

SECRET

Copy No. 2 of 3

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CHANCELLOR OF THE EXCHEQUER

TELEVISION LICENCE FEES

In your letter of 18 July you agreed that we should defer the next television licence fee increases until this month at the earliest. I have now had an opportunity of reconsidering the whole matter in the context of the BBC's 10 Year Estimates, a copy of which has been seen by your officials.

As you know, my officials have been working with the BBC's to evolve a new approach to the Corporation's Forward Planning which, like the licensing system, has been badly hit by the effects of inflation and our predecessors' reluctance to think more than one year ahead at a time. This aims at separating discussions of BBC expenditure figures from particular decisions on the size and timing of the television licence fees, though clearly revenue (including agreed borrowing) and expenditure will have to keep in balance taking one year with another. It also includes proposals for giving agreement to provisional planning figures for BBC expenditure for four years ahead. Your officials have been aware of this exercise and have been very helpful. I endorse the general approach in the paper which has been produced by officials and intend to publish it at the time I make a statement about increases in the fees. I mentioned this in the speech I made to the Royal Television Society at Cambridge recently and I attach a copy of the relevant paragraphs of that speech which set out my views more fully.

When I make a statement about increases in fees I would also announce methods I propose to introduce to make it easier to pay the licence fees. These are the conclusions which flow from my consideration of another report I have received, and a copy of which I attach, and which I would also intend to publish at the time of the statement. The methods I propose to adopt are to bolster the present savings stamp scheme mainly by increased publicity, and (although this will take a year or so to do) to negotiate the use of direct debiting and credit cards.

When we were in Opposition you will recall that we strongly criticised the annual increases in licence fees implemented by our predecessors, together with their decision in January to increase the borrowing limits so as to enable the BBC to finance an increasing current deficit. In my view this year is make or break for the licensing system. I am certain that it is politically necessary to announce a fee increase covering at least two years and to enable the BBC to repay its present debt so that they are on a solid financial basis. I also believe that in setting indicative planning figures for BBC expenditure over the next four years, we need to take account of the increasing shabbiness of the service and the need to replace capital equipment. It will certainly be no easier next year to achieve these aims.

/I now believe

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I now believe that the best time for fee increases would be October. The Conferences will be out of the way then; it will be closer to the time when retirement pensions are increased; it will be after income tax repayments are made following your budget; and the House will be sitting so that I can make either a written or an oral statement. For technical administrative reasons, therefore, I would wish to make my announcement on Friday, 26 October, so that the new fees will come into effect at midnight on that day.

As to the level of the fees, I would first mention monochrome. In our exchange of correspondence in July we agreed that this increase should be restricted to £1. I have reflected on this and now think that an increase of £2, that is from £10 to £12, is politically acceptable and that it is right to distribute the burden of the increases rather more fairly. At present £1 on the monochrome licence brings in between £4-£5 million.

The BBC has a good record for improving productivity as shown in the note which the Director-General handed to you recently, but there are grounds for believing that this may be less easy in the future when there will be less scope for economies of scale and new technology is not wholly labour saving. The Corporation needs to restore and improve the quality of its output in view of the increasing competition it will face from the fourth television channel and from the continued development of independent local radio: it has an urgent need for further capital equipment: both these were gravely inhibited by the short term approach of our predecessors. I do not envisage any significant expenditure on new services.

