Why do we not see change as an opportunity? Goodness knows there are few industries where we are better equipped to deal with opportunities than in the media where our reputation stands high around the world. I pay tribute to that. It is no part of our case that we do not have excellent television and radio for the most part and that which is rightly the object of comment and congratulation from others. That gives us a strong base to be confident about developments.

But let us not be more ultra than the ultras. Let us not, in the congratulations that we heap on the broadcasters, even exceed the massive amount of self-congratulation that they are capable of heaping on themselves without any help from us. Let us keep some sort of balance, and recognition that some change is crucial and a lot of change will be inevitable.

I am sorry to take issue with the right hon. Member for Gorton, but it was a sad indictment of his speech that he spent 10 times as long dealing with parliamentary questions about the Chancellor of the Duchy of Lancaster's video recorder than with Labour's vision of the future of broadcasting. No wonder we were treated to that insight into the internal politics of the Labour party in *The Independent* yesterday. That is proving to be a most useful sheet. It had three attractive photographs — a large one of the right hon. Gentleman in full ortorical flow, and rather smaller ones, as is only appropriate, of his hon. Friend the Member for Paisley, South (Mr. Buchan) looking rather grim—so grim that he is not even here as far as I can see—because he apparently had lost out in the battle to make a Front Bench speech and was obliged to speak from the Back Benches and a rather attractively rugged photograph of the hon. Member for Erdington, looking as though he had just come off the set of "Emmerdale Farm" and very fetching.

However, the text had little of comfort. What do we find but this revealing paragraph. The media correspondent of *The Independent*, displaying proper independence, which I commend, said:

> "For the debate finds the Labour party in disarray, still in the process of formulating its media policies. Senior broadcasters who have been lobbying discretely in the past few days"—

so discretely that they have not come to my notice—

> "are dismayed and shocked at the lack of serious thinking. The bald fact is that Labour has not responded to the Peacock recommendations with a thought-out document."

Nor, indeed, has it responded with thought-out speeches.

It will be no surprise to those who have listened to the speeches from the Opposition Benches that all the worthwhile developments that have been taken place in broadcasting since the war have been under Conservative Governments—the introduction of ITV and independent local radio. The next step forward after the next election will be in our charge as well. For those who are afraid of what the future holds with those changes, exactly the same things were said before the introduction of ITV and independent radio, and, of course, it was found to be equally wrong.

If the Labour party were flimsy on policy, it became positively hysterical when we reached the attacks on what my right hon. Friend the chairman of the Conservative party had to say. Indeed, the right hon. Member for Gorton repeated what he said in July when he said:

> "The forthcoming Labour Government will ensure that the BBC, as a great national institution, internationally respected, is not only preserved, but is protected from interference by Governments of any party." — [*Official Report*, 3 July 1986 Vol 110, c. 1179.]

That sits ill with the days when he was sitting in the kitchen Cabinet of Mr. Wilson. I have to cut out the number of quotes that I can use because I do not have sufficient time, but I must remind him of one from October 1985 when *The Times* reported that: Mr. Wilson — the right hon. Gentleman was there at the time — summoned a producer and warned him to

> "mend his ways or the Government will have to think about bringing the BBC under tighter discipline."

The Guardian, that well-known Tory biased newspaper, on 3 October said:

> "The Labour Party is to double its 60-strong team monitoring political bias on television, following the appointment on Wednesday of Mr. Marmaduke Hussey as the Chairman of BBC. Mr. John McWilliam, MP for Blaydon and a Senior Whip, who runs the Party's monitoring system, said yesterday that the team, which tries to ensure that the definition of balance in the BBC Charter and the Independent Broadcasting Authority Act is applied, would be doubled as Mr. Hussey's appointment was, 'the last straw'."

We are being told that the Labour party wants not a hair of the head of the BBC touched, whereas even before "the last straw" it had 60 people apparently doing nothing but monitoring broadcasting.

The is hysterical, but there is more to come on the interesting point about the phasing out of television licences for pensioners. The right hon. Member for Gorton insisted that this was not one of those optional extras but at the core of the programme. However, the hon. Member for Erdington told us that there would be "phasing out". "Phasing out" is usually what politicians say before an election to justify going into the next election without having done it. I suspect that that will be the reality.

The £3·5 billion that the right hon. Member for Birmingham, Sparkbrook (Mr. Hattersley) is to take off the rich—nobody else will have their tax increased—will be for specific pledges relating to the relief of poverty. This is not one of them. How will they do it? Is the £325 million to be lost to allow poorly-off citizens such as the right hon. Member for Morley and Leeds, South (Mr. Rees) and the hon. Member for Fife, Central (Mr. Hamilton)—both pensioners—to be protected so that young couples with two children and on supplementary benefit will have to pay a licence fee of £85 to cover the lost money? Is the truth more like what Mr. Blunkett, poor soul, who let the cat out of the bag and was firmly sat on and squashed, suggested? The electorate will not be taken in by that.

Mr. Allen McKay *rose*——

Mr. Mellor: No; I do not have time to give way.

We have serious business to do. The development of cable is an exciting prospect and, as my hon. Friend the Member for Boothferry (Sir P. Bryan) said, has many opportunities. We know that within the next few weeks the IBA will announce the allocations, from the five

[Mr. Mellor]

applications that it has received, for three DBS channels, which proves the wisdom of our policy of allowing the market to sort out these things. After the next election, if the House approves the new Bill, we shall be in a position to extend the franchises for three years to allow ITV companies to take crucial decisions on the future of the independent television system.

A group of consultants is looking into the prospects of subscription, about which we have had a variety of interesting comments. We understand the drawbacks of subscription. We are not saying that we are committed to it but we are saying that the idea must be tested and that process will be taken further by those reports.

I particularly commend the principled speech made by my hon. Friend the Member for Carshalton and Wallington (Mr. Forman). He urged us not to rush ahead impelled by technological determinism. It is not that. We do not see ourselves as driven by technological change where we are likley, was it M. Roland, the French revolutionary who, as the mob was rampaging through Paris, stood on the sidelines and said, "I must follow them for I am their leader." We do not see technological change in that way.

However, technological change will not be denied. People want the VCR and the satellite. We have to find a system of regulation that best enables us to retain all that is best in British broadcasting and ensure that we move on, as we have always done, to a better era. In that spirit we, and we alone, are tackling the problem.

Question put, That this House do now adjourn:

The House divided: Ayes 143, Noes 221.

Division No. 5] **[10 pm**

AYES

Abse, Leo
Adams, Allen *(Paisley N)*
Anderson, Donald
Archer, Rt Hon Peter
Ashley, Rt Hon Jack
Atkinson, N. *(Tottenham)*
Banks, Tony *(Newham NW)*
Barron, Kevin
Beckett, Mrs Margaret
Bell, Stuart
Bennett, A. *(Dent'n & Red'sh)*
Bermingham, Gerald
Bidwell, Sydney
Blair, Anthony
Boothroyd, Miss Betty
Boyes, Roland
Bray, Dr Jeremy
Brown, N. *(N'c'tle-u-Tyne E)*
Brown, Ron *(E'burgh, Leith)*
Buchan, Norman
Callaghan, Rt Hon J.
Callaghan, Jim *(Heyw'd & M)*
Campbell-Savours, Dale
Canavan, Dennis
Carter-Jones, Lewis
Clark, Dr David *(S Shields)*
Clarke, Thomas
Clay, Robert
Clelland, David Gordon
Cohen, Harry
Coleman, Donald
Cook, Robin F. *(Livingston)*
Corbett, Robin
Corbyn, Jeremy
Cox, Thomas *(Tooting)*
Cunliffe, Lawrence
Cunningham, Dr John
Davies, Rt Hon Denzil *(L'lli)*
Davies, Ronald *(Caerphilly)*
Deakins, Eric
Dixon, Donald
Dormand, Jack
Dubs, Alfred
Duffy, A. E. P.
Dunwoody, Hon Mrs G.
Eadie, Alex
Eastham, Ken
Evans, John *(St. Helens N)*
Fatchett, Derek
Faulds, Andrew
Field, Frank *(Birkenhead)*
Fields, T. *(L'pool Broad Gn)*
Fisher, Mark
Flannery, Martin
Foster, Derek
Fraser, J. *(Norwood)*
Freeson, Rt Hon Reginald
Garrett, W. E.
Gilbert, Rt Hon Dr John
Godman, Dr Norman
Golding, Mrs Llin
Gould, Bryan
Hamilton, James *(M'well N)*
Hamilton, W. W. *(Fife Central)*
Hardy, Peter
Hart, Rt Hon Dame Judith
Hattersley, Rt Hon Roy
Heffer, Eric S.
Hogg, N. *(C'nauld & Kilsyth)*
Home Robertson, John
Hughes, Roy *(Newport East)*
Hughes, Sean *(Knowsley S)*
Janner, Hon Greville
John, Brynmor
Jones, Barry *(Alyn & Deeside)*
Kaufman, Rt Hon Gerald
Lamond, James
Leadbitter, Ted
Leighton, Ronald
Lewis, Ron *(Carlisle)*
Lewis, Terence *(Worsley)*
Lloyd, Tony *(Stretford)*
Lofthouse, Geoffrey
McDonald, Dr Oonagh
McKelvey, William
MacKenzie, Rt Hon Gregor
McTaggart, Robert
Madden, Max
Marek, Dr John
Marshall, David *(Shettleston)*
Maxton, John
Maynard, Miss Joan
Meacher, Michael
Michie, William
Mikardo, Ian
Millan, Rt Hon Bruce
Miller, Dr M. S. *(E Kilbride)*
Mitchell, Austin *(G't Grimsby)*
Morris, Rt Hon A. *(W'shawe)*
Morris, Rt Hon J. *(Aberavon)*
Nellist, David
Oakes, Rt Hon Gordon
O'Brien, William
O'Neill, Martin
Orme, Rt Hon Stanley
Parry, Robert
Pavitt, Laurie
Pendry, Tom
Pike, Peter
Powell, Raymond *(Ogmore)*
Prescott, John
Randall, Stuart
Raynsford, Nick
Redmond, Martin
Rees, Rt Hon M. *(Leeds S)*
Richardson, Ms Jo
Roberts, Ernest *(Hackney N)*
Robertson, George
Robinson, G. *(Coventry NW)*
Rooker, J. W.
Ross, Ernest *(Dundee W)*
Rowlands, Ted
Sedgemore, Brian
Sheerman, Barry
Sheldon, Rt Hon R.
Short, Ms Clare *(Ladywood)*
Silkin, Rt Hon J.
Skinner, Dennis
Smith, C.*(Isl'ton S & F'bury)*
Smith, Rt Hon J. *(M'ds E)*
Soley, Clive
Spearing, Nigel
Stott, Roger
Strang, Gavin
Straw, Jack
Thomas, Dafydd *(Merioneth)*
Tinn, James
Torney, Tom
Wardell, Gareth *(Gower)*
Wareing, Robert
Welsh, Michael
Williams, Rt Hon A.
Winnick, David
Woodall, Alec

Tellers for the Ayes:
Mr. John McWilliam and
Mr. Allen McKay.

NOES

Adley, Robert
Aitken, Jonathan
Alexander, Richard
Alison, Rt Hon Michael
Amess, David
Ancram, Michael
Arnold, Tom
Ashby, David
Atkins, Robert *(South Ribble)*
Atkinson, David *(B'm'th E)*
Baker, Nicholas *(Dorset N)*
Baldry, Tony
Banks, Robert *(Harrogate)*
Batiste, Spencer
Bendall, Vivian
Benyon, William
Best, Keith
Bevan, David Gilroy
Biffen, Rt Hon John
Blackburn, John
Body, Sir Richard
Bonsor, Sir Nicholas
Bottomley, Peter
Bowden, Gerald *(Dulwich)*
Boyson, Dr Rhodes
Braine, Rt Hon Sir Bernard
Brandon-Bravo, Martin
Bright, Graham
Brinton, Tim
Brittan, Rt Hon Leon
Brooke, Hon Peter
Browne, John
Bruinvels, Peter
Bryan, Sir Paul
Buck, Sir Antony
Bulmer, Esmond
Burt, Alistair
Butcher, John
Butler, Rt Hon Sir Adam
Butterfill, John
Carlisle, John *(Luton N)*
Carlisle, Kenneth *(Lincoln)*
Carttiss, Michael
Chalker, Mrs Lynda
Channon, Rt Hon Paul
Chapman, Sydney
Churchill, W. S.
Clark, Sir W. *(Croydon S)*
Clarke, Rt Hon K. *(Rushcliffe)*
Clegg, Sir Walter
Cockeram, Eric
Colvin, Michael
Conway, Derek
Coombs, Simon
Cope, John
Cormack, Patrick
Corrie, John
Cranborne, Viscount
Critchley, Julian
Crouch, David
Currie, Mrs Edwina
Dorrell, Stephen
Dover, Den
du Cann, Rt Hon Sir Edward
Dunn, Robert
Durant, Tony
Edwards, Rt Hon N. *(P'broke)*
Evennett, David
Fallon, Michael
Favell, Anthony
Forman, Nigel
Forth, Eric
Fraser, Peter *(Angus East)*
Gale, Roger
Garel-Jones, Tristan
Goodhart, Sir Philip
Gorst, John
Greenway, Harry
Gregory, Conal
Grylls, Michael
Hamilton, Hon A. *(Epsom)*
Hamilton, Neil *(Tatton)*

CONFIDENTIAL

10 DOWNING STREET

From the Principal Private Secretary 19 November 1986

Dear Tony,

WORLD TELEVISION SERVICE

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute of 18 November to the Chancellor of the Duchy of Lancaster about the proposals for a World Television Service.

