

S E C R E T



*Broadcasting* ~~13~~ 14

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

22nd November 1979

*R*  
*270*

*Dear Sir,*

The Chancellor has seen the Home Secretary's minute of 20 November covering the draft Written Answer on TV licence fees which he proposes to table on Friday 23 November.

The Chancellor has asked me to say that he is content with the terms of the draft.

*I am,*

*M*

M.A. HALL

J. A. Chilcot Esq.

S E C R E T

22 NOV 1979

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COPY NO 3 OF 6

by Mr Lytton



Prime Minister 13<sup>2</sup>

This seems alright.

Agreed

R.

27.11

CHANCELLOR OF THE EXCHEQUER

Following my minute of 31 October we agreed that I should announce increases in the television licence fee this coming Friday, 23 November. I attach a copy of my proposed Answer to an arranged Written Question which will issue at 11 a.m., at which time I am also having a Press Notice issued.

I am arranging to see the Chairman and acting Director-General of the BBC on Wednesday, 21 November to tell them of my proposals and to make it clear to them that I intend that the Corporation should operate within the cash figures implied by the fee increases.

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

W.A.D.

20 November 1979

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## ARRANGED WRITTEN PARLIAMENTARY QUESTION

To ask the Secretary of State for the Home Department, what progress has been made in the discussions between his officials and the BBC about the basis upon which the BBC can be enabled to carry forward its longer-term planning on the Home Services.

## DRAFT REPLY

1. The previous administration increased the television licence fees in November 1978 to last for about a year. They recognised in January 1979, following the CAC award to BBC staff, that that level of fees was inadequate to finance the BBC Home Services and would bring the Corporation to the limit of its borrowing powers in much less than a year, but they decided that a further increase in the fees then was not acceptable, and instead increased the BBC's borrowing powers from £30 million to £100 million. Since then the BBC has been going increasingly into deficit. The decision of the previous administration has inevitably meant that the fee increases which I am making today are larger than they would otherwise have been in order to enable the BBC to repay its deficit on current account.

2. I have today laid the necessary regulations to increase the fee for a colour television licence by £9 to £34 and the monochrome licence by £2 to £12. The new fees come into effect at midnight tonight. I intend these fees to last for at least two years. The new fees mean that viewers will be paying less than 70p a week if they have a colour television set and less than 25p a week for a monochrome set. Even at the increased levels, these fees are less than those in most other European countries.

3. In recent months, the Home Office, the BBC and the Post Office have participated in two studies designed to strengthen the

operation of the television licensing system and to enable the BBC to plan ahead. I have today published in one booklet two papers about aspects of financing the BBC; copies are available in the Vote Office.

4. The first paper - on methods of payment of the television licence fee - was prepared by the standing Working Party on the Administration of the Broadcast Receiving Licence. It sets out the facts regarding various methods of payment of the television licence fee. I have decided as a result to give greater publicity to the Television Licence Savings Stamp scheme. This scheme provides the most flexible way of enabling people to pay for their licence in advance by instalments of their own choosing, both as to size and timing, and it has proved particularly helpful to pensioners and other persons with limited incomes. In addition, a pilot scheme has been introduced to evaluate the possibility of payments being made by direct debit from purchasers' bank accounts, possibly also by instalments, <sup>if</sup> as I hope, this works well, I intend to introduce payments by direct debit more widely. I am also considering, in consultation with the Post Office, the possibility of payments by credit cards. I have concluded that payment of the licence fees by instalments over the Post Office counter cannot be introduced, because of the cost involved and the additional complexities this would introduce into the existing system.

5. The second paper which was undertaken by the Home Office and the BBC sets out proposals designed to enable the BBC to carry forward its longer-term planning in the Home Services while at the same time maintaining its editorial independence. It envisages, first, that consideration of future expenditure should be separated from consideration of the need for, and timing of, particular changes in the licence fees. It also envisages that the Government should signify its agreement to provisional planning figures for BBC expenditure for a four year period even though a particular increase in the licence fees might relate to a shorter period of time. The aim is that there should be a

/firm cash

firm cash figure for the first financial year in the period and provisional planning figures on the same price basis for the later years. The figures would be reviewed annually at the turn of each calendar year and would be brought to the notice of Parliament thereafter. I welcome the broad approach in this paper.

6. Discussions will begin immediately on setting a firm cash figure for the BBC expenditure in the financial year 1980-81 and provisional planning figures for the three following years. It will be for the Governors to decide how the money is to be spent but these discussions will take place in the context that the fee increases announced today must last for at least two years, that they take account of the need for the BBC to pay off its deficit on current account and to increase its expenditure on capital equipment and that they enable it to prepare to increase its Welsh language television broadcasts by the autumn of 1982. I shall expect the BBC to live within the cash figure set. This means that particular attention will have to be paid to containing increases in costs, especially labour costs, if there is to be no diminution in the BBC's services. I believe, however, that the fee increases and the new arrangements announced today should enable the BBC to plan ahead with a greater degree of confidence and stability than has been the case for several years.