I attach a note setting out the options for various increases in the colour fee on the assumption that the monochrome fee will be increased by £2 from £10 to £12 and that we assume a declining rate of inflation from the present level of the RPI at 15.8%. If, as we all hope, inflation goes down at a very rapid rate the increases will last longer than stated on the table. If, on the other hand, it stays at its present level and we take no other action with the BBC, the Corporation will go into deficit rather earlier than the table suggests but, as it will have paid back some or all of its present borrowing, we would still have flexibility on the size and timing of the next fee increases. You will see from the table that an increase of £7 would enable the Corporation to continue without any growth, but that an increase of £11 would be necessary for the Corporation to implement all its proposals. I do not believe we can accept all the BBC's proposals and I must admit that my own preference on broadcasting grounds would be for an increase of £10. On political grounds, however, I do not believe that we could use this somewhat symbolic figure. Anything less than £9 could not be presented as setting the

/Corporation's finances



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Corporation's finances on an even level, would attract little less odium, would lead to greater problems in the future and, above all, would give us less room for manoeuvre when we face the question of the licence fees next time. My conclusion, therefore, is to go for £9 and I hope you will support me in it.

My officials, after consultation with yours, would discuss with the BBC the level of expenditure over the next two years and the use to be made of the borrowing powers which would be compatible with this decision and what indicative figures should be set for the third and fourth year of the planning period. It will be for the Governors to decide what adjustments to make to their 10 Year Plan within the expenditure level indicated as acceptable. When these consultations are completed I would make a further statement about the BBC's expenditure plans, probably early in the New Year.

I believe that increases in the television licence fees of £9 on colour to £34, and £2 on monochrome to £12 are fully justified and can be defended politically. I hope you will be able to agree that I announce these increases on 26 October.

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

WLB  
  
26 September 1979

P.S. For comparison I attach a table showing the scale of licence fees in other European countries.

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EXTRACT FROM SPEECH BY THE HOME SECRETARY  
THE RT HONOURABLE WILLIAM WHITELAW, CH, MC, DL, MP  
AT THE ROYAL TELEVISION SOCIETY CONVENTION - TELEVISION IN A FREE SOCIETY -  
KING'S COLLEGE, CAMBRIDGE, FRIDAY 14 SEPTEMBER 1979.

B.B.C.

I will start by saying something about the B.B.C. Broadcasting in this country began with the B.B.C. as the national broadcasting service and the B.B.C. is an essential element in our broadcasting system. The relationship between the Government and the B.B.C., which was for many years our only broadcasting organisation, set the pattern for our approach to public service broadcasting in this country. As the Annan Committee said, the B.B.C. is arguably the single most important cultural organisation in the nation and its reputation extends far beyond the United Kingdom. In these circumstances I was always clear that there was no need for the last Government's proposals for the Service Management Boards.

The Annan Committee recommended that the B.B.C. should continue to be financed from the revenue of the broadcast receiving licences. But the licensing system needs to be operated in such a way as to allow the B.B.C. proper scope for its strategic planning in the face of competition. I have therefore been paying particular attention to the need to give the B.B.C. an improved basis for its forward strategic planning which has been badly hit by inflation. My predecessor initiated discussions with the B.B.C. last November to this end. These have been followed up vigorously and, although there are problems still to be resolved on both sides, I am glad to say that discussions between Home Office officials and the B.B.C.'s Finance Division are nearly complete. I intend to publish a paper on this in due course. The main change proposed is to separate the process of negotiating B.B.C. expenditure from time to time from the process of settling how the revenue is to be raised to meet this. And the aim is that the Home Office and the B.B.C. should reach a provisional understanding about the level of expenditure which would be likely to be acceptable for each year in a 4 Year Planning Period. The proposals recognise the B.B.C.'s need to ensure its editorial independence and freedom in its everyday management, both of which are endorsed by the Government. They also recognise the Home Secretary's need to satisfy himself, Parliament and the licence holders who actually pay the licence fees, about the level of the financial provision made for B.B.C. broadcasting.