The Prime Minister has commented that she has no doubt that the right way forward is through the private sector in a way which does not cost HMG or the taxpayer any money at all.

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, Chancellor of the Exchequer, Secretary of State for Trade and Industry, Chancellor of the Duchy of Lancaster and Sir Robert Armstrong.

Yours ever,
Nigel Wicks

(N.L. Wicks)

A.C. Galsworthy, Esq., C.M.G.,
Foreign and Commonwealth Office.

CONFIDENTIAL

CCSG

[redacted]YDDFA GYMREIG
[redacted]WYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

19 November 1986

Dear Douglas

NBPM.

EXTENSION OF ITV CONTRACTS

I have seen your minute of 12 November to the Prime Minister.

As you know I suggested in my letter of 19 August to you that a period in excess of two years might be preferable in order to minimise unnecessary disruption. The three year period you now propose is therefore a change which I support.

I am copying this letter to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry, the Chief Whip and Sir Robert Armstrong.

Yours ever

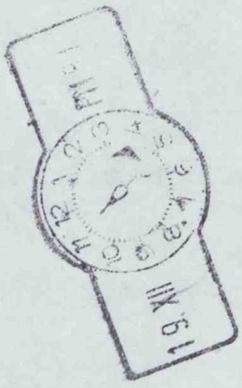
Nick

The Rt Hon Douglas Hurd MP
Home Secretary

BROADCASTING

BBC

PTB



RESTRICTED

CCBS

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

19 November 1986

Steven Boys-Smith Esq
Principal Private Secretary to the
Home Secretary
Home Office
Queen Anne's Gate
LONDON
SW1

NBPM.

Dear Steven,

EXTENSION OF ITV CONTRACTS

The Chancellor of the Duchy has seen a copy of your Secretary of State's minute of 12 November to the Prime Minister.

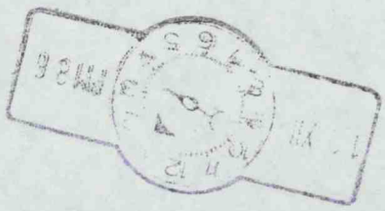
Mr Tebbit is content that the limitation on new contracts should be extended to three years.

I am sending a copy of this letter to the private secretaries to the Prime Minister, Lord President, Chancellor of the Exchequer, Secretary of State for Wales, Secretary of State for Trade & Industry, Chief Whip, and to Sir Robert Armstrong.

Yours sincerely,

A. Lansley

ANDREW LANSLEY
Private Secretary



BROADCASTING

BBC

PTV

Information Dept

cc: PS
PS/Mr Eggar
PS/Pus
Mr Barrington
Mr Slater
Planning Staff
ESSD

COVERING CONFIDENTIAL

FCS/86/270

SECRETARY OF STATE FOR THE HOME DEPARTMENT

World Television Service

1. Thank you for your letter of 27 October commenting on the correspondence from Norman Tebbit and David Nicholas of ITN about the BBC proposal for a World Television Service.

2. I enclose a copy of my minute to Norman indicating that I intend to consider this question at a meeting with my officials in early December. I shall of course keep you informed of developments.

GEOFFREY HOWE

18 November 1986
Foreign & Commonwealth Office

CONFIDENTIAL

FCS/86/269

CHANCELLOR OF THE DUCHY OF LANCASTER

World Television Service

1. We had a word about the letter from David Nicholas of ITN which you forwarded to me under cover of your letter of 14 October.

2. I have now seen the BBC's proposal for a World Television Service. As a first step I have arranged a meeting with my officials on 4 December to discuss it and the wider implications of satellite broadcasting, including the interests of ITN and others in the field.

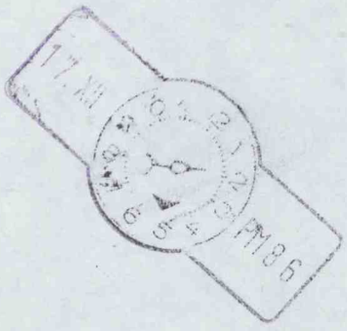
3. I shall keep you informed as our thinking on the FCO aspects of this subject develops. You may rest assured that we have always made it clear, both to the BBC External Services and to ITN, that the private sector will be given a chance to make their own proposals. Nor do I start with any preconception for or against public funding: the arguments need to be carefully considered.

4. In view of the Prime Minister's interest, I am copying this minute to her, as well as to Douglas Hurd, Nigel Lawson, Paul Channon and Sir Robert Armstrong.

GEOFFREY HOWE

18 November 1986
Foreign & Commonwealth Office

BROADCASTING: BBC BPG



CONFIDENTIAL

FCS/86/269

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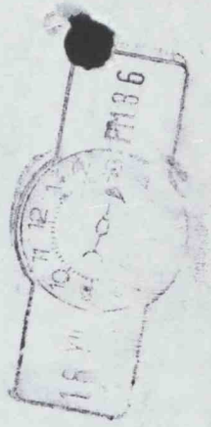
GEOFFREY HOWE

18 November 1986
Foreign & Commonwealth Office

CONFIDENTIAL

BROADCASTING: BBC Finances: Pt 3.



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RESTRICTED

CCBG

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

17 November 1986

The Rt. Hon. Douglas Hurd MP
Secretary of State for the Home Office

NBPM

Dear Home Secretary,

I have seen your minute of 12 November to the Prime Minister.

I would have thought it possible to cope within the framework of a two year extension. However, if the extra year will remove potential opposition from the IBA, and in addition gives us a safety margin in preparing new broadcasting legislation, then I see no reason to object to a three year extension instead.

I am copying this minute to the Prime Minister, the Lord President, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry and the Chief Whip, and also to Sir Robert Armstrong.

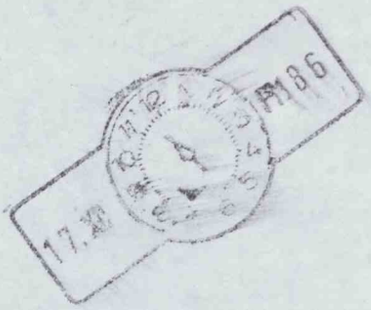
Yours sincerely
Alec Allan

pp NIGEL LAWSON
(approved by the Chancellor and signed in his absence).

BROADCASTING

BBC

PT3



cc PG

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

RESTRICTED

17 November 1986

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Home Department
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

NBPM.

Dear Douglas.

EXTENSION OF ITV CONTRACTS

at Har

Thank you for sending me a copy of your minute of 12 November to the Prime Minister.

Like you I am not convinced by the arguments put forward by the IBA to support their preference for a 4 year extension. In particular, I agree with you that in terms of DBS an additional 2 years is unlikely to be decisive. I can also see that the 3 year solution you propose could give this Session's Bill an easier passage, but whatever the period of the extension I do not envisage it significantly affecting the timetable for taking forward Peacock's proposal in this area. We should also bear in mind that the longer the extension of the contracts the greater will be the perceived permanence of the current arrangement. However, on balance and in view of the IBA's strong views, supported by the ITCA, I agree that we should proceed as you propose.

I have also seen your Memorandum (L(86)77) for next week's L Committee which unfortunately I will not be able to attend. I support your conclusions that the Broadcasting Bill should be introduced immediately and that it would be suitable for introduction in the Lords.

JF5BNO

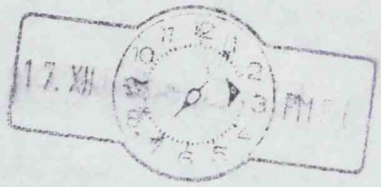
1786 1986 BOARD OF TRADE BICENTENARY

I am copying this letter to the Prime Minister, the Lord President, the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Chief Whip, Sir Robert Armstrong and members of L Committee.

PAUL CHANNON

JF5BNO

BROADCASTING BBC Finances



RESTRICTED

SRW

CBG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

14 November 1986

EXTENSION OF ITV CONTRACTS

The Prime Minister has seen the Home Secretary's minute of 12 November proposing that the limitation on new ITV contracts should be extended to three years rather than the two originally proposed. The Prime Minister is content, subject to the views of colleagues.

I am sending a copy of this letter to Joan MacNaughton (Lord President's office), Tony Kuczys (HM Treasury), Colin Williams (Welsh Office), Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster), Michael Gilbertson (Department of Trade and Industry), Murdo Maclean (Chief Whip's office) and Trevor Woolley (Cabinet Office).

(DAVID NORGROVE)

Stephen Boys Smith, Esq.,
Home Office.

RESTRICTED

10 DOWNING STREET

Bernie Ingram

The Policy Unit are content.

Agree an extension of 3 years, subject to the views of colleagues?

DLW
13/11

Yes pls

RESTRICTED

Any PU comments?
By Friday.

Prime Minister

EXTENSION OF ITV CONTRACTS

In response to my minute of 30 July, you and other colleagues on MISC 128 agreed to my proposal to limit the next round of ITV contracts to 2 years to keep open options for change in the contract system generally. QL agreed to the inclusion of this provision in a short Bill which colleagues had earlier approved on the extension of the contract period for direct broadcasting by satellite (DBS). The purpose of this minute is to invite you and colleagues to agree that the limitation on new ITV contracts should be extended to 3 years, rather than the 2 originally proposed. The contracts are due to run from 1 January 1990.

Our decision to opt for a 2 year limit reflected my view that this would be sufficient both for us to give statutory effect to changes to the contract system we decided to introduce and for the IBA to implement new arrangements. The IBA was initially opposed to any extension of the present contracts. It now accepts that an extension would be sensible, and will provide an opportunity for proper consideration not only of the relevant Peacock recommendations, including subscription, but also of the proposals which the IBA has itself recently sent me and made public for "a better way" of managing the ITV contracts system. The IBA has, however, strongly argued that the extension should be 4 years, rather than the 2 I originally proposed. The Authority believes that this would enable a more realistic assessment to be made of the impact of DBS on the broadcasting scene, and that it would provide a more stable basis for future planning and investment in, for example, the new broadcasting technology that will be available.

/The Independent

RESTRICTED

The Independent Television Companies Association (ITCA) have strongly supported the IBA's representations. — of course!

I do not believe that a 4 year extension would be justified. In the context of DBS, an additional period of 2 years is unlikely to be decisive. I now believe, however, that a 3 year extension would be safer than 2. If we proceed with major broadcasting legislation in the next Parliament we need to allow ourselves enough time to prepare thoroughly and carry through provisions which are bound to be controversial. We do not want to be constrained by the deadline of expiring ITV contracts, bearing in mind the lead time that the IBA will need to bring in any new contractual arrangements. A 3 year extension would also have the advantage of making the handling of this Session's short Bill very much easier. Both the IBA and ITCA would settle for 3 years, and we could expect no opposition from that quarter to the Bill's passage through Parliament.

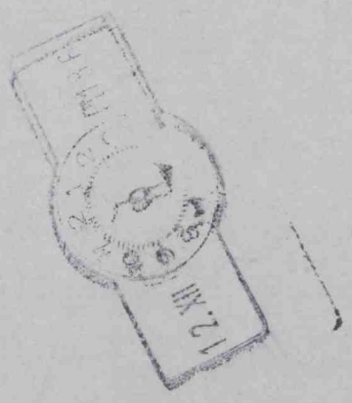
I should be grateful to know that you and colleagues are content with this revised approach. It will not delay the introduction of the Bill, which I am inviting L Committee to approve as early as possible.

I am copying this minute to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry and the Chief Whip, and also to Sir Robert Armstrong.

Douglas Hurd.

12 November 1986

BROADCASTING: BBC Pt 3



CCB/G
B/UP.

KO1412

CONFIDENTIAL

PRIME MINISTER

MINISTERIAL GROUP ON BROADCASTING SERVICES:
30 OCTOBER 1986

Objective of meeting

1. This meeting is being held to settle all the outstanding broadcasting issues on which the Government need to have an agreed line within the next couple of months.

2. Item 1 is to tie-off an unfinished piece of business from the first meeting, about the machinery for indexing the TV licence fee to the RPI. It should be straightforward.

Item 2 is to consider the Peacock recommendation to encourage more use of independent producers both by the BBC and in ITV. The line that the Government takes on this will be seen as one of the key indicators of their attitude towards what Peacock calls the "cosy duopoly".

Item 3 turns away from television issues and considers the Home Secretary's proposals on radio policy. The commitments here go further back than Peacock, but a key decision needs to be taken on Peacock's recommendation for the privatisation of Radios 1 and 2.

Separate briefs on these items are attached and you will wish to ensure that the Group reach clear decisions on all of them. The most urgent matter from the Home Secretary's point of view is the clearance of his Green Paper on radio policy, which he is committed to publish "in the Autumn".

3. At the end of the meeting you may wish to ask the Chief Whip to confirm whether the first "take-note" debate on the Peacock Report is still likely to be towards the end of November. You may also wish to invite the Home Secretary to report in writing to MISC 128 on the attitudes revealed in the debate. The timing of the next meeting can be decided in the light of that report, but the next major subject on which policy needs to be settled is probably the auctioning of ITV contracts, on which the Government will be pressed to show their hand during the passage of the forthcoming short Cable and Broadcasting Bill.

Handling and other matters

4. At the last meeting you asked Sir Robert Armstrong to put proposals to you for handling the Peacock recommendation (No 15) on telecommunications policy. He is minuting you to propose a small official group chaired by the Cabinet Office and a small sub-committee of E, which you may wish to chair yourself. If you agree with that, you may want to mention it briefly.

You have agreed.

5. I understand that the Chancellor of the Duchy of Lancaster will have to leave the meeting early for an unavoidable formal luncheon. You may wish to ask him to summarise his main points on the agenda before you start going through it.

