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Broadcasting*

4 August 1980

Thank you for your letter of 31 July, setting out the Home Secretary's initial reaction to the queries on BBC finance raised with the Prime Minister.

The Prime Minister has noted the approach which the Home Secretary has in mind, and she looks forward to discussing this with him when he has gone over these matters with the new Chairman in the autumn.

M. A. PATTISON

A.P. Jackson, Esq.,
Home Office.

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PRIME MINISTER

I wrote to the Home Secretary's Office early last month, raising (anonymously) the questions over BBC finances put to you by Lord Vaizey.

Here is an interim reply. The Home Secretary is attracted by the idea of an independent body which would make recommendations to the Government about the level of the licence fee, and which would create pressure for more detailed BBC accountability for their activities and the management of their finances.

You will see that the Home Secretary intends to go over this ground with the new Chairman in the autumn, prior to talking to you about it.

MA

MS

1 August 1980

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HOME OFFICE
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31 July 1960

Dear Mike

The Home Secretary has seen your letter of 1st July about B.B.C. finances. It was timely since he has recently been giving careful consideration to this subject. He very much agrees that it needs to be looked at in the round as well as piecemeal. The points mentioned in your letter are all relevant and there are others to be taken into account.

We need to examine the future of the financing of the B.B.C. in the medium term - the duration of the current licence fee - and in the longer term.

As to the medium term, when the Home Secretary announced an increase in the licence fee last year, he made it clear that the income generated was expected to last at least two years, was intended to give the B.B.C. an opportunity to put their finances on a sounder basis and to recover from the position they had been encouraged by the previous Government to get into of using borrowing to finance current expenditure.

The general terms of his statement were accepted by the B.B.C. at the time and it was our intention to move towards a more P.E.S. type method of planning for future expenditure to which the B.B.C. had given general assent in principle. This is an ambitious objective and requires time to work out. The B.B.C. are at the moment not prepared to take discussions about longer term planning further without raising questions about the level of inflation and undertakings by the Government to compensate at least in some degree for it. And, with their General Advisory Council in the lead, they are having some success in persuading some areas of public opinion to believe that an earlier increase in the licence fee is required.

Meanwhile they have returned to an idea they have been toying with for some time that there should be some kind of independent body, if not to fix the level of the licence fee, at least to make recommendations to the Government about it. There can be no question of final responsibility for the level of the licence fee resting anywhere than with the Government; views from any other body would be only a part of those to be taken into account. Nevertheless the B.B.C.'s idea does carry with it the most valuable consequence that they would be committed to the acceptance, which they have hitherto avoided, of detailed accountability for their activities and the management of their finances. There is something here which the Home Secretary considers could be built on to bring us more detailed and reliable information than we have had in the past. The kind of questions mentioned in your letter - and others - would then come in for detailed scrutiny.

/The Home Secretary

M. A. Pattison, Esq.

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SECRET
THE HOME SECRETARY'S OFFICE

The Home Secretary intends to have a full discussion with the new Chairman in the autumn during which all aspects of B.B.C. finances will come under review. He would then like to talk to the Prime Minister.

Yours sincerely
A. P. Jackson

A. P. JACKSON

1 AUG 1980



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