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Broadway
cc Wolfson
M. Vile.

cc Mr. Hall, Treasury.

10 DOWNING STREET

From the Private Secretary

28 September 1979

The Home Secretary called on the Prime Minister at 1100 today to discuss his proposals for increased television licence fees. They had before them the Home Secretary's minute of 26 September.

The Prime Minister said that she was concerned about the extravagance of some of the BBC's spending. It also seemed that they were unable, because of union opposition, to introduce proper manning scales and the new electronic news-gathering technology. It was essential, in her view, to bring pressure upon the BBC on both these fronts before agreeing a new level of licence fees.

As for the Home Secretary's proposals, she was worried about their RPI effect, and the large percentage increase over the existing level which the proposals implied. She was also concerned, in particular, about the impact which the proposed increases would have on pensioners. She would therefore prefer it if the increase were kept to a minimum. Even though the BBC would dislike an increase which would only last them for one year, her initial view was that an increase of £7 would be the most that could be borne. Alternatively, if it could be shown that monochrome sets were largely owned or rented by pensioners, it would be worth considering having no increase for monochrome sets and setting the increase for colour sets at £9. The larger increase for colour sets would be more tolerable if the Home Office were to introduce monthly payment arrangements. As regards the timing of the increase, she understood that the Home Secretary was planning on the end of October. This would be too early because it would precede the November uprating of pensions. It might be better to put off the increase until December or January. A final view on this ought to take into account the expected inflation rate in each of the coming few months.

The Prime Minister went on to say that consideration ought to be given to raising revenue for the BBC in other ways. She proposed, first, that the possibility of introducing advertising on light music radio programmes should be considered. Secondly, since there was no longer a licence on radios, consideration might be given to charging a levy on all radio purchases, which would be payable to the BBC.

The Prime Minister also suggested that people ought to have the option of not paying for a licence and only watching ITV. This would put pressure on the BBC to be more competitive, and it would be consistent with the Government's aim of giving people as much free choice as possible. But it would of course

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be necessary for the TV manufacturers to produce a set which could only be tuned in to ITV stations.

The Home Secretary said that he took the Prime Minister's points about the BBC's spending and productivity. On the other hand, the BBC had a reputation for quality and their productivity was better than the ITV companies', and better also than the productivity of television companies abroad.

As regards the licence increase, Mr. Whitelaw said that there was a very strong case for allowing an increase which would last for at least two years. One-year increases were bad for the BBC's planning; they were accordingly disliked by the BBC management and were therefore liable to make the BBC less favourable to the Government than they otherwise might be; and one-year increases had been severely criticised by the Government when in Opposition. He hoped, therefore, that the Prime Minister would - on further reflection - be willing to agree an increase of £9 for colour sets. But he would certainly be willing to postpone the increases until November to allow time for the pensions up-rating to come through. He would prefer not to wait any longer than this; but would be prepared to do so if the Prime Minister insisted and if he could be assured of the £9 increase. He would also consider the Prime Minister's suggestion that there should be no increase for monochrome sets: the case here would depend on whether in fact the monochrome licence fell largely on pensioners.

Mr. Whitelaw said that he would also consider the Prime Minister's suggestions for raising finance for the BBC from radio advertising and from a levy on radio purchases, as well as her idea about ITV-limited TV sets.

TPL

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Home Office.