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## HOME OFFICE STUDY ON ALTERNATIVE METHODS OF PAYING THE TELEVISION LICENCE FEE

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- III SHORT TERM LICENCES
- IV LICENCES WITH A UNIFORM EXPIRY DATE
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## I INTRODUCTION

### 1. Scope and purpose of report

1.1. In a Written Answer in the House of Commons on 24 November 1978 announcing the Government's decision on the television licence fee increases, the then Home Secretary acknowledged the problems created by a one-year increase in the licence fees for the BBC's future planning and said that the Home Office was ready to enter into discussion with the BBC about the Corporation's future financial requirements and about the basis upon which it could be enabled to carry forward its longer-term planning. One of the areas examined is the general question of making payment of television licence fees less of a financial burden to people on low incomes and providing facilities for other licensees to spread their financial commitments over the year. This Report by the ABRL Working Party contains an analysis of possible options and estimates (where known) of their respective costs.

### 2. Background

2.1. In 1922 the British Broadcasting Company, owned jointly by firms with an interest in wireless telegraphy, was granted a monopoly for a limited period both over the right to broadcast and to manufacture receiving equipment for which the Postmaster-General issued a licence. The Company was originally financed by contributions from its members in proportion to their respective sales of equipment and by a proportion of the revenue received from the issue of broadcast receiving licences. However, because a large number of private individuals started to construct their own wireless sets the equipment monopoly collapsed and first the Company, then the British Broadcasting Corporation, became wholly dependent on the licence revenue to pay for the establishment of wireless stations.

2.2. In 1925, following legislation, it became an obligation to be licensed to install or work a broadcast receiving set and this requirement was subsequently embodied in the Wireless Telegraphy Act 1949. The Post Office continued the task of



collecting the licence fee and issuing the licences. The work, which has developed over the years and now covers the issue of television licences, is still done by the Post Office, as the Secretary of State's agent, through the National Television Licence Records Office (NTVLRO) located in Bristol.

2.3. The licence fee is levied on a "per household" basis and now covers the use of television sets by all members of a household. The full fee is payable on the issue of a licence which normally remains valid for 12 months.

2.4. The system of collecting the licence fees has remained basically the same since the licences were first introduced except that, in order to increase efficiency, the licence records and some of the routine clerical processes have been computerised and the work centralised at the NTVLRO.

2.5. Under the present arrangements, when a licence is first taken out (which can be done at any post office) a copy of the licence is sent to the NTVLRO. The particulars are stored in the computer records and a reminder is prepared automatically when the licence is about to expire. Unless particulars of a replacement licence for that licence are fed into the computer, a second (final) reminder is sent. That basic routine is supplemented in two main ways. The computer draws attention periodically to addresses for which no licences have been taken out and prepares enquiry letters, and it also assimilates the notifications (required under the Wireless Telegraphy Act 1967) from dealers of television set transactions, checks whether or not the appropriate licences are held and if not prepares enquiry letters. If any of these methods do not result in a licence being taken out the computer prepares a form of request to the local television licence enquiry office to visit the address in question to ascertain whether a licence is held. If not and a set is found to be in use, consideration is given to prosecution. The maximum fine on conviction is £200. At present there are about 60,000 successful prosecutions annually - over 99% of all prosecutions.



2.6. Approximately 88% of television licences are now obtained over Post Office counters and 12% by post from the NTVLR0. Payments are normally made by cash, cheques or savings stamps, but licensees may also pay by giro transfer or standing order. It is estimated that between 25% to 30% of the total value of licences obtained over counters is paid for by cheque and 16% by savings stamps.

2.7. A licence was at first required for the use of radio only and by 1946 over 10 million licences were in force. In 1946, following the reintroduction of a television service, a combined sound and television licence was introduced and by 1968 the number of such licences had reached over 15 million. Over the same period the number of radio-only licences fell to  $2\frac{1}{2}$  million. With the introduction of colour television by 1968 a supplementary fee was charged for the reception of colour. In 1971 the radio-only and the combined radio/television licences were abolished and the present television-only licence introduced. There are now 18.5 million television licences in force of which 65% are for colour. Although colour penetration is expected to reach about 85% by the middle 1980's any future growth in the total number of licences is likely to be minimal.

