

C. M. Hoskyns*Broadcasting 3**WBSM*

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18 July 1979

Dear Sir

Thank you for your minute of 6 July in which you invite my views on the next TV licence increase. I have also seen the Prime Minister's comments in the No 10 letter of 9 July.

There are merits in having an increase in July - it would involve a slightly smaller increase to have the same effect on the BBC's revenue as a September increase while the timing of an announcement just before the holidays would have less impact. On the other hand I think the advantage of waiting until we have a clearer idea of the BBC's own expenditure forecasts is greater. Furthermore, as you say, you should then be able to make an announcement about easier ways to pay. Also the timing of an announcement nearer the point when the Budget changes in direct tax rates and pensions are received, and further from the time when the VAT increases have worked through, is better (though the fact that licence renewals will be spread throughout the following 12 months makes this more of a presentational point).

Another argument for going for September is that we can make a proper assessment of the pros and cons of an increase designed to last at least two years, as you wish, or of a smaller increase to last about one year, as suggested by the Prime Minister. Although the BBC have a clear preference for longer intervals between increases, the discussions you are having with them over long-term planning - which are intended to give them greater confidence about their future plans - should reduce the feeling that frequent increases impose a hand-to-mouth existence on them. On the other hand, though the RPI effect of a TV licence increase is significant (an increase of £8 for colour and £1 for monochrome would, I understand, raise the RPI by about 0.1 per cent) the increases necessary for one year would not be significantly lower than for two, because of the need to pay off current borrowing. We can weigh these factors when we have proposals based on precise estimates.

/ I assume

The Rt. Hon. William Whitelaw CH., MC., MP.



I assume that in your discussions with the BBC on long-term planning you are considering how they compare with other similar organisations in their efficiency and use of staff and whether they can be encouraged to greater efficiency. Let us consider this point too when we have their estimates.

I agree however that, whatever the decision about the colour licence fee, the increase in the monochrome licence should be restricted to £1.

I am sending a copy of this letter to the Prime Minister.

A handwritten signature in black ink, appearing to read "Geoffrey Howe", written in a cursive style.

GEOFFREY HOWE



19 JUL 1979