

BBC LICENCE FEE

The BBC produce five arguments for the £65 licence:-

1. The public 'expects' the BBC to improve both the quality and quantity of its output. But they provide no evidence that the public would be prepared to pay 41% more for this.
2. Cost increases are higher for the BBC than others - BBC inflation over the next three years is set at 8% pa *why?* except for artists and sport which are 10-11% pa. They put forward a wholly unconvincing appendix to support this and because Peat Marwick Mitchell have supplied some of the numbers (no doubt just for the economy in general) the BBC try to infer that Peats endorse the whole appendix.
3. They have made tremendous strides in management effectiveness and productivity. In fact they show they have performed far worse than the economy in general, eg in the ten years to 1983/4, TV output per member of staff has grown by only three minutes/man, from 41 to 44, despite more daytime broadcasting and far more foreign productions.
4. That compared to other European countries with the £46 (but not the £65) licence, the BBC in total revenue terms is cheapest - all other countries bar Belgium and some of Scandinavia making up the balance with advertising. But on actual licence comparisons where the BBC has the double advantage of a large population over which to spread the costs and the universality of the English language for importing and exporting programmes, it will be cheaper only than the Scandinavian countries and Austria whose combined populations are barely half ours.

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The current average licence in Europe weighted by population is £48.

5. To stay abreast of technological developments. But they say this yields only 'occasional gains in productivity' so one must question the competence of their management in approving such investment and their engineers in using it.

Amazingly the BBC provide no analysis to show how the various cost increases equate to a £65 licence and the few financial figures they do give are suspended in mid-air - commencing with 1985/6 but with no actuals. This is compounded by bizarre accounting which allows them to write off all new capital expenditure as it is incurred. (Nigel Lawson rightly wants this changed). Thus although they say current expenditure is equivalent to a £51 licence, very roughly each £15 million less spent on capital would reduce this by £1.

The figures they do provide show operating expenditure rising from present levels [of roughly £700 million] to £969 million in 1987/8. £63 million (6½%) of this is spent improving programme content. Capital expenditure over the three years is £480 million, one fifth on buildings. £37 million (capital + revenue) is to be spent establishing new local radio stations. Appendix 1 shows how the money is divided amongst their services.

Even if one disregards the shifting sand on which the whole application is based, there is still clearly room for cuts of 10% in total - say half from capital expenditure and half from foregoing services improvements or extent of coverage. Together with reducing the inflation forecast to a more realistic 5% pa and allowing just 1% pa for cost and productivity improvements, this would more than allow the licence increase to be restricted to £55 - an increase of

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20% and more in keeping with inflation since the last review.

The Peats value for money report (if they resist BBC nobbling) should show up further potential savings even before considering the more radical options: selling off assets, hiving off popular radio, pulling out of DBS, stopping breakfast TV, advertising etc.

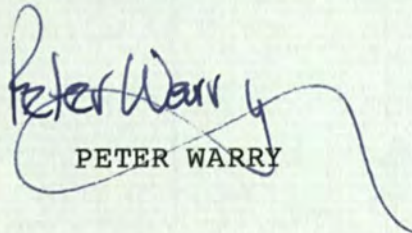
And you need not worry about the impact on the BBC. They tell us that last time the impact of giving them 20% less than they wanted was to :-

- a. prevent them enhancing the range and quality of services as planned
- b. limit investment in new local radio stations and replacement of old buildings
- c. prevent them increasing wages to narrow the gap with ITV.

If b. and c. can be repeated we should continue the medicine.

A decision on the licence cannot be taken in isolation from the longer term future of broadcasting. Appendix 2 reviews the technological changes that are likely to undermine the justification and viability of a licence by the 1990's and considers what the future role of the BBC should be, advertising and the ITV.