2.8. Licence revenue is used to finance the BBC to enable it to provide not only two television services but also the four national radio networks, regional radio services and local radio. Radio accounts for some 28% of the BBC's expenditure. External services are financed separately by Government grant-in-aid.

2.9. The relative stability of the economy up to the early 1970's together with the continuing growth in the number of licences issued meant that the revenue collected was always sufficient to cover the cost of developing the broadcasting services without there being too frequent increases in the value of the fees. The 10 shilling radio licence lasted for nearly 24 years until 1946 when it was increased to £1. At the same time the first combined sound/television licence costing £2 was introduced. The rapid increase in the use of television during the 1950's made



it possible to hold the fees steady and only modest increases were needed until January 1968 when a colour supplement of £5 was introduced.

The popularity of colour television together with the higher fee meant that licence revenue continued to rise during the 1970's. Although colour growth stabilised after 1975 at around one million a year, licence income would have still been sufficient to sustain the BBC's operations, including its by then comparatively minor developments, but for the high rate of inflation that occurred. This increase in inflation meant that large and more frequent increases in the fees were needed. Fees were increased to £8 for black and white and £18 for colour in April 1975, to £9 and £21 in July 1977, and to the present level of £10 and £25 in November 1978.

## II METHODS OF PAYMENT

### 3. Payments by Instalments

3.1. There is an increasing tendency at all levels of society to pay large bills by instalments and a large number of public authorities provide instalment facilities. Some also have stamp schemes to enable customers to save towards their bills. In addition most local authorities permit ratepayers to spread their payments over the year. It is not known to what extent people now pay in instalments for public services and local rates but, in a recent survey by Research Services of Great Britain, 70% of those interviewed said that if there were to be an increase in the television licence fee they would think it a good idea for it to be payable in instalments. In an earlier survey carried out by the BBC Audience Research, people were asked about which method of saving in advance towards their television licence would suit them best if the licence fee were to rise substantially. About a half of those interviewed said they would prefer to pay a lump sum annually, 29% considered the purchase of savings stamps suited them best and 17% said they would prefer to have a fixed sum transferred from their bank account each month. (Transfers could also be made at quarterly, four-monthly or six-monthly intervals). As television



licence fees increase there is growing public resistance to payment in one annual sum. Instalments payments could be paid in the same way as annual licence fees with cash, cheques, savings stamps, giro transfers, standing orders or direct debits when introduced (see paragraph 5.1).

3.2. In any instalment system there is always the problem of whether the payments should be in advance or in arrears. Payments in arrears, or partly in arrears and partly in advance, could cause problems when fees are increased, and on a change from monochrome to colour viewing. There would also be considerable enforcement difficulties if people stopped paying their instalments, as the licensee would hold a licence to which he was not legally entitled. Moreover, there would be an initial loss of revenue in the first year of the introduction of an instalment system with payments in arrears, which might lead to cash flow difficulties for the BBC. No problems should arise if payments were completed in advance of the time when a licence was due to expire. Ideally, to allow for accounting and other matters to be dealt with, payments should be completed at least two months before the renewal date of a licence so that any default could be corrected, or payment made of an additional amount to cover any increase in the licence fee during the previous year.

3.3. The renewal of each of the current total of 18.5 million licences in force costs an average of 48p giving a total cost of £8.88 million\*. The annual cost per licence under an instalment plan would vary according to which method of payment was adopted and how many payments were needed to cover the annual fee. It is considered unlikely that everyone would want to pay by instalments and estimates of probable additional costs have been made based on the findings of the BBC's survey (see paragraph 3.1). The following estimates, which are based on 3 million licensees paying instalments by direct debit and 3 million paying instalments in cash over post office counters, allow for the costs of additional staff, accommodation and equipment. No account has been taken of the interest that would be earned on the

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\*NOTE: The total annual Post Office costs are about £30 million, ie a further £21 million for enforcement, interference investigation, etc.



balance of money held from payments made in advance nor the initial non-recurring cost of setting up an instalment system which is likely to amount to nearly £1 million

