

From: THE PRIVATE SECRETARY

SECRET

8



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

31 October 1979

Dear Tim

The Prime Minister is receiving a minute from the Home Secretary at the same time as this letter. You have also had a copy of the letter from the Chancellor of the Exchequer to the Home Secretary of 19 October.

Following the Home Secretary's discussion with the Prime Minister, a number of suggestions were raised about additional or alternative arrangements in the field of broadcasting finance.

I enclose a note which assesses these.

A copy of this letter and enclosure goes to Tony Battishill.

J. A. CHILCOT

Yours,
J. A. Chilcot

Tim Lankester, Esq.

SECRET

SECRET

B

The Prime Minister suggested that now there is no "radio-only" licence fee, consideration might be given to charging a levy on all radio purchases which would be payable to the BBC. We have looked at this. The main question about it is that as the income derived would be impossible to forecast, it would not be possible to know before introducing it whether the BBC would receive more or less income from this source than estimates of its agreed expenditure levels required, and what should be done if such income was more or (more probably) less than forecast. No doubt the Treasury would be reluctant to complicate the tax system and could be expected to object to a hypothecated tax. The Department of Industry would clearly also be anxious about the effect on British manufacturing industry (we understand that there are at present on average about three radio sets per household). An increase in the price of radio sets due to a special tax might well show the demand for them to be inelastic, at any rate for a time, and so lead to a disproportionate decrease in the demand for and purchase of new sets.

2. We have looked also into the suggestion that TV sets might be produced which could only be tuned to the IBA service. This is an interesting idea and it would be possible to manufacture a fixed tune set. But there would be serious technical and enforcement problems. For a set to be properly "tamper-proof", the whole "front end" of the set would have to be a sealed unit. Each television reception area uses four channels in different inter-related combination from a total of 66. A receiver which is fixed and tuned to two ITV channels in one area would be unable to receive ITV channels in another, necessitating a new - and costly - tuner each time the owner (or the set) moved; moreover, there is the added complication that it is possible that by retaining the ITV tuner, BBC channels might be receivable in the new area. As there will ultimately be some 700 different reception areas, the numbers of fixed tuner units which would need to be manufactured and held in stock by retailers could run into hundreds. We are advised that it is doubtful whether it would be economically sensible to require the manufacturing and other effort to put into such an enterprise to be created.

SECRET

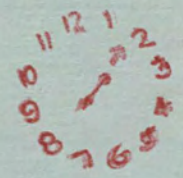
B.B.
SECRET
2.

3. Even if the set were properly "tamper-proof", evasion of the licence fee would be likely to increase; and if it were not, evasion could be expected to increase by leaps and bounds. It would, therefore, be necessary to strengthen the machinery for enforcement. This means adding to the expense of administering the enforcement system. The normal TV detector can would be able to detect licence evasion by monitoring local oscillator radiation, but it would probably be necessary to supplement this use of detector vans by a power of entry. This would be controversial. It might not be long before the enforcement of the television licensing system became unmanageable.

4. The other principal problem that arises on this suggestion is that no one can assess with confidence how many households would opt to receive ITV only. Their options would clearly be affected by the level of the licence fees at the time when the option was made. Would it be the Government's intention to put up the licence fees sufficiently for the remaining viewers to attempt to offset the loss of income from ITV viewers only, perhaps at the cost of doubling them or more; or by some lesser amount? If so, how would the amounts be determined? What would happen if the Government guessed wrongly about viewers' preference: it takes time to reduce staff costs substantially - would the Government bail the BBC out or let it go bankrupt? Would the Government welcome an all out effort by the BBC to be genuinely competitive with the independent system, e.g. giving it the opportunity to find other income from advertising on both radio and telephone, if this meant a general reduction in standards and, probably, the destruction of much of Independent Local Radio and an end to the Government's plans for the fourth channel? Or would they let the BBC rapidly decline to some very small share of the viewers? In the Home Secretary's judgment it is not easy to see how questions like these should be answered.

SECRET

31 OCT 1979



P.F.