AJL

A J LANGDON
29 October 1986

CONFIDENTIAL

ITEM 1: OPTIONS FOR INDEXING THE LICENCE FEE
MISC 128(86)5

CONCLUSION

1. At its last meeting the Group agreed that the television licence fee should remain at £58 until April 1988 and then be indexed to the RPI. The Group now need to decide the machinery of indexation. The Home Secretary proposes:

(i) that the licence fee should be increased annually (as opposed to triennially) in line with RPI movements in the previous year;

(ii) that indexation should be geared to a notional licence fee of £60 on 1 April 1987 (Peacock: paragraph 621). Assuming that the RPI increases by about 3 1/2 % in the 12 months ending 30 September 1987 the fee introduced on 1 April 1988 would thus be £62 compared with the current fee of £58;

(iii) that the announcement of the new arrangements should avoid an absolute commitment to continue indexation on this model beyond 1988-89.

You will wish the Group to reach firm decision on these proposals.

BACKGROUND AND MAIN ISSUES

2. The proposal to base indexing on RPI movement in the previous year, as is done for social security benefits, seems manifestly right. At the first meeting of the Group, however, you were concerned:

(i) that the base year and base figures chosen for indexation should be those most readily defensible (which pointed to adopting the exact Peacock recommendation) provided this did not involve being over-generous to the BBC;

(ii) that the BBC should have a sufficiently certain indication of future income to enable them to plan ahead sensibly.

3. As far as the choice of base year and base figure is conerned the current (1985) licence fee settlement involved a fee of £58 for a possible 3 years. The BBC were left entirely free to plan levels of expenditure within this. They spent well below the equivalent of £58 in 1985/86 in order to enable them to spend above it in later years. The expectation is that during financial year 1987/88 they will be spending at a rate equivalent to a fee of £62. This leaves a straight choice before the Group. The first option would be to take that level of expenditure as given with the result that the base line for a new settlement would be a notional fee of £62 on 1 April 1987, leading to an actual new fee of £64 in April 1988. But Peacock suggested a base figure of £60 on 1 April 1987, which roughly reflects BBC expenditure in 1986/87. The Peacock proposal means that in financial year 1988/89 the BBC income would be lower in real terms, but not in cash terms than their likely expenditure during the previous financial year. This is a tough position. But as the Home Secretary points out, it would give a very clear signal to the BBC that the Government were no longer prepared to finance continued expansion of its role and activities.

4. As your inclination at the first meeting was to follow Peacock as being a readily defensible position, and the further work has revealed that this is also the option most in line with the imposition of tight financial discipline, there seems a very

strong case for proceeding on that basis, as the Home Secretary recommends. If there is a sufficiently early announcement, the BBC will have time to prepare themselves gradually for the tighter financial regime.

5. As for the extent of forward commitment, the Home Secretary would prefer to stop short of giving an absolutely firm undertaking that a Conservative government would continue indexed up-rating of the fee in the two years after 1988/89. Such a guarantee would stretch well into the next Parliament and you may think that you need not limit your room for manoeuvre to that extent.

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ITEM 2: INDEPENDENT PRODUCERS
MISC 128(86)6

CONCLUSIONS AND DECISIONS

1. The purpose of this item is to decide the Government's reaction to the Peacock proposal that the BBC and ITV should be required over a 10 year period to increase to not less than 40% the proportion of programmes supplied by independent producers.

2. The general thrust of the recommendation is clearly in accord with established Government policy of stimulating competition and it is unlikely that any member of the Group will wish to argue against it. Discussion is likely to focus instead on the best way to ensure a wider use of independent producers. The Home Secretary does not believe that the quota approach recommended by Peacock is the right one. Instead he proposes that he should make a firm statement of the Government's intention to see a significant and sustained increase in independent production and that there will be a monitoring system, on a basis to be discussed with the broadcasters, to ensure that this increase is delivered.

3. You will wish the Group to reach decisions on:

(i) whether the Home Secretary is right to drop the quota approach;

(ii) whether his alternative is sufficiently robust to obtain the progress required from reluctant broadcasting organisations.

If the Group believed the Government response did need

strengthening then an alternative to the full quota approach might be to follow the Home Secretary's general line but to incorporate within it a clear target - perhaps 25% of programmes within 5 years. This could be further strengthened by a statement of intent to legislate at a future date if satisfactory progress was not made in the meantime.

BACKGROUND AND MAIN ISSUES

Current Position

4. The BBC and ITV companies make in-house most of the programmes they transmit. Of the programmes they do buy in from outside, the majority consists of foreign TV programmes and films made for the cinema. With the exception of Channel 4 only about 1% of programmes are made for television by independent producers. Channel 4, by contrast, is under a statutory obligation to take on a substantial proportion of its output from independent producers. Currently this runs at about 25%. Peacock identified this state of affairs as one of the undesirable consequences of the 'comfortable duopoly'.

Advantages of a Change

5. There are very strong arguments for encouraging a genuine increase in independent production. There are potential cost savings, not least by weakening the ability of broadcasting unions to sustain restrictive practices. An increase in the number of bought-in programmes would encourage greater diversity and innovation in both technology and programme content. The independent production sector has a stronger incentive to export programmes and it has a better record in doing so than either the BBC or the ITV companies. Opening up the market would also reduce the total dominance Channel 4 currently enjoys over the independent production sector. The change would be fully in

accord with the Government's competition policy and be an important signal of the Government's intention eventually to create a free market in broadcasting.

6. The BBC and ITV do not dispute the desirability of some increase in independent production; they consider the 40% quota, however, to be quite unrealistic. The broadcasting unions are strongly hostile to the change which they see as leading to the "casualisation" of the industry with substanital job losses in consequence. Peacock on the other hand considered that job losses would be offset to a greater or lesser extent by the creation of new jobs in the independent sector.

7. The Group are likely to favour the wider use of independent producers. They will, however, want to consider carefully how this is best achieved. There are two main issues: what exactly is the changed pattern of production the Government sees as desirable and how can the Government best ensure the broadcasting companies will move towards that pattern, given that, whatever lip service is paid to the concept of independent production, there is likely to be resistance within the organisations to a move that will involve the dismantling of internal empires.

What Sort of Independent Sector do the Government Want to Encourage?

8. The Home Secretary rightly identifies as one of the weaknesses of the Peacock recommendation a lack of clear definition of what a move to independent production should mean. Peacock seems to envisage little more than an enlargement of the role of the companies now supplying Channel 4, which tend to specialise in features, films and documentaries; but in fact the opportunities extend beyond that to include sport, outside broadcasting and light entertainment. Furthermore the term 'independent producer' is one capable of a wide variety of

interpretation. The 'independent' arrangements presently going on cover every sort of situation from the genuinely independent producer, who develops an idea, secures financing, makes the product with independent facilities and sells it, to freelance producers hired to implement an internal organisation idea using in-house crews, facilities and budgets.

9. Against this background, the Home Secretary is probably right in his belief that a quota, which is an inherently rigid concept, would prove impossibly difficult to attach to such a shifting body of programmes and people. There would also appear to be considerable force in his proposal that the key to success lies in close monitoring and in fixing beforehand - after consultation with the broadcasters - the basis on which such monitoring takes place. Otherwise there is all to clear a danger that the broadcasters will simply increase the amount of freelance work described above and only in fairly narrow areas of activity, but claim the result as an increase in independent production.

How Best to Secure Compliance with the Government's Objectives

10. The Group will, however, wish to probe whether it is sufficient simply to express a general desire to see an unqualified "significant and sustained" increase in independent production even if backed by the monitoring arrangements the Home Secretary describes. A similar general formula has it is true worked in the case of Channel 4 but that was a new operation starting afresh without internal vested interests against which to contend. In his discussions with the broadcasters it is hard to see how the Home Secretary can avoid being forced into disclosing what he would view as being a "significant" increase and that being the case there could be advantage in disclosing it from the outset and making it a firm target. It is true that whatever figure was selected would have to be arbitrary but this

should not in itself rule out its use. The Home Secretary may argue that a target is little different from a quota, and so subject to the difficulties he identifies in paragraph 4 of his paper particularly problems of definition. But these difficulties would seem to apply with almost equal force to a formula such as a 'significant increase'.

11. The other question which the Group may wish to address is whether legislation should be used to ensure compliance. There are strong arguments in support of the Home Secretary's conclusion that it would be wrong to include any element of compulsion in the short Bill next Session on IBA and DBS contracts. The Lord President and the other business managers will not wish to see a further piece of controversial legislation added to the programme at this stage given the spate of recent bids for late additions, and in any event it is unlikely that the definitional problems could be resolved in time. Furthermore, such action could only apply to ITV and not to the BBC. Some members of the Group may, however, wish to see a general statement of intent to legislate at a future date if satisfactory voluntary progress was not made. The equivalent for the BBC would be to amend the Charter, but an alternative route might be to indicate that they cannot take the licence fee uprating for granted if they do not make satisfactory progress on this front.

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PRIME MINISTER 28 October 1986

PEACOCK REPORT

Independent Producers

Many of the inefficiencies in the BBC (and ITV) stem from its vertically integrated structure whereby the programme producer is insulated from competitive pressures however inadequate or costly his product. Even the 1% of programmes labelled as independent production are often co-productions where the independent producer has to use crews and facilities provided by the BBC and operate to the BBC's restrictive practices. Genuine independent production would not only reduce costs but ought also to increase quality through the diversity of competing providers. It represents a privatisation of activities that the BBC currently undertakes at public expense.

It is claimed that independent productions will mean job losses (so proving that the restrictive practices put up costs). But with more programmes, more actively marketed, television exports might climb from the BBC's current level of 4% towards the 70% that the independent film producers achieve. If this happened jobs might actually be created rather than lost.

Best endeavours towards using more indpendent producers will be insufficient. The unions and management vested interests will just drag their feet. Some coercion will be necessary. For the BBC this could be done by linking approval of the RPI increases in the licence fee to achievement of a steadily rising quota of genuine independent productions. Action on the ITV may have to wait until new full franchises start in 1992, but the Government could announce that in the interim before the new franchises that the ITV will be expected to match the BBC's progress on independent

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productions. The quota could be an extra 150-300 hours of independent productions every year.

Privatising Radio

We fully support the Home Secretary's proposal to end simulcasting on the BBC, to provide a lighter regulatory regime for independent radio, and to transfer supervisory responsibility to the cable authority. All this is long overdue, indeed he could have gone further and also implemented the Peacock recommendation for auctioning radio frequencies to the highest bidder. But where we strongly disagree with him is on privatising BBC radio: this is at the heart of changing BBC attitudes. The Official Group on Peacock has not been given the opportunity to discuss the subject.

Table 2.6 (attached) in the Peacock reports shows radio absorbs 28% of the licence fee. Only 10% of this goes directly on radios 3 and 4. If the BBC were to be strictly limited to just these services then the licence fee could be cut by £10. In fact the 1% spent on transmission and some of the regional and capital expenditure would still be needed, and so the possible cut would be less.

To claim that the BBC has nothing to sell is rather like claiming that the huge figures being paid by foreign companies for city institutions aren't happening. What these city institutions are selling is their name, their service, their licence to trade, their customer base, their staff and occasionally some physical assets. The BBC's situation is identical: they would be selling the radio 1 and 2 names, the service of programmes they have developed, the licence (with Home Office permission) to use the airwaves, the established audience base, and people who work in producing the programmes. In addition there are

considerable physical assets (where else is the £30m annual capital expenditure on radio going?).

Just as with any commercial transaction the purchaser would expect the BBC to enter into a restrictive covenant promising not to compete with the business that it had sold for, say, 10 years. There would be no need for the Government to intervene to restrict what the BBC could do.

The case for privatising local radio is even stronger than for radios 1 and 2 because this competes directly with the existing independent stations. If eliminating subsidised competition encourages new independents to set up then consumer choice will not be reduced. Simply committing to advertising on radios 1 and 2 would fall between two stools: it would aggravate those people who don't wish to listen to adverts without achieving any significant reduction in the licence fee.

The provision of pop music which other commercial channels would be keen to supply cannot be a requirement of public service broadcasting. If the BBC's publicly funded long march into every broadcasting activity is to be halted then privatising radio is essential. Even if the radio stations were given away, it would still save the licence fee payer between £5 and £10 a year.

Peter Warry

PETER WARRY

CONFIDENTIAL

Table 2.6: BBC Expenditure Allocation

	Television (72%) comprising		Radio (28%) comprising
BBC1	35%	Radio 1	2%
BBC2	19%	Radio 2	4%
Regional TV	7%	Radio 3	4%
Transmission of TV programmes	2%	Radio 4	6%
Capital expenditure	9%	Regional Radio	4%
		Local Radio	3%
		Transmission of radio programmes	1%
		Capital expenditure	4%

Breakfast TV accounts for 1.5% of BBC TV's Operating Expenditure.

CONFIDENTIAL

CC&G

FROM THE PRIVATE SECRETARY TO THE LEADER OF THE HOUSE
AND THE CHIEF WHIP

27 October 1986

NBPM

Dear William,

PEACOCK REPORT: INITIAL PARLIAMENTARY HANDLING

I have seen your letter at Flap to Murdo Maclean concerning the timetable for debates in the two Houses on the Peacock Report. I have discussed this with the Leader of the House and Chief Whip. It would be perfectly possible to give time here for early debate in the new session on the Report. Lord Annan has already tabled a motion to take note of the Report and, given that these debates are being held in order to hear the views of members, the Leader and Chief Whip consider that there may well be advantage to you in allowing this debate to proceed on the basis of Lord Annan's motion rather than on a Government motion. We should however be happy to give time for such a debate preferably after the Commons debate. If a preferred date emerges, please let me know and I shall try to approximate to it.