Additional costs for collection

	£million
a. 12 monthly payments	14.97
b. 10 monthly payments	12.21
c. 4 quarterly payments	3.78
d. 3 four monthly payments	2.31
e. 2 six monthly payments	0.81

3.4. Unless the additional annual collection costs were recovered by corresponding increases in licence fees there would be a reduction in the income of the BBC. The extra cost expressed in terms of cost per licence to be added to, (i) licences held by people paying by instalments or, (ii) all licences, would be of the order of:

	(i)	(ii)
a. 12 monthly payments	£2.50	81p
b. 10 monthly payments	£2.04	66p
c. 4 quarterly payments	63p	20p
d. 3 four monthly payments	39p	12p
e. 2 six monthly payments	14p	4p

4. Payment by Savings Stamps

4.1. About a sixth of licensees already save towards the cost of their licence by purchasing savings stamps and sticking them on the card provided free at post offices. The results of this special television licence stamp savings scheme, which was introduced in August 1976, have exceeded all expectations and total sales now amount to over £50 million a year. The scheme provides a flexible means of saving as the



special stamps can be obtained in the amounts and at the times most convenient to the purchaser at any of the 23,000 post offices spread throughout the country. To publicise the scheme further posters are being displayed in post offices and leaflets are being inserted in all licence reminders so that over a period of twelve months the 18.5 million people with television licences will have the facility brought to their attention. The current cost of running the savings stamp scheme amounts to just over 6p per £1 sales.

4.2. The scheme is at present restricted in so far as only 25p savings stamps are available, but consideration could be given to the introduction of higher value stamps which might be more convenient to those people who do not need to visit post offices at frequent intervals. The introduction of more than one value of stamp would, however, lead to higher costs because of the longer time taken at Post Office counters to calculate the value of cards bearing a mixture of different value stamps. If a separate card were introduced for each value of stamp, there would be additional printing costs plus the cost of the extra time taken to deal with cases where a stamp had been stuck in the wrong book.

## 5. Payment by Direct Debit

5.1. A pilot scheme is planned for introduction late in 1979 to allow the annual licence fee to be paid by a single direct debit if evaluation judges the pilot scheme to be a success consideration will be given to extending it to the whole of the country. It is estimated that the cost of collecting the fee and issuing the licence would be about 17p. The scheme could be adapted, without the need for new legislation, to provide for the payment of instalments by direct debit in advance of the renewal date of an annual licence. The cost would then be higher - for example, an annual licence paid by monthly instalments would cost about £1 to collect (which is 17p plus 11 x 8p handling costs).



## 6. Payment by Credit Card

6.1. Consideration is being given to a method of paying by credit card within the direct debit system to meet the needs of people who might like to pay for their licence in instalments other than by purchasing savings stamps. Although most credit card holders have bank accounts this is not essential. It would therefore have the advantage that some people without a bank account would be able to use the facility. The same procedure as for handling direct debits could be followed except that the licensee's credit card number would be used instead of a bank account name. At the end of each month the NTVLRD would receive one payment in respect of the full value of all credit card debits in the same manner as for direct debits originated at the same time. A service charge based on the total amount collected in any one calendar month would be levied by the credit card companies. From the technical viewpoint the method proposed is simple and there would be little development costs, provided that the annual direct debit system had been introduced. Although no firm figures are available, it seems likely that the cost of collection would compare favourably with monthly instalments by direct debit (paragraph 5.1).

## 7. Payment through Television Rental Companies

7.1. There are between 11.5 million and 12 million rented television sets which represent 60% of all sets in use. Since such a large proportion of the population rent their sets, a scheme by which licence fees could be paid by instalments with the rental payments through the rental company is prima facie an attractive one. One advantage would be that an existing effective method of payment would be used which might keep costs down and minimise the initial troubles associated with a new system. Moreover, people who rent sets, many of whom are least able to cope with paying a lump sum licence fee every year, would be enabled to pay the fee on a weekly or monthly basis.

