

From: THE PRIVATE SECRETARY

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30 June 1986

Dear David, PEACOCK REPORT

I attach a copy of the revised draft oral statement which the Home Secretary proposes to make when the Peacock Report is published, which we now expect on 3 July.

The draft has been revised in the light of a discussion at the meeting the Prime Minister held on 25 June, and which was recorded in your letter of the 26th.

A copy of this goes to Joan MacNaughton (Lord President's Office), Rachel Lomax (HM Treasury), John Mogg (Department of Trade & Industry), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

Yours
Clare

MS C PELHAM

D Norgrove, Esq.

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DRAFT STATEMENT

PEACOCK COMMITTEE

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 12 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 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.

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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 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 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 that could not 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 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.]

are quite clear that any future system of controls must be no weaker than the present system.

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.

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.