I am sending a copy of this letter to Murdo Maclean, Mike Eland, Nigel Wicks, Joan MacNaughton, and to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry, the Lord Privy Seal and Sir Robert Armstrong.

Yours sincerely,

Rhodri.

R H WALTERS

W R Fittall Esq
Private Secretary to the
Rt Hon Douglas Hurd MP

BROADCASTING BBC finances PT3

5

NLW CCBS
fi.

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

To await
BF FCS reply before
slowing to PM.

27 October 1986

NLW
27.10

Dear Geoffrey,

I have seen a copy of Norman Tebbit's letter of 14 October to you enclosing representations from the Editor of ITN about the proposed BBC World Television News Service.

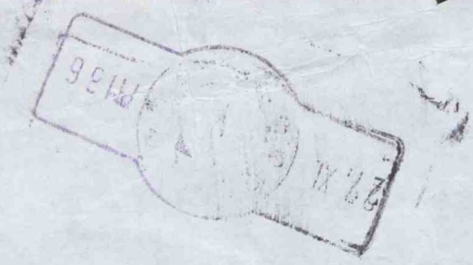
I agree with Norman that ITN should be allowed to tender for the provision of such a service, if these proposals are endorsed. I see no reason in principle why radio and television services should necessarily be in the same hands.

I am copying this letter to the Prime Minister and to Norman Tebbit.

Yours,

Douglas.

The Rt Hon Sir Geoffrey Howe, QC, MP



BROADCASTING

BBC 1

PT 7

WALN

PRIME MINISTER

BBC

When Jeffrey Sterling came to see me about shipping (about which I have written another minute) he asked that I should convey to you his thoughts on the BBC.

His main point is that both the BBC and IBA companies are effective monopolies. The difference between them is that the IBA companies are profit-orientated. The objective of broadcasting policy should, in his view, be the break-up of these monopolies (while preserving standards of morality, etc.). The Home Office, for understandable reasons, do not think in these terms. Concepts of competition, technology and the control of costs are quite alien to them since they have no relevance to their other work on crime, immigration, police, etc.

The future of broadcasting in this country will be determined by technology, satellites, cable, communications, videos, optical fibres, etc. None of this has anything to do with the Home Office. These are matters for the Department of Trade and Industry. That Department is responsible too for competition and knows, in Sir Jeffrey's view, about the control of nationalised industries (of which the BBC is a rather special example).

All this leads Sir Jeffrey to repeat his point that the responsibility for the BBC should be transferred from the Home Office to DTI. This would, more than any other subject, give the right signal to the BBC for their future. It would also remove from the BBC the "false standing" which sponsorship by the prestigious Home Office gives them.

I said that I would convey these thoughts to you.

N.L.W.

(N.L. WICKS)
24 October 1986

CC BS

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

Tel No: 233 3299
7471

22 October 1986

Nigel Wicks Esq
Principal Private Secretary to the
Prime Minister
No 10 Downing Street
LONDON
SW1

Dear Nigel.

Thank you for your letter of 21 October concerning ITN representations against possible plans by the BBC to start a world television news service.

I regret that I had not previously been aware of this correspondence. I find that David Nicholas, Editor, ITN, wrote to the Chairman of the Party, in that capacity on 29 September. Mr Tebbit then wrote from Conservative Central Office to Sir Geoffrey Howe on 14 October, and he acknowledged the letter from Mr Nicholas. Also, his office wrote to Stephen Sherbourne on 14 October, enclosing a copy of Mr Nicholas' letter and asking that it might be drawn to the Prime Ministers' attention.

Copies of the correspondence are enclosed for your reference.

I am sending a copy of this letter, and its enclosures, to Tony Galsworthy (FCO) and to Stephen Boys Smith (Home Office).

Yours sincerely,

A. Lansley

ANDREW LANSLEY
Private Secretary

ENC

14 OCTOBER 1986

I ENCLOSE A COPY OF A LETTER FROM DAVID NICHOLAS, EDITOR OF ITN, ON WHICH I WOULD APPRECIATE YOUR COMMENTS AND ADVICE.

IT SEEMS TO ME THAT SINCE THERE IS NO BASIS ON WHICH TO ASSUME BBC TV NEWS WOULD GIVE A BETTER SERVICE, NOR A FAIRER PICTURE OF EVENTS THAN ITN, IT WOULD BE QUITE WRONG TO GIVE A SUBSIDY TO BBC WITHOUT A FAIR COMPETITION.

THE RT. HON. SIR GEOFFREY HOWE, QC, MP.

NICHOLAS

/TAM

14 OCTOBER 1986

THANK YOU FOR YOUR LETTER OF 29TH SEPTEMBER. I HAVE TO CONFESS THAT I WAS NOT AWARE OF THE PROPOSAL FOR WORLD TV NEWS SERVICE.

I HAVE, THEREFORE, TAKEN THIS UP WITH GEOFFREY HOWE TO FIND OUT EXACTLY WHAT IS PROPOSED AND HOW FAR THE MATTER HAS PROGRESSED.

DAVID NICHOLAS, ESQ.
EDITOR
INDEPENDENT TELEVISION NEWS LTD.

14TH OCTOBER 1986

DEAR STEPHEN,

THE CHAIRMAN HAS RECEIVED THE ATTACHED LETTER FROM DAVID NICHOLAS, EDITOR OF ITN, WHICH HE HAS TAKEN UP WITH SIR GEOFFREY HOWE. HOWEVER, HE HOPES THAT YOU WILL DRAW THIS TO THE ATTENTION OF THE PRIME MINISTER.

YOURS SINCERELY,

ALEXANDRA MENNELL
CHAIRMAN'S OFFICE

STEPHEN SHERBOURNE, ESQ.

Independent Television News Limited

ITN House, 48 Wells Street, London W1P 4DE
Phone: 01-637 2424
Telex: 22101 *Newsroom: News at One, News at 5.45, News at Ten*
266448 *Newsroom: Channel Four News*
298935 *Management and Production*
261779 *Film and Videotape Library*
Cables: Telindep, London PS4

FROM THE EDITOR

29 September 1986

11- OCT 1986 INDEXED

The Rt Hon Norman Tebbit MP
Chairman of the Conservative Party
Conservative Central Office
32 Smith Square
London SW1

Dear Norman,

I am writing to you about a matter which is giving increasing concern to us here at ITN. It is no secret that the BBC want to start a World Television News Service as a video version of their English-language news service from Bush House. As we understand it, it would take the form of about four half-hour news programmes at different times of the day, fed up to the satellite and available free to anybody who wants to pay for the down-leg of the satellite.

Our concern centres on the fact that, in addition to use of Licence Fee money, the BBC is counting on major funding from the Foreign Office on the lines of the existing subvention to the External Services from Bush House. We understand that a BBC report recommending this system is with the Foreign Secretary right now.

There are several reasons why ITN would object to a Government-aided BBC TV World Service on these lines.

1. If taxpayers' money exists for such a purpose, should it not be open for ITN to tender?

2. ITN, together with ABC News of America and the National Nine Network of Australia, owns an international news video agency called Worldwide Television News (WTN), which serves broadcasters in over 100 countries throughout the world with an international news service several times a day. (The Prime Minister opened WTN's new headquarters in Foley Street in December 1983). The WTN turns over 20 million dollars a year. We are concerned about the effect on that business if a new BBC video service, subsidised by the British taxpayer, were to make its product available virtually free.

cc Stephen Sherbourne

As you know, ITN has its own aspirations to provide a trans-frontier news service in English. Our first step in that direction will be taken in about three months' time when we shall supply a half-hour news at 2200 on the new Superchannel cable service to Europe.

ITN also envisages a major news presence for itself in the English-speaking world built upon the services it will provide to the UK DBS service in three years' time. Unfair competition from the BBC would jeopardise such aspirations.

Though we would like to tender for a world service if Government finance is to be made available, we see no reason why public money should be called upon at all. Such a service should be funded by advertising and by programme sales. Indeed, a British-originated news service of this kind could be an attractive platform for advertising British exports.

I wrote to Sir Geoffrey Howe earlier this year expressing these views, and he has assured me that no policy has yet been formulated about funding such a BBC programme.

However, the BBC is busy selling their new product worldwide so I thought you might like to be briefed on how the idea is developing, which is the reason for this letter.

Yours ever,

David

David Nicholas

THE TIMES

13/10/86

thought them things that would be useful in a job, 52 per cent that it had given them confidence to make decisions and only 11 per cent that it had been "a waste of time".

Railway attack

Police are investigating an attack and attempted robbery on Mr Roy Hattersley, deputy leader of the Labour Party, at Euston railway station in central London a week ago.

According to Mr Hattersley, he was approached by a young man and sworn at as he was trying to make a telephone call. He was sprayed with beer, spat on by a girl who joined the youth and his briefcase was seized. Mr Hattersley recovered his briefcase.

BBC's global designs

The BBC World Service expects to announce next month that it is ready to proceed with an international television news service for a global audience that could grow to hundreds of millions (Jonathan Miller writes).

The service would consist of one hour of programmes a day in English, broken down into two half-hour news and current affairs slots. The service could grow to include additional languages and material.

Programmes would be transmitted by satellites owned by an international consortium, Intelsat, and beamed by foreign television stations. The scheme is expected to cost more than £10 million a year, which would require a direct government subsidy.

Pathology pay claim

Six pathologists in London, who are on 24-hour call to assist at the scene of suspicious deaths, are demanding a salary increase backdated to 1981.

The pathologists, members of the British Medical Authority's forensic science committee, want their pay to be brought into line with the rest of England and Wales.

Under a 1981 agreement, doctors outside London who investigate suspicious deaths are paid a a call-out fee and a retainer to cover their 24-hour availability.

on the basis of its members being able to move quickly from area to area.

With three RUC men having been blown up by an IRA landmine in October 1982 it was a time of "very high tension". "But there could never be in our system special set up hit squads or a shoot to kill policy."

Mr Desm... RUC reserv... killed on Sa... visional IRA ... the joint E... Barnsley ba... Belfast. He w... a son, aged ... aged six, wh... Belfast. He h... RUC since 1...

Student loans reverse

University vice-chancellors have rejected proposals for a mixed system of grants and loans for students.

Instead, the Committee of Vice-Chancellors and Principals has asked the awards sub-committee to draw up more flexible proposals to take more note of poorer students. The sub-committee had proposed that all students received a basic minimum grant and loan of equal value.

It will now consider that the proportion of loan to grant to vary according to the financial position of students; employers in fields where there are graduate shortages be encouraged to pay off the loans; repayments depending on the student's earnings so those on low incomes will not have to repay the loan; and university or government help in repayment being given to those performing exceptionally well at their studies.

Professor John West, vice-chancellor of Bradford University, said last night that he any many others were increasingly opposed to the idea of student loans, which would require an outlay of about £1.000 million.

For... righ... pris...

A big shai... rules is need... inhumane ... Prison Refor... report publis... for a code of ... dards in plac... which are "... dated and vag...

It claims th... often denied ... cause they d... actly what ... Governors ... unconvicted ... their own fur... their cells clea...

Even Joyce ... thor of the gu... rule is an ... showing far t... reflect actual ... prisons. Rules ... death penalty ... been revoked.

The trust d... ports by the ... Prison Inspecto... dicate a failure ... Office regulatio... hygiene, fire p... education. But ... not open to lega...

Prison Rules... Guide (The P... Trust, 59 Calc... London N1 9BU...

The cold war against pain

Back strain, a touch of stiffness, a pulled muscle or the effect of lumbago or sciatica can all be unpleasantly painful.

PR Spray is the really quick and effective way to relieve that pain.

Unlike most other pain relief sprays, PR Spray is cold. It is the spray used by professional trainers attending injuries.

PR Spray, which is odourless, rapidly lowers the temperature of the skin over the painful area, and so freezes pain out – quickly and effectively.

THE PROFESSIONAL WAY TO STOP PAIN.

CROOKES

Medieval ge...

By Geraldine Norman
Sale Room Correspondent

A medieval gold pendant worth up to £300,000 has been found on waste ground near the ruins of Middleham Castle in Yorkshire.

Mr Ted Seaton thought that he had found a lady's powder compact after his metal detector located the object.

Sotheby's, who valued the pendant at between £200,000 and £300,000, have described it as "one of the most impressive creations of the goldsmith's art to have come down to us from the Middle Ages". The pendant is set with a Roman or Byzantine sapphire.

It is to be auctioned by Sotheby's, in association with Tennant's of Yorkshire on December 11. Efforts are certain to be made to save it for the nation.

The proceeds of this

The nativity sc... Seaton's mediev... dant. The other ... with a sapp...

extraordinary fi... divided five ways. a highly-professio... the metal detecto... the proceeds wit...

File

DSG (VSCABN)
CCBS

bc: BI
SS

10 DOWNING STREET

From the Principal Private Secretary

21 October 1986

I understand that ITN have made representations against possible plans by the BBC to start a world television news service financed from public funds. I understand, too, that the Chancellor has written to the Home Secretary and the Foreign Secretary about this matter.

I should be grateful if you and the other offices concerned could ensure that the Prime Minister is kept fully in touch with correspondence on this issue.

I am copying this letter to Stephen Boys Smith (Home Office) and Tony Galsworthy (Foreign and Commonwealth Office).

N. L. Wicks

Andrew Lansley, Esq.,
Office of the Chancellor of the Duchy of Lancaster.

PERSONAL

PRIME MINISTER

MISC 128

You will remember that at the last discussion of Peacock the Lord President expressed the strongest possible opposition to introducing advertising on the BBC. Indeed he said he would not feel able to remain a member of the Government if that were done.