7.2. The National Television Rental Association have been consulted as to the feasibility of this proposal. They said that they were not in favour of introducing



it and raised a number of points of difficulty as follows:

- (a) Some 9 million television sets are not rented, and their owners could not be given the option of this facility. In the rental sector there are large numbers of very small businesses over whom it would be difficult to exercise control.

The rental companies would be in the position of tax collectors (they already collect VAT and PAYE and their experience with the former has not been a happy one). Customers would not distinguish between licence fee increases and rental increases and the rental industry would incur commercial odium every time the licence fee was increased. The requirement to collect television licence fees with rentals would be commercially unfair relative to businesses dealing in the same commodity (eg those which sell rather than rent sets.) The Association think that there could also be commercial disadvantages in having to quote rentals enhanced by the licence fee. They also question whether they should be expected to be responsible for paying the licence fees of subscribers who default in their payments.

- (b) There would be a number of administrative difficulties which would require extra expense to overcome. For example, subscribers would need to be notified individually of every change in the licence fee which would be expensive; new subscribers might already have a licence, but if not they would need to buy one and then start paying by instalments for the next one, and if they returned their sets in the middle of the television licence year this would be difficult to allow for; conversion to colour, or the reverse, could cause difficulties; the licence covers the address and not the set and there would be difficulty where a licensee had two sets, one rented and one purchased; there would be considerable additional office work needed and possibly computer programmes would need to be re-written; more staff would be needed who would have to understand and be able to explain the licensing system to customers; complications could arise



in taking additional money from showrooms to the bank and the responsibility for stolen licence fee money would need to be established.

7.3. If such a scheme were to be introduced there is little doubt that legislation would be necessary requiring the rental companies to provide this facility. For the scheme to operate effectively the rental companies would need to be required to forward to the Secretary of State (as his agent) the annual licence fees of the households where there are rented sets (some 12 million) recovering the cost by an appropriate increase in the rental charges they make to their customers to cover (a) the cost of the licence fee and (b) the cost of having to wait for a period of time to recover the outlay made for the licence fee. The addition to an existing weekly rental for a monochrome set at current licence fees would be about 21p, and for a monthly rental about 88p. Similar increases for colour set rentals would be about 53p (weekly rental) and about 218p (monthly rental).

7.4. As NTVLRO would be dealing in the rented sector with only two or three thousand firms instead of some 12 million households there might well be savings in collection costs especially as some 75% of rental business is currently carried out by ten large companies. Other savings should also accrue because of reduced demand for television licence savings stamps, less follow-up computer work, visits to apparently unlicensed premises etc. On the other hand, NTVLRO's experience with bulk renewals suggests that mistakes by outside bodies in collecting licence fees and making returns would cause them considerable extra manual work, which would lead in turn to a requirement for extra staff to operate the system. In any event there would be extra work and some extra cost for the computer system.

7.5. It would be for careful consideration whether people who rent their television sets should be required to pay their licence fees through the rental company whether they wanted to or not. No doubt many would be pleased to do so, but there could well be criticism that this requirement would be an unacceptable restriction of



personal liberty. If, however, the scheme were to be a voluntary one, so far as the renter was concerned, much of the advantage it might have over the present system of fee collection would be lost.

7.6. Another question of doubt is whether the rental companies should be given statutory responsibility in relation to some 60% of the television licensing system. They have already expressed objections to the proposal (paragraph 7.2). Moreover, it is for consideration whether it would be satisfactory to rely on the staff of some 2,000 to 3,000 companies (some consisting of one outlet only) to administer the licensing system and to explain it where necessary to the public.

A further question would be the legal position where a licence holder had paid his licence fee or part of it to the rental company which failed for any reason to remit the fee to the NTVURO. And it is known that the companies would expect to be reimbursed for the extra work and responsibility involved.