DLN

(DAVID NORGROVE)

14 October 1986

PERSONAL

Ref. A086/2895

PRIME MINISTER

Implications for Telecommunications Policy
(MISC 128(86) 4)

CONCLUSION

You will wish the Group to decide on the handling of the Peacock Committee's recommendation No 15. I have no doubt that it is right that the recommendation should be processed separately from the rest of the Peacock Report. But the Secretary of State for Trade and Industry is proposing a somewhat loose remit for the study of a matter of potentially great importance. I therefore suggest that you may wish to ask me to work up tighter administrative arrangements for having the matter reviewed and brought back to Ministers. The meeting of MISC 128 on 30 October could be an occasion to take note of the arrangements that are set up.

BACKGROUND

2. You will remember that the present arrangements on cable and telecommunications (as set out in the 1983 White Paper "The Development of Cable Systems and Services" and in the Cable and Broadcasting Act 1984) were devised after consideration by a Ministerial Group on Telecommunications Policy (E(TP)) that reported to E and which was supported by an Official Group (MISC 73) that produced a very thorough report. On the point immediately at issue, it was recognised that there was a tension between the likelihood of developing a national broadband fibre optic network and other aspects of industrial policy and, in particular, competition policy. At the time, competition was decided to be the dominant factor.

BRIABG

3. Under existing policy cable is proceeding very slowly, and there may well be a case for reviewing whether the regulatory or economic environment needs to be adjusted. The reason why we are now addressing the matter, however, is simply that Sir George Jefferson, the Chairman of BT, persuaded the Peacock Committee to recommend that BT and other national telecommunication systems should be enabled to act as common carriers, including deliverers of television programmes. This chimed in well with Peacock's vision of a leap forward in technology, but it has implications that go vastly beyond broadcasting policy as such. It is also ironic that on this one issue Peacock do not see competition as the golden thread of progress.

MAIN ISSUES

4. As Mr Channon's paper says, the proposal opens up the widest range of technological, market and social questions. You will not wish to get drawn into the substance of them now. The immediate issue is what (if any) machinery we should put in place to review the matter, and what might be said about it on any early debate on Peacock. Subject to any points made at the meeting, it seems right that this should be split off from other Peacock issues and that the Home Secretary should say as much when Peacock is debated. You will, however, want to avoid any impression that the Government is being rushed by Peacock into a root-and-branch review of very recently settled policy.

5. As for the best method of internal handling, there is no need to take a firm decision tomorrow, and some advantage in a pause for thought. A straightforward review led by the DTI may indeed be sufficient to start with (though the Treasury should certainly be added to the Departments involved) but any kind of review should be given terms of reference and a target date by which to report. While you will probably want the matter to proceed within the E structure, as previously, you may not want to decide at the outset whether a new Ministerial Sub-Group of E

will be required for it. It will be easier to consider these points after tomorrow's meeting, and I suggest that you ask me to take delivery of them, and make proposals to you; they could then be reported to your colleagues at the meeting of MISC 128 on 30 October.

HANDLING

6. No member of the Group is likely to question that telecommunications aspects should be split off from other Peacock issues. You will particularly wish to obtain the views of the Chancellor of the Exchequer and the Chancellor of the Duchy on how fast and how publicly a new review of this field should be taken ahead.

Trevor Woolley

pp ROBERT ARMSTRONG

14 October 1986

cc B/UP.

WO258

MR BEARPARK - No 10. 14 October 1986

MISC 128 (86) 4: PEACOCK REPORT: IMPLICATIONS FOR TELECOMMUNICATIONS POLICY

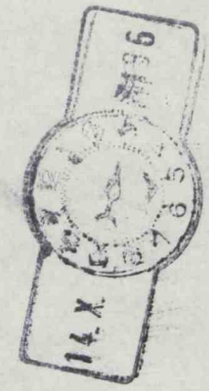
I agree strongly with the main theme of the Secretary of State for Trade and Industry's paper, that the Peacock recommendation on "common carriers" for broadcasting services opens up a range of technological, market and social questions about the future of telecommunications which need thorough study in a wider context than broadcasting. I believe that the future of telecommunications in Britain and in Europe is an issue of the first importance. The ease with which information (speech, pictures, text, data, etc.) can be exchanged between all kinds of locations (homes, offices, factories, cars, etc.) will have a major impact both on the structure of our society and on our industrial prosperity. There will be important new markets both for hardware and for services, and if we get the decisions right now, British and European industry will have the opportunity to carve out positions for themselves in a challenging growth area. I therefore strongly support the recommendation that Recommendation 15 of the Peacock Report should be handled separately.

2. I do, however, have reservations about the supporting analysis in the Secretary of State's paper, which seems to me to take a rather narrow view of the problem, concentrating on the short term issues. I am content to make my substantive points in the course of the proposed study, but this analysis strengthens my view that the study should not be left as completely in the hands of DTI as the paper proposes. I believe it would be very helpful if MISC 128 could agree that a more formal interdepartmental group was needed to steer this study, and also that a firm timetable should be set for it to report to Ministers.

3. I am copying this minute to Sir Robert Armstrong.

JOHN W FAIRCLOUGH

pp


14. X

PRIME MINISTER 14 October 1986

PEACOCK REPORT

Advertising or Index-linking?

Provided economic growth remains above 2% per annum the Peacock analysis showed that the BBC could freeze the licence fee yet maintain its revenue in real terms by topping up with advertising, and still leave over enough advertising for the ITV companies to maintain their revenue, again in real terms. Such a strategy would have the dual advantages of breaking the IBA advertising monopoly and putting commercial pressure on the BBC.

The alternative is index-linking. Since 1979 BBC revenue has increased by 193% whilst inflation over the period has only been 87%. The rising proportion of colour licences has contributed to the revenue growth but this trend is now largely exhausted. Index-linking would (comparatively) therefore be a very tough regime: it would force the BBC to take a much stronger line with its staff (75% of total expenditure goes on staff) and to seriously review its range of activities. Although the BBC will claim quality will be jeopardised, their own instincts are likely to run against doing this. Instead they would be sensible to curtail their imperial expansion into local radio, 24 hour broadcasting and (the latest) - global television. (See cutting from yesterday's Times).

Advertising - even if it brought a freezing of the licence - would not be universally popular. It would run against Peacock and give the BBC a chance to whip up a storm. Index-linking ought to bring the BBC to heel just as effectively but without the same political risks. Tactically, however, it would be a mistake to commit to index-linking permanently (or until pay-per-view) because,

rather like the Rooker Wise tax thresholds, index-linking could become a base from which the BBC merely applied for larger increases. The right thing would be to have RPI increases for three years from March 1988 with no commitment as to what happens beyond then.

Arguably adjustments ought to be made to the level of the licence fee to reflect (hopefully) the privatisation of Radios 1 and 2. But this would undermine the purity of the Government's full Peacock case and in any event it would be wise to leave the BBC with a financial incentive for selling off the services. The commitment however to the RPI could usefully be linked to the BBC's achievement of other objectives, for example, the increasing use of independent producers.

Concessionary licences

The current position on concessionary licences is far from satisfactory. We are already part-way down the slippery slope of hypothecating pensions on behalf of the elderly. To go further would please nobody whilst bringing into question all of the inequity in the current system. To compound these problems by also making a transfer from the motorist to the pensioner would be merely to upset a second innocent interest group.

Collection the Licence Fee

The BBC have frequently complained about the inadequacies of the licence fee collection system. Giving them the responsibility for collection (which they want) will undercut their moaning and is entirely consistent with the Government's approach to such issues. It will also help prepare the way for the ultimate pay-per-view system. Provided the Post Office perform an efficient and economic service, the BBC ought to retain their services (although

subscription will ultimately radically change whatever role there is for the Post Office).

Other Issues

Misc 128 is scheduled to discuss independent producers and privatising radio later this month. These are important issues where the Home Office will not want to be too radical. Douglas Hurd might possibly want to pre-empt the later Misc 128 meeting but this should not be allowed.

Conclusions on the Home Secretary's Paper

We support the Home Secretary's conclusions but recommend, to be effective, that index-linking should initially last for three years rather than just a single year as he proposes.

A National Carrier Network

This issue is fundamental to the UK's industrial success in the 21st Century. DTI are right to say it raises far wider concerns than Peacock but wrong to be too concerned about safeguarding the existing cable operators who have failed to establish the infrastructure we need. However, the first stage is clearly a study which DTI now intend to launch.

Peter Warry

PETER WARRY

THE TIMES - 13 October 1986

BBC's global designs

The BBC World Service expects to announce next month that it is ready to proceed with an international television news service for a global audience that could grow to hundreds of millions (Jonathan Miller writes).

The service would consist of one hour of programmes a day in English, broken down into two half-hour news and current affairs slots. The service could grow to include additional languages and material.

Programmes would be transmitted by satellites owned by an international consortium, Intelsat, and beamed by foreign television stations. The scheme is expected to cost more than £10 million a year, which would require a direct government subsidy.

CONFIDENTIAL

PRIME MINISTER

MINISTERIAL GROUP ON BROADCASTING
SERVICES: 15 OCTOBER 1986
[MISC 128(86)2; MISC 128(86)3]

OBJECTIVE AND CONCLUSIONS OF THE MEETING

1. The meeting of the Ministerial Group on 15 October is focussed on the immediate questions surrounding the BBC licence fee. A further meeting is arranged for 30 October to consider the Home Secretary's proposals for a Green Paper on radio, and the Peacock recommendation on extending the BBC's use of independent producers. (Both these latter topics raise similar questions about the BBC's independence.) In the light of the two meetings the way should be clear for initial debates on Peacock in both Houses, and for the Home Secretary to announce decisions on the licence fee issues soon thereafter.

2. The meeting on 15 October will also consider a short paper by the Trade and Industry Secretary on the handling of Peacock's recommendation for a radical change of policy - with implications going far beyond broadcasting - on the restrictions applied to the national telecommunications systems (BT and Mercury). Sir Robert Armstrong will be submitting a separate brief on that item after the weekend.

3. The immediate matters on which the Home Secretary seeks decisions are set out in paragraph 21 of his paper,

and you will wish the group to reach a clear view on them all. They are:-

(i) to note that subscription cannot displace the licence fee for some years;

(ii) that advertising should not be introduced on the BBC in the immediate future;

(iii) that the present licence fee should stand until March 1988 and that the level for the following year should be set by indexation to the RPI;

(iv) that there should be no changes to the present concessionary arrangements (subject to possible consideration of a direct cash payment to pensioners);

(v) that the BBC should take over responsibility for administering the licence fee system; and

(vi) that some commitment should be made towards developing better "easy payment" systems.

Paragraph 21 (vii) of the Home Secretary's paper also asks the Group to note his preliminary views on independent producers. But as the Group will be discussing that issue on 30 October you may not wish to spend time on it now.

MAIN ISSUES

4. There is a good deal of - unavoidable - repetition in the papers before the Group. Each issue is summarised both in the Home Secretary's paper and in the report by

the Chairman of the Official Group, with a series of more detailed annexes attached to his report. On some of the issues, at least, the Home Secretary's paper will probably provide all the information that the Group needs to take a decision. But on concessions, in particular, you may wish to look at the note from the Official Group (Annex B to MISC 128(86) 2), as the background is very complicated and untidy.

(i) Subscription

5. Nobody disputes the Home Secretary's proposition that subscription cannot displace the licence fee for some years. Bearing in mind Peacock's recommendation that the Government should require new television sets to have decoder equipment from January 1988, however, you will wish to satisfy yourself that the study of the feasibility of subscription is being pressed ahead with proper urgency.

6. The Official Group concluded that a thorough appraisal was needed of both the economic feasibility and technical feasibility of a move to subscription before Ministers would be in a position to take decisions. An outside firm of consultants (Communications, Studies and Planning International Limited) has been appointed to carry out the study. They have a good working knowledge of both the technical and economic issues of subscription television, and practical experience of introducing subscription systems in the United States. The technical appraisal will examine the availability, cost and feasibility of technologies for encryption and decryption of the signal including such issues as maintaining security of transmission and the capital cost to the consumer of installing the appropriate receiver. The appraisal will also look at the system for collection of subscriptions and enforcement of payment. The economic appraisal will look at various options

e.g. a subscription system applied only to the BBC or one available to more than one channel.

7. Given the importance of establishing the facts on subscription for future broadcasting strategy, you may not think that the scope and timescale of the consultants' study is unreasonable. The report is expected at the end of March 1987. You may wish to confirm that there should be a presentation to the Ministerial Group as soon as possible after the consultants have reported.

(ii) Advertising

8. Starting from the assumption that the licence fee must remain for some few years at least, the Official Group have identified limited advertising and indexation of the fee as the two possible approaches to the BBC's revenue. Nobody is questioning Peacock's view that BBC full reliance on advertising is unrealistic.

9. On limited advertising (which was, incidentally, recommended in a Times leader) the Official Group have taken their study simply to the point of concluding that modest growth in the economy would enable the BBC to take on advertising without imperilling ITV revenue. They do not have a consensus view on whether even limited advertising would jeopardise BBC standards, though Peacock (and now the Home Secretary) believe that it would.

10. The Home Secretary invites the Group to decide firmly against any BBC advertising in the immediate future, partly because of his fear about programme standards, but also because of the following points.

(i) Limited BBC advertising would represent inherently unfair competition to ITV companies that have no recourse to public funds.

(ii) It would jeopardise the flow of advertising revenue to direct broadcasting by satellite (DBS) which the IBA are presently hoping to launch.

(iii) It would be very difficult politically to press for advertising after Peacock so robustly turned it down.

11. You will also wish to bear in mind that advertising is but one of the contentious issues that will need to be settled quite soon, and that there may be a practical limit to the number of points that can be settled in a direction that the BBC would fiercely resist.

12. The Secretary of State for Trade and Industry, however, may wish to probe the matter further and if the Group does think that limited advertising is a realistic route, then more detailed work would have to be put in hand urgently. If the Group decides against advertising, alternative approaches to BBC revenue will need to be examined.

(iii) Indexation

13. This is fairly straight forward. The last settlement of the fee was on the basis that it would run until March 1987 and thereafter for a further year unless displaced by a new system for financing the BBC. The Home

Secretary's proposal is that the Government should confirm that the present fees (£18 and £58) will remain in force until March 1988 and that thereafter they should be indexed (initially for one year) to the retail price index. The attractions of this package are that it would avoid the wrangle about a discretionary settlement at least into the next Parliament. The BBC will object to the RPI as an index, arguing that the bulk of its costs are wage-related and that movements in the RPI do not fairly reflect the inflationary pressures upon it. Against this, indexation to the RPI will be widely understood by the consumer and wage costs are indirectly reflected in it. It would be possible to be tougher and adopt a formula of RPI minus X but the Home Secretary does not recommend this. The bulk of the population have now switched from black and white to colour sets and the consequent diminished buoyancy of the BBC revenue from the licence fee will in any event put pressure upon them. Indexation to the RPI should impose a real discipline on the BBC to contain costs, while retaining the advantage of simple presentation as far as the public are concerned.

(iv) Concessionary Licences

14. This is one of the most difficult issues for the meeting. The present concessionary scheme - analysed in more detail in the report from the Official Group - benefits some 630,000 pensioners (and mentally and physically handicapped people) in certain residenial homes and sheltered housing who can obtain licences for 5p a year, but it does not extend to pensioners living in their own homes. It costs more to administer than the revenue it raises, and some £25 million in licence revenue foregone. An unpublished internal review last year,

the conclusions of which were endorsed by the Efficiency Unit, concluded that the scheme was hopelessly flawed, and full of anomalies and interpretational difficulties. It attracts a large volume of complaints from pensioners excluded by the rules. But the internal review was unable to identify a satisfactory replacement, which would not run into the same problems of definition, policing and administration. In short, it is not realistic to use concessionary schemes as social policy instruments.

15. Without consulting the Departments involved, however, the Peacock Committee recommended that the present scheme should be abolished and replaced with one whereby pensioners drawing supplementary pension in households wholly dependent on a pension should be exempt from the licence fee. They also made recommendations for funding the additional costs of this concession by charging a licence fee for car radios, an increased fee for multiple sets and an increase in the monochrome licence fee.

16. The proposal to limit the concession to households wholly dependent on a pension is impractical. The internal review found that it was impossible to identify, within any realistic cost limits, even supplementary pensioners living alone, let alone to make more detailed judgements about their financial circumstances. To identify those wholly dependent on a pension would involve some form of individual examination of every one of the 1.6 million potentialy eligible households. The difficulties of identification will be even more pronounced after the introduction of the Income Support Scheme in 1988. Any licensing concession would therefore have to benefit all 1.6 million households drawing supplementary pension (possibly more if pensioners who do not now claim benefit because it is only worth a few pence a week, regard it as a passport to a free television licence). But even with this scheme, expensive special

arrangements would have to be made to bring in the old and disabled who live in residential homes where they are subsidised by a reduced rent and are not required to claim supplementary benefit, and the disabled whose entitlement to attendance allowance lapsed after entering the home and who would have no other passport to the scheme.

17. On the other side of the coin there are obvious problems about most of Peacock's ideas for raising more revenue to finance extra concessions. In particular - and notwithstanding the Home Secretary's comments - the proposal for a car radio licence looks like a straight burden on virtually all motorists, whether they use their radios or not. (You should note, however, that the possibility of raising the monochrome licence fee might be decoupled from the argument on concessions, and examined again later.)

18. Faced with all these manifold problems, the Home Secretary concludes that - despite the Labour Party's pledge to abolish the licence for all pensioners - the least bad solution is to leave the present concessionary system as it is, with all its acknowledged defects. If the Group decides that more is needed in this field, the Home Secretary believes that it could only take the form of a straight cash payment to all pensioners. Such payments would presumably be made through the social security system and would be quite separate from the licence system (though they might enable the present concessions to be run down). The Official Group has not done any work on such cash payments and if the idea were to be taken further DHSS would have to be brought into urgent consultation.

(v) Collection of the Licence Fee

19. The Peacock Committee recommended that the BBC's role in the collection of the licence fee should be enhanced. The Official Group consider that there is a case for going further and making the BBC itself responsible for collection and accountable to Parliament. The Home Secretary agrees with this suggestion. He points out that the BBC has the greatest incentive to maximise the revenue that a given licence fee can yield and that the change would clarify lines of responsibility. The change would also help to pave the way for the operation of a subscription system. A minor technical amendment to primary legislation may be needed (which could conceivably be done through a Finance Bill) and the BBC's licence agreement from the Home Office (and possibly its charter) would have to be amended. It seems quite right to take this forward with the BBC as the Home Secretary proposes.

(vi) "Easy-payment" arrangements.

This, at least, must be non-controversial. Nobody will dispute the Home Secretary's intention to pursue easier-payment methods with the BBC, as set out in paragraph 16 of his Paper.

HANDLING

20. You will want to invite the HOME SECRETARY to introduce his paper. You may then like to invite the TRADE AND INDUSTRY SECRETARY to add his comments. The discussion could then be divided into 3 parts:

(i) The Future of the Licence Fee

Should limited advertising be permitted or does indexation of the licence fee provide the better course? The TRADE AND INDUSTRY SECRETARY may wish to give some indication of the views of the advertising industry. The CHANCELLOR OF THE EXCHEQUER and the CHANCELLOR OF THE DUCHY OF LANCASTER will have views as to whether the RPI option or a tougher RPI minus X option is the right one to follow. The LORD PRESIDENT may wish to comment on the advertising option which he has always opposed in the past.

(ii) Concessionary Scheme

Is simple retention of the existing scheme feasible politically? Is there any alternative? All members of the Committee will have views in this area. If it is thought that some change is politically essential then the Official Group should be remitted to work up the best mix of options for further consideration.

(iii) Other Issues

The question of collection of the licence fee seems relatively straightforward although the TRADE AND INDUSTRY SECRETARY may wish to comment on the implications of any change for the Post Office. "Easy-payment" schemes can simply be noted. You may want to say something about a presentation on subscription when the consultants' study is available next year.

A.J.L.

A J LANGDON.

10 October 1986

010

CCBG

HOME SECRETARY

Please substitute for defective copy circulated yesterday. Page 2 is unamended.

WITH AB. →

NBPM (The letter is with the PM.)

DN

MEA

I don't recall this. Do you have it?

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

7 October 1986

Dear Murdo

PEACOCK REPORT: INITIAL PARLIAMENTARY HANDLING

On publication of the Report, the Home Secretary said that the Government would reach decisions 'only in the light of Parliamentary and public reaction'. As you know, there was no opportunity for debates last Session, and the Home Secretary hopes that early opportunities might now be found for debates in both Houses. He would not see these as occasions on which the Government would announce any firm conclusions: indeed on a number of matters he feels that no decisions should be reached until we have heard the views of Members, and particularly of the Government's supporters. Accordingly, he envisages that in these initial debates the Government stance should be open-minded and neutral. There would therefore be advantage in holding them as soon as possible in the new session to pave the way for subsequent decisions.

There are, however, three matters of an interim kind which the Home Secretary would wish to raise during the debates.

First, he would want to give further information about the study of subscription television for which we have recently engaged independent consultants, and in doing so to re-affirm the Government's interest in Peacock's long term vision of moving towards a fully competitive broadcasting market based upon the principle of consumer sovereignty.

Second, he would want to confirm his intention, which has already been agreed by his colleagues, to legislate to extend ITV contracts for 2 years (assuming the Bill has not by that time been introduced). In doing so he would explain the need to keep options open, not only because of the scope for reforming the contract system itself, but also because of the possible need for changes on other matters - independent producers, Channel 4 and subscription - all of which would be more difficult in the mid-term of ITV contracts.

Finally, on radio, the Home Secretary would want to remind the House that the prospective Green Paper would look at radio policy in the round, including the proposals made by Peacock.

Apart from these matters, the Home Secretary considers that other substantive decisions should be held back for a further statement to be made after, and in the light of, the initial Parliamentary debates.

/I am

Murdo Maclean, Esq

From: THE PRIVATE SECRETARY

CCBG

010

No Amended version received.

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

Prime Minister 2

DRS
8/10.

7 October 1986

Dear Murdo

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/I am

Murdo Maclean, Esq

I am copying this to Nigel Wicks in No 10 and to the Private Secretaries to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry, the Lord Privy Seal and Sir Robert Armstrong.

Yours ever

W R FITTALL

CEBG

010

Caroline
To be aware.

KO1371

RESTRICTED

24/9.

MR STARK

cc. Mr Wicks
Miss Mulligan

MISC 128 (BROADCASTING POLICY)

A meeting of this Group, chaired by the Prime Minister, is fixed for 15 October, in the last week that figures in the business to be considered at Sir Robert Armstrong's routine business meeting tomorrow.

This note is simply to put up a marker that we shall almost certainly need to ask the Prime Minister to take a further meeting of the Group in October, or just possibly early November. The reason is that the Home Secretary is pressing ahead with preparations for a Green Paper on radio policy, and this cannot be disentangled from wider Peacock issues. Peacock's proposals for privatising radios 1 and 2 are particularly relevant.

On present form, the meeting on 15 October will have a full agenda of issues clustering round the BBC licence fee, and could not consider the radio Green Paper as well. But Home Office officials are taking instructions from the Home Secretary on how he wishes to proceed and I will report again when I hear something further.

AJL

A J LANGDON
24 September 1986

8

n 6pm
(Wales)!

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

10 September 1986

Dear Secretary of State

EXTENDING ITV CONTRACTS

at flap

Thank you for your letter of 19 August about my proposal to limit new ITV contracts to two years. As you know, the Prime Minister has since agreed that I should seek the agreement of QL to the inclusion of this proposal in the planned Bill on extension of the contract period for direct broadcasting by satellite.

I accept that limiting ITV contracts to two years may have some effect in inhibiting new investment, but since the companies will no doubt be looking for new contracts at the end of the two year period, I doubt that they will wish to allow their programme standards to fall. Still less will they take any steps which would lead to a reduction in their advertising revenue. As you know, there is an outstanding commitment to review the financing of the special case of S4C, to which the Peacock Committee's recommendation that the Fourth Channel should become independent of ITV for funding is obviously relevant.

Turning to your suggestion that we consider, as an alternative, new contracts in excess of two years but with provision for a break clause, I am not sure that this would necessarily be an improvement. Any provision for a break clause is bound to lead to uncertainty, and this would be no less likely to inhibit investment than my proposal. Moreover, if the break clause was not activated - and the IBA have given me no indication that they would wish to activate it - the companies would probably have a shorter period in which to make up any lost ground than would be offered by a new contract under whatever contractual system we decide should apply.

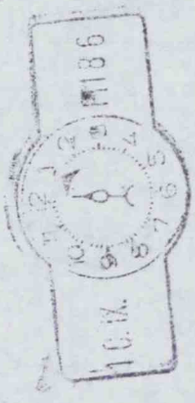
In the circumstances, I hope that you will agree that we should proceed as originally proposed. I am copying this letter to the recipients of our earlier correspondence.

Yours sincerely

Approved by the Secretary of State
and signed in his absence

Broadcasting: BBC Financing PTB

8



FLE

DMJ

10 DOWNING STREET

From the Private Secretary

27 August 1986

Dear Clare

PEACOCK REPORT: ITV CONTRACTS

The Prime Minister has seen the Home Secretary's minute of 30 July, and the subsequent responses of colleagues. She has agreed that the IBA should be able to renew contracts for up to two years, and that the Home Secretary should now go forward to seek clearance from QL.

I am copying this to Joan MacNaughton (Lord President's Office), Alex Allan (HM Treasury), Colin Williams (Welsh Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Timothy Walker (Department of Trade and Industry), Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

Yours ever

Mark Addison

Mark Addison

Ms Clare Pelham
Home Office.

dg

PRIME MINISTER

Peacock Report: IBA Contracts

I am sorry the appropriate minute was not attached to my note in your weekend box. You may like to glance through it (Flag A) before I write back to the Home Office with your agreement that the IBA should be able to renew contracts for up to two years.

Mark Addison

(MARK ADDISON)
26 August 1986

PRIME MINISTER

PEACOCK REPORT: IBA CONTRACTS

The attached minute from the Home Secretary proposes that the Government should seek by legislation to prevent the IBA from making new contracts on this round for longer than two years, to prevent the Government's conclusions on the Peacock recommendations from being pre-empted.

The Chancellor and the Secretary of State for Trade and Industry are content. The Lord President cannot think of a satisfactory alternative way of proceeding, and is accordingly also, albeit reluctantly, content.

Agree that the IBA should be able to renew contracts for up to two years, so that the Home Secretary can then go forward to seek clearance from QL?

MEA

Mark Addison

22 August 1986

MJ2CIJ

Note for file

Lord President's comments on Home Sec to PM 30.7.86 on Extension of ITV Contracts:

"Although can foresee problems, he cannot think of an alternative.

Margot Hamilton
Duty Clerk
20/8/86

CF?

CC BS

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 (Llinell Union)
Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 (Direct Line)
From The Secretary of State for Wales

19 August 1986

CF
we still await comments
from Ch/Duchy libils.
MGA

Dear Douglas

at flap.