### III SHORT-TERM LICENCES

8.1. The above paragraphs assume that a licence would continue to be valid for one year. It is likely, however, that the availability of payment by instalments would stimulate interest in the provision of licences for a shorter term than one year. These could be introduced by Regulations without the need for main legislation but enforcement of such licences would be difficult and costly because reminders and visit request notices would have to be sent more often. It would be impossible to enforce monthly, and probably quarterly, licences by present methods.

8.2. In addition to the high collection and enforcement costs that would be incurred there would be an initial loss of revenue in the first year of any change-over to a short-term licence. Revenue would also suffer in subsequent years because people could claim to have given up viewing for a particular period, or to have been away on holiday, and there would be no way to enforce payment for such periods. If there were to be a choice between an annual licence or a short-term licence it would be



appropriate to add to the short-term licence fee the additional administrative cost involved.

8.3. Cost of collection (based on current costs).

	<u>Total</u>	<u>In terms of cost per licence</u>
	£m	
Annual licences	8.88	£0.48
a. Monthly licences	91.58	£4.95
b. Quarterly licences	32.06	£1.73
c. Four monthly licences	24.41	£1.32
d. Half yearly licences	16.74	£0.90

The above figures assume that all the 18.5 million licences would be renewed either monthly, quarterly, four monthly or half yearly. However, a more realistic estimate can be obtained by reference to the experience gained from the motor vehicle licensing system. Four-monthly motor vehicle licences can be obtained but the facility is available only for licences having a yearly rate of £18 or more. A third of the 18 million registered motor vehicles are licensed for the shorter period\*. A similar restriction applied to television licences would mean that only short term colour licences would be allowed. The cost of collecting television licences on the basis that one third of licensees take out short-term licences would be:

		<u>Extra cost in terms of cost per licence</u>		
	£m	<u>Total extra cost</u>	<u>All licensees</u>	<u>Only licensees paying by instalments</u>
		£m		
a. 1/3rd of all licences issued quarterly	17.14	8.26	45p	£1.27
b. 1/3rd of colour licences issued quarterly	14.01	5.13	28p	£1.28
c. 1/3rd of colour licences issued on a 4-monthly basis	12.33	3.45	19p	£0.86
N.B. Current cost - all licences issued annually (48p per licence)	£8.88			

Staff, accommodation and equipment requirements would be the same as for payment by instalments.

\*NOTE: A large proportion of vehicles are licensed by private companies on an annual basis and this reduces the proportion of short-term licences.



#### IV LICENCES WITH A UNIFORM EXPIRY DATE

9.1. A system of making all licences valid for a year and all expiring on the same date would have some advantage. It would allow the licence fees to be fixed and published well in advance without the problem of people taking out overlapping licences in order to put off paying the increased fee. (When an increase in licence fees is announced before implementation, it may be financially worthwhile for a licence holder to take out an overlapping licence before the current licence has expired). It would also allow more time to make the arrangements for implementing an increase in fees. At present some 14.3 million licensees replace their licences without the need for a second reminder (12.6 million at post office counters and 1.7 million at the NTVLRO) and about 40% of them do so before the current licence has expired. A 30 September expiry date would be the most practicable since a majority of people at present replace their licences later in the year and thus any necessary follow-up procedures could be carried out in the winter months when people are more likely to be at home and using television.

9.2. A method of payment in 10 monthly instalments would be simpler to administer with a single expiry date. On the receipt of a reminder people could make arrangements with NTVLRO to pay by this method and could be issued with a licence and 10 payment slips to be presented at a post office during the year. Accounting could be accomplished by means of the use of licence fee stamps with a value of 1/10th of the annual fee plus, if desired, an additional loading to cover the extra cost. The problems of instalment payments in arrears discussed in paragraph 3.2 would still need to be overcome. The costs of such a scheme expressed in terms of cost per licence would be of the order of £4.15. There would also be an initial loss of revenue in the first year of a switch to a common licence expiry date.

9.3. The overriding difficulty with any such scheme would be the severe staffing problems connected with concentrating the work of collecting the licence fees into a period of 3-4 months. Although the issue of licences in respect of renewals sent



to NTVLRO could perhaps be delayed, the 12.6 million licences renewed without the need for a second reminder at post office counters would all be presented around the expiry date and this would inevitably place an unacceptable strain on post offices. Moreover, enforcement work would become seasonal only, thus making it difficult to recruit and retain experienced staff. In addition the use of a computer for a limited period each year would be clearly uneconomic unless other computer work could be found for the rest of the year.

#### V. LICENCES FOR AN INDEFINITE PERIOD, SUBJECT TO AN ANNUAL RENEWAL FEE

10.1. At present over 96% of the households in the United Kingdom have television sets and an individual licence is issued annually to some 18.5 million households. These licences are issued by the Home Secretary as permissions to receive broadcasting services transmitted by the broadcasting authorities.

The licence document itself provides immediate evidence that a household is not using a television set illegally. To move away from this structure would mean that the system would be much more difficult to enforce: process might have to be in the civil courts and a sum of £25 would be but a small debt which, in most cases, would either be unenforceable or uneconomic to try to enforce. Nevertheless, the reissue of licences under the present system is expensive and it might be worth considering how the system could be changed. A possibility would be the issue of a licence which was revalidated each year on payment of the fee. But the need to provide evidence where necessary that the licence was valid would almost certainly require the issue of a further document stating that such revalidation had taken place. Consequently any saving in costs from the introduction of a licence for an indefinite period would be negligible in present circumstances. However, if direct debit or credit card methods of payment were introduced and became used by significant numbers of licensees, these systems might well provide legally acceptable evidence of payment and thus make an indefinite term licence system cost effective. The licence would need to state that it was valid only while the annual renewal



payments were maintained. Thus, if they were not maintained, the licence would lapse and if the holder then continued to use television he could be prosecuted in the courts in the normal way. It may be that people would expect to receive a licence each time they paid, but in that case no savings would accrue.



## VI SUMMARY

This report considers the following options:-

1. payment by instalments (paragraphs 3.1 - 3.4);
2. payment by savings stamps (paragraphs 4.1 - 4.2);
3. payment by direct debit (paragraph 5.1);
4. payment by credit card (paragraph 6.1);
5. payment through television rental companies (paragraphs 7.1 - 7.6);
6. short term licences (paragraphs 8.1 - 8.3);
7. licences with a uniform expiry date (paragraphs 9.1 - 9.3);
8. licences for an indefinite period subject to an annual renewal fee (paragraph 10.1).

Sections II to V contain a full discussion of each option, together with the estimated cost where appropriate. The Working Party has not attempted to make any recommendations of its own in this document.



## SECRET

## OPTIONS FOR INCREASES ON COLOUR TELEVISION LICENCES

Assuming monochrome is increased by £2, and the rate of increase in the R.P.I. decreases from its present level of 15.8%

	One year		Two years		Three years	
	All	Half	All	Half	All	Half
Repay borrowing within period covered by fee increase						
No growth	7	6	7	7	9	9
Total BBC Bid	10	8	11	11	14	13

SECRET



LICENCE FEES IN EUROPE

MARCH 1979

	<u>COLOUR</u>	<u>MONOCHROME</u>
	£	£
DENMARK	68	40
SWEDEN	53	38
* BELGIUM	53	34
FINLAND	52	30
* AUSTRIA	49	49
NORWAY	47	38
IRELAND	38	23
FRANCE	35	23
* SWITZERLAND	34	34
GERMANY	33	33
NETHERLANDS	30	30
ITALY	30	15
<u>UNITED KINGDOM</u>	<u>25</u>	<u>10</u>

\* Additional fee payable for Radio



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