I have seen your minute of 30 July to the Prime Minister. I agree that an element of flexibility is necessary in view of the other fundamental changes we will have to consider. However I fear that preventing the IBA from making new contracts on this round for longer than two years would be unnecessarily disruptive and could have a severe effect on ITV, including S4C, possibly inhibiting investment. I therefore suggest you might consider, as an alternative, that a period in excess of two years should be permitted with a provision for a break clause.

I am copying this letter to the recipients of your minute.

Yours ever

Nick

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

BROADCASTING; BBC Financing Pt. 3

CONFIDENTIAL

CC BG

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

11 August 1986

WBM

Dear Secretary of State

PEACOCK REPORT

I have seen Nigel Lawson's letter of 4 August to you. No doubt all this will be discussed in time. But I must put on record now that I do not agree with his views on political bias.

I am sending a copy of this letter to the Prime Minister, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry, the Chief Whip, Commons, and Sir Robert Armstrong.

Yours sincerely

Joan McNaughton

(Approved by the Lord President and signed in his absence)

The Rt Hon Douglas Hurd MP

CONFIDENTIAL

BROADCASTING: BBC finances PB

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215)
GTN 215) ·····5422
(Switchboard) 01-215 7877

Secretary of State for Trade and Industry

6 August 1986

Andy Bearpark Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

Await further comments.
(already B/f'd) MGA 6/8

Dear Andy,

PEACOCK REPORT : EXTENSION OF ITV CONTRACTS

My Secretary of State has seen the Home Secretary's minute to the Prime Minister of 30 July. He agrees with the proposal for legislating next Session to allow the renewal of IBA contracts for a further two years.

I am copying this minute to the Private Secretaries to the Home Secretary, the Lord President, the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Chief Whip and to Sir Robert Armstrong.

Yours sincerely

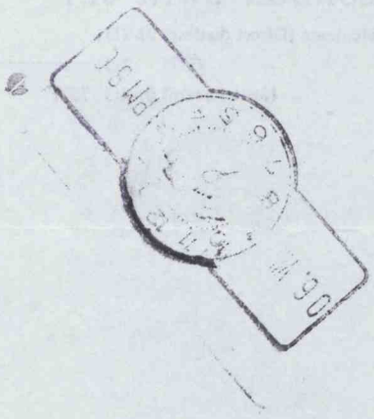
C Bradley

CATHERINE BRADLEY
Private Secretary

1786 BOARD OF TRADE BICENTENARY

DW1BRX

Broadcast, finances of BBC Pt 3



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7 w/o

010

SM4/93

CONFIDENTIAL

CC/86

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

4 August 1986

The Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Department
50 Queen Anne's Gate
LONDON SW1H 9AT

NBJ/14

PEACOCK REPORT

I owe you a reply to your letter of 2 July. WILL REQUEST IF REQUIRED

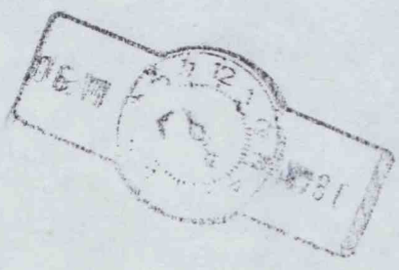
It is essential that we do not fall into the trap of confusing the quite separate problems of obscenity and violence on the one hand and political bias on the other.

The former is best dealt with by subjecting broadcasters to the general law of the land, which may indeed require amending. Nothing could better illustrate the increasing absurdity of a special regime for broadcasters than the rapid growth of videos - including pornographic videos and video-nasties where precisely the same problems arise.

So far as political bias is concerned, the existing system clearly does not work, and indeed will always favour the left. While the transition cannot of course be achieved overnight, the cause of political balance, including a fair crack of the whip for conservative values, stands a far better chance of being secured by the "newspaper" solution of a multiplicity of broadcasters, each enjoying political freedom of expression, but each constrained by the need to win and keep an audience.

I am copying this to the recipients of the previous correspondence.

NIGEL LAWSON



LD/091

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

The Rt Hon Douglas Hurd CBE MP
Secretary of State
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

4 August 1986

PEACOCK REPORT: EXTENSION OF ITV CONTRACTS

I have seen your minute of 30 July to the Prime Minister.

I agree that the awarding of new contracts under the present arrangements would inhibit the introduction of any fundamental changes to the structure of the broadcasting system which we may decide to implement. I would therefore support your proposal to extend the current contract period for up to two years. However, this should not delay the review of contract arrangements in MISC 129 this autumn; nor should we lose sight of the possibility of moving to a levy based on revenue rather than profit for the subsequent contract period.

I am copying this letter to the Prime Minister, Willie Whitelaw, Nicholas Edwards, Norman Tebbit, Paul Channon and John Wakeham, and to Sir Robert Armstrong.

NIGEL LAWSON

BROADCASTING: BBC finances PT3

CC/BG

HOME SECRETARY

To await comments
B/P 20/8

PRIME MINISTER

PEACOCK REPORT: EXTENSION OF ITV CONTRACTS

At your meeting on 25 June it was agreed that I should look further at the position on IBA contracts, given that there was a strong case for postponing action on a further round of contract awards until the next Parliament. The statement I made on publication reflected this by saying that, although the Government had reached no conclusion on the recommendation that in future IBA contracts should be awarded by a competitive tender, we were anxious that the option for a change should remain open. I said that I would consider the matter with the IBA.

I have now done this, and discussed the matter with Lord Thomson, the Chairman of the IBA. It is clear that, as expected, the IBA oppose the specific recommendation for a change in the contract system which the majority of the Peacock Committee recommended. However, the IBA is developing its own ideas for changing the contract system which will require legislation. Despite this, although Lord Thomson understands our wish to keep the options open - which I have stressed to him might pave the way for changes quite different from those envisaged by Peacock - he does not feel that the IBA could properly help to achieve this result without legislation, for example by making the next round of contracts for a relatively short period. I have explained to him that there are indeed advantages in keeping the option open, not only because of the possibility of changing the contract system itself, but also because other possible changes may also be relevant. For example, it might prove difficult, if

our studies suggest this is desirable, to introduce a requirement that some or all IBA services be encrypted and funded by subscription half way through a contract period. Similarly, it may also be desirable to seek to achieve the larger role of independent producers which Peacock recommended by building something in at the beginning of the contract award process.

It seems to me clear that for these broader reasons it is important that the incoming Government should not be faced with a situation, which it is clear will otherwise obtain, where ITV contracts are to be awarded until 1998. If nothing is done, we shall be locking ourselves into the present system, which few admire except the beneficiaries, for another twelve years, which seems absurd. Accordingly I now seek policy approval for making the necessary legislative change, which I believe would need:

(i) to allow the IBA to renew contracts without the need for advertisements and local consultations, as would otherwise be required under the Broadcasting Act 1981;

(ii) to prevent the IBA from making new contracts on this round for longer than two years (which would mean they would run until the end of 1991 at the latest);

(iii) cover the possibility that one or more existing contractors would not wish to make a short term new contract, by providing that any new entrant would also be limited to a contract of two years at the most.

Legislation on these lines might meet some resistance from the IBA and perhaps also from the ITV contractors, who would probably prefer that the next round took place under the law as it now stands: Lord Thomson has made it clear that the IBA would want to put on record that it was done against its advice, though the Authority itself is not likely to do more than that. We should also have to face some criticism that the

Government was indecisive; that it ought to act at once on the Peacock recommendation or reject it: in other words, that we should either leave the system alone or change it substantially, rather than simply legislating to keep the option open. But I think we have a good answer to this point in that the Peacock Report opens the door to fundamental changes in the broadcasting system - including, for example, the introduction of subscription. It is important that we keep open the option of introducing these changes (and indeed any changes the IBA itself wishes to propose) which new ITV contracts until 1998 would inhibit: but at the same time it is entirely reasonable that we are not yet in a position to decide on the substantive changes, given that not only fundamental policy issues are involved but that there are also technical studies to be undertaken (in particular on encryption and subscription technology).

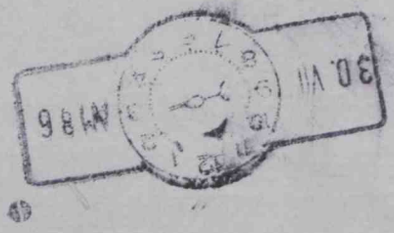
If you and colleagues to whom I am copying this minute are content on policy grounds, it follows that we need to legislate next Session. I should like to make clear to the IBA and the other broadcasting interests what we intend, but I will not proceed to do this until I have not only agreement on policy grounds but also clearance from Willie Whitelaw as Chairman of QL. I already have agreement to a brief Bill to extend the contract period for direct broadcasting by satellite and I would hope that it might be possible to include these provisions in that Bill, but I will elaborate on that to QL.

I am copying this minute to the Lord President, the Chancellor of the Exchquer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade & Industry and the Chief Whip, and also to Sir Robert Armstrong.

Douglas Hurd.

30 JULY 1986

BROADCASTING: BBC PT3



CONFIDENTIAL

MR WICKS

c: Mr Sherbourne

10 DOWNING STREET

From the Press Secretary

CHANCELLOR OF THE DUCHY OF LANCASTER

This is to confirm my conversation with you yesterday. On Friday I had lunch with Ian McIntyre, Controller BBC Radio 3, and George Fischer, also Radio 3, both of whom have been very helpful in the past.

They present themselves as friends at an unfriendly court and Mr McIntyre said that he and Mr Fischer (who nodded assent) were only too willing to try to help the Government and party improve its radio broadcasting output.

I said that much as I valued this offer, it seemed that its real worth would be to the party and that I would pass it on. I suggest that you might invite them to lunch; it would seem preferable to see them away from Broadcasting House.

In conversation they showed enthusiasm for:

- a splitting of radio and television broadcasting both BBC and IBA; they claimed that Lord Thomson, IBA, tentatively raised this idea with the BBC some years ago and was told No by the BBC (which is preoccupied with holding what it has got and expanding its empire)

- the introduction of new radio and television broadcasting authorities

- the concept of individual, identifiable editorial controllers of radio and television news and current affairs output

- a contraction in local radio with BBC getting out of it.

BERNARD INGHAM
8 July 1986

CONFIDENTIAL

RESTRICTED

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Sir Robert Armstrong

PEACOCK REPORT

The Prime Minister was grateful for your minute of 3 July on the arrangements for taking forward work on the Peacock Report. The Prime Minister was content with these arrangements. She would wish the Policy Unit to be represented on the Official Group.

DN

7 July, 1986.

RESTRICTED

CCBG

HOME SECRETARY

QUEEN ANNE'S GATE
LONDON SWIH 9AT

Prime Minister 2

4 July 1986

Peter Wary believes this to be acceptable.
DRN
7/7.

Dear Nigel,

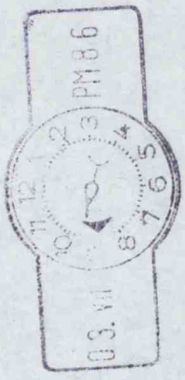
BBC ACCOUNTS

In my letter of 27 November 1985 to John MacGregor I said that we would be urging the BBC to take steps to ensure that the Accounts for 1985/86 should follow standard accounting practice in respect of depreciation. You will be glad to know that the BBC have now agreed to this. They propose to make the source and application of funds statement the main reporting statement in the Accounts, and to include depreciation in the supporting income and expenditure statement in essentially the way suggested by the Treasury in 1984. Your officials now have the details of the lay-out which the BBC propose to adopt in the Accounts for publication later this year, and have made one or two presentional suggestions which have been passed to the BBC. I think that this is a satisfactory outcome to this affair.

I am copying this letter to the Prime Minister and to John MacGregor.

Yours,
Douglas.

The Rt Hon Nigel Lawson, M.P.



BROADCASTING
BBC FINANCE
PT 3

03. VII PM 86

Ref. A086/1948

PRIME MINISTER

Peacock Report

At your meeting last week you asked me to make detailed proposals for the MISC group of Ministers that will be needed to take work forward on the Peacock Report. You were particularly concerned that the arrangements for the Ministerial Group should ensure that the necessary technical expertise was fed into it, and you also noted that it could well be helpful to involve someone with commercial experience.

2. I assume that you will wish to chair the Ministerial Group. I propose that the other Ministers should be those at your meeting last week (the Lord President, the Chancellor of the Exchequer, the Home Secretary, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry and the Chief Whip) plus the Secretary of State for Wales. There seems no special need for the Secretary of State for Scotland, as there is no language issue there. I doubt if, in terms of strict departmental interest, the group of Ministers needs to be further expanded, though the Secretaries of State for Education and Science and for Employment will doubtless be amongst those who have an interest in the topic. As I mentioned at your meeting, Mr John Fairclough, the Chief Scientific Adviser here, is admirably qualified to give the Ministerial Group general technical advice in this field, and I am sure that he should attend the meetings of the Group. The Department of Trade and Industry may want their experts to attend for particular matters, but I think that we might wait and see how that develops. For the commercial adviser I can think of no better name than Sir Jeffrey Sterling, and I recommend that he should

RTAAAR

attend meetings of the Group. For the terms of reference of the Ministerial Group I suggest:

> "To review policy on the regulation and financing of broadcasting services in the light of the Report of the Committee on Financing the BBC, including any implications for cable and telecommunications policy."

3. The Ministerial Group will need to be supported by an official group. I propose that this should be chaired by the Home Office at Deputy Secretary level. The only other Departments whose representation on the group is essential are the Treasury, the Department of Trade and Industry and the Welsh Office. I propose that representatives from these Departments, plus an Under Secretary from the Cabinet Office, would be enough to start with. As for technical experts, I think that Mr Fairclough should join this group as well as attend the Ministerial one, and it may be that the Department of Trade and Industry will also need to field experts on particular topics. Sir Jeffrey Sterling could also be invited to attend the official group as necessary.

4. If you agree with these proposals, I will promulgate them straight away. I will also, if you agree, invite the Home Office to ensure that the official group has a preliminary meeting before the Summer Recess to rough out the work programme and to put in hand any technical appraisals that the Ministerial Group may need when it starts work in the autumn. The broad point that I have in mind here is that the Government's approach to the immediate problems on the licence fee will be coloured by the feasibility and timescale of the radical proposals canvassed by the Peacock Committee, and I think that we need to begin testing the Peacock Committee's assumptions on those aspects before we go much further.

MS

for ROBERT ARMSTRONG

3 July 1986

From: THE PRIVATE SECRETARY

CCBG

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

2 July 1986

DN seen P.A.

Dear David,

PEACOCK REPORT

Thank you for your letter of 2 July which we .... briefly discussed. I now enclose for you and copy recipients the final version of the Home Secretary's .... statement tomorrow. I also enclose for those who have not previously received them a copy of the report and a summary of its recommendations.

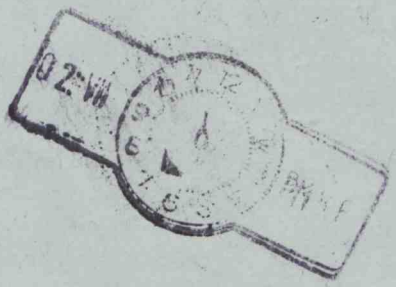
I am copying this letter to the Private Secretaries to members of the Cabinet, Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

yours

Clare

MS C PELHAM

David Norgrove, Esq.



cc TF
G
BG
PRESS
D/C

HOME SECRETARY'S STATEMENT ON PUBLICATION OF PEACOCK REPORT

THURSDAY, 3 JULY 1986

With permission, Mr Speaker, I should like to make a statement on the Report of the Committee on Financing the BBC under the Chairmanship of Professor Alan Peacock which was published today. I should like to record my deep gratitude to Professor Peacock and his colleagues for their industry in pursuing their enquiries and for their efficiency in completing their work and producing this Report in twelve months.

The Committee puts forward a number of interesting and constructive proposals for replacing the present system of financing the BBC in a few years' time, which I shall come to. However, it rejects the proposal that the BBC should at present be funded wholly or in part by advertising and concludes that at this stage the licence fee, with some modifications, should remain as the principal source of funding for the BBC. The Committee argues that, since spectrum is still scarce, and there is as yet no way in which the consumer can pay direct for the programme of his choice, the introduction of advertising would reduce the effective range of choice open to viewers and listeners. Given the original work which the Committee undertook and commissioned on the economics of the advertising market and

/on the relationship

on the relationship between advertising and broadcasting services, we cannot lightly put aside its assessment of this point. However, before reaching any conclusions the Government would welcome comments on the Committee's analysis.

The Committee's view is that our present system of public service broadcasting has provided the best means of securing diversity of choice and programmes of quality - under the prevailing market conditions. The Committee sees a need for this system to remain in being for some years, though with important modifications, but argues that, under pressure for inevitable technological change, it must and should give way to arrangements where, as channels multiply and customers find means to register their own preferences directly, a genuinely competitive broadcasting market develops. The Committee believes that this will take time but in a few years, in preparation for this, payment for BBC services should be made through subscription, leading to the end of the licence fee system. In the longer term, perhaps through the provision of a national cable grid, a genuinely competitive market in television services could be brought about so that the current arrangements, dependent on the duopoly, would no longer be needed. There would be scope for greater diversity of programmes and a wider choice for consumers, who would have much greater freedom than is now possible to decide which programme services they would like and at what price. Special arrangements are envisaged to ensure that public service programmes are available which, though needed, the market might not produce unaided.

/The Government ...

The Government sees much merit in this approach which fits well with our general philosophy. All of the Committee's proposals, which have profound implications for all broadcast services, and the institutions which provide them, deserve and will receive careful study. We shall reach final views on the Report only in the light of Parliamentary and public reaction; and we should welcome any comments from the public and other interested parties. However, there are four matters on which I should like to make some comment now.

First, there is the proposal by four members of the Committee that IBA contracts should be awarded by a competitive tender, with the IBA required to make a full public and detailed statement of its reasons if it decided to award a franchise to a contractor other than the one making the highest bid. The Government has reached no conclusion on this recommendation. However, it is anxious that the option for change should remain open. This would not be the case if the IBA proceeds to arrange new ITV contracts to take effect from the beginning of 1990 for eight years. Accordingly we are considering with the IBA the relationship between this timetable and the Committee's recommendation. We do not propose to disturb the work the IBA has in hand to make a contract for the provision of DBS services.

/Second, there is the.

Second, there is the question of the regulation of the content of broadcast programmes. The Committee suggests that broadcast services should be subject only to such regulation as is provided for all material in the general law of the land, as is the case for the print media, and that in the long term there should be no pre-publication censorship or vetting of any kind of broadcasting. There is also a recommendation that arrangements should be made now that the non-occupied night time hours of existing broadcasting frequencies should be sold for broadcasting use and that there should be no regulation of the programme content for such services except insofar as the law of the land, amended as necessary, restricted it. Our present arrangements reflect the view that the peculiarly intrusive nature of broadcasting, and in particular of television, continue to require special regulatory arrangements to ensure certain standards in broadcast services. For this reason we have broadcasting authorities to enforce controls on such matters as taste and decency in broadcasting which are much stricter than applying to the print media, or than could easily be accommodated in the criminal law. The present regulatory regime, and the institutions to give effect to them, are certainly not sacrosanct; but the Government believes that any future arrangements should be no less effective than those now in place.

Third, there are the ..

Third, there are the recommendations on radio. The Peacock Committee recommends that the BBC should have the option to privatise Radios 1, 2 and local radio in whole or in part and the IBA regulation of radio should be replaced by a looser regime. Five of the Committee's members went further and said that Radio 1 and Radio 2 should be privatised and financed by advertising and that further radio frequencies becoming available should be auctioned to the highest bidder. I have already announced my intention to publish a Green Paper looking at the existing framework for the provision and regulation of radio broadcasting as a whole. I believe that it would be helpful for this consultative document to examine further services at national, local and community level and that the future of BBC radio services and of those provided by the IBA should be looked at in the light of the Peacock's Committee's recommendations.

Fourth, we see merit in a number of the Committee's shorter term proposals designed to pave the way for the free broadcasting market which they wish to create, including for example the recommendation to increase the proportion of television programmes supplied by independent producers. The best way of achieving this will need careful consideration.

I welcome the Committee's Report and the many stimulating ideas which it contains. It is a challenging piece of work. We look forward to the constructive public debate about the future of broadcasting which I am sure it will encourage.

SUMMARY OF

PEACOCK COMMITTEE RECOMMENDATIONS

Recommendation 1: All new television sets sold or rented in the UK market should be required from the earliest convenient date, and in any case not later than 1 January 1988, to have a peritelevision socket and associated equipment which will interface with a decoder to deal with encrypted signals. (Para 611)

Recommendation 2: BBC television should not be obliged to finance its operations by advertising while the present organisation and regulation of broadcasting remain in being. (Para 615)

Recommendation 3: The licence fee should be indexed on an annual basis to the general rate of inflation. (Para 620)

Recommendation 4: To permit the BBC to be the managing agent in the collection of the licence fee, the Post Office should be released from its responsibility as agent to the Home Office for collection and enforcement procedures associated with the licence fee. The BBC should become responsible for inviting proposals for collection and enforcement procedures and for identifying the most efficient and economic collection and enforcement system. (The Post Office, of course, could tender for the role of agent.) (Para 628)

Recommendation 5: On the understanding that the proceeds would be used to reduce the cost of the television licence and not to increase the total sum available for broadcasting, a separate licence fee of not less than £10 should be charged for car radios. (Para 632)

Recommendation 6: Pensioners drawing supplementary pension in households wholly dependent on a pension should be exempt from the licence fee. (Para 634)

Recommendation 7: The BBC should have the option to privatise Radios 1, 2 and local radio in whole or in part. IBA regulation of radio should be replaced by a looser regime. (Para 637)

Recommendation 7a*: Radio 1 and Radio 2 should be privatised and financed by advertising. Subject to the Government's existing commitments to community radio, any further radio frequencies becoming available should be auctioned to the highest bidder. IBA regulation of radio should be replaced by a looser regime. (Para 637)

Recommendation 8: The BBC and ITV should be required over a ten year period to increase to not less than 40 per cent the proportion of programmes supplied by independent producers. (Para 647)

Recommendation 9: The non-occupied night-time hours (1.00 am to 6.00 am) of the BBC and ITV television wavelengths should be sold for broadcasting purposes. (Para 652)

Recommendation 10:** Franchise contracts for independent companies should be put to competitive tender. Should the IBA decide to award a franchise to a contractor, other than the one making the highest bid, it should be required to make a full, public and detailed statement of its reasons. (Para 655)

*proposed by 5 members of the Committee.
**proposed by 4 members of the Committee.

Recommendation 11: Franchises should be awarded on a rolling review basis. There would be a formal annual review of the contractor's performance by the Authority. (Para 657)

Recommendation 12: Consideration should be given to extending the franchise periods, perhaps to 10 years. (Para 658)

Recommendation 13: DBS franchises should be put to competitive tender. (Para 659)

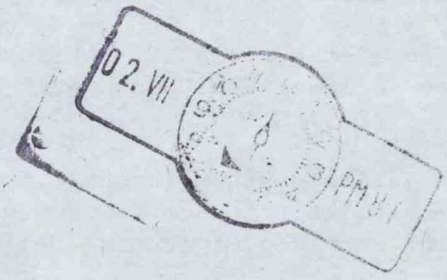
Recommendation 14: Channel 4 should be given the option of selling its own advertising time and would then no longer be funded by a subscription from ITV companies. (Para 660)

Recommendation 15: Telecommunication systems (eg British Telecom, Mercury and any subsequent entrants) should be permitted to act as common carriers with a view to the provision of a full range of services, including delivery of television programmes. (Para 665)

Recommendation 16: The restriction of cable franchises to EEC owned operators should be removed. (Para 667)

Recommendation 17: All restrictions for both Pay-Per-Channel and Pay-Per-Programme as options should be removed, not only for cable but also for terrestrial and DBS operations. (Para 668)

Recommendation 18: As regulation is phased out the normal laws of the land relating to obscenity, defamation, blasphemy, sedition and other similar matters should be extended to cover the broadcasting media and any present exemptions should be removed. (Para 669)


02. VII

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 July 1986

Dear Ms Pelham,

PEACOCK REPORT

The Prime Minister has seen the draft Statement about the Peacock Report attached to your letter to me of 30 June.

The Prime Minister shares the Chancellor's concern about the half sentence at the foot of page 3 which states that the Government does not share the apparent view of the Peacock Committee that there is nothing in the nature of the broadcast medium itself to require special regulatory arrangements.

The Prime Minister suggests that the phrase beginning "but the Government" could be amended to read:

> "but the Government are quite clear that any future system of controls must be no weaker than the present system."

I am sending copies of this letter to Joan MacNaughton (Lord President's Office), Rachel Lomax (H.M. Treasury), Colin Williams (Welsh Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), John Mogg (Department of Trade and Industry), Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

pp David Norgrove

Ms. Clare Pelham,
Home Office.

RC6.15

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

1 July 1986

Ms C Pelham
Private Secretary to the
Secretary of State for the Home Department

Dear Clare,

PEACOCK REPORT

The Chancellor has seen your letter to David Norgrove of 30 June covering a revised draft oral statement on the Peacock Report.

The Chancellor was very concerned that the comment at the bottom of page 3 of the draft

> "but the Government does not share the apparent view of the Peacock Committee that there is nothing in the nature of the broadcast medium itself to require special regulatory arrangements"

is not in accordance with the conclusions of the Prime Minister's meeting. This is borne out by the point in the first full paragraph of page 2 of Mr Norgrove's minute of the meeting circulated on 25 June

> "At this stage the Home Secretary's statement should be firm in saying that any future systems must be no weaker than it was now. A possible line to take in answer to questions would be to say that if the existing system of regulation were abolished it would be necessary to consider whether the existing law of the land was adequate. The regulation of programme content would need to be further considered during the course of future detailed study of the Report's recommendations."

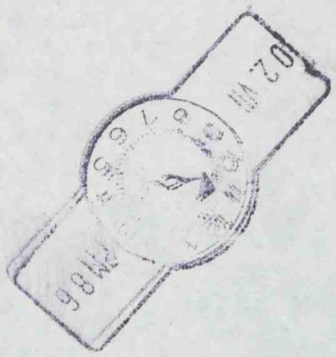
I am copying this letter to Joan Macnaughton (Lord President' Office), John Mogg (Department of Trade and Industry), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office), Michael Stark (Cabinet Office) and David Norgrove (No. 10).

Yours

Cathy

CATHY RYDING
Assistant Private Secretary

BROADCASTING : BBC Finances : Pt 2



PRIME MINISTER

PEACOCK REPORT

The Home Secretary's draft statement below seems to me to be in line with the conclusions of your meeting except for the half sentence marked at the foot of page 3. This would enshrine the view that broadcasting requires special regulatory arrangements, whereas you and others at the meeting felt there was a case for setting out the requirements through legislation.

One possibility would be to replace the passage marked by the phrase:

> "but the Government are quite clear that any future system of controls must be no weaker than the present system."

Agree?

DAVID NORGROVE

1 July 1986

PART 2 ends:-

HOME OFFICE TO DN 30/6/86

PART 3 begins:-

DN to PM 1/7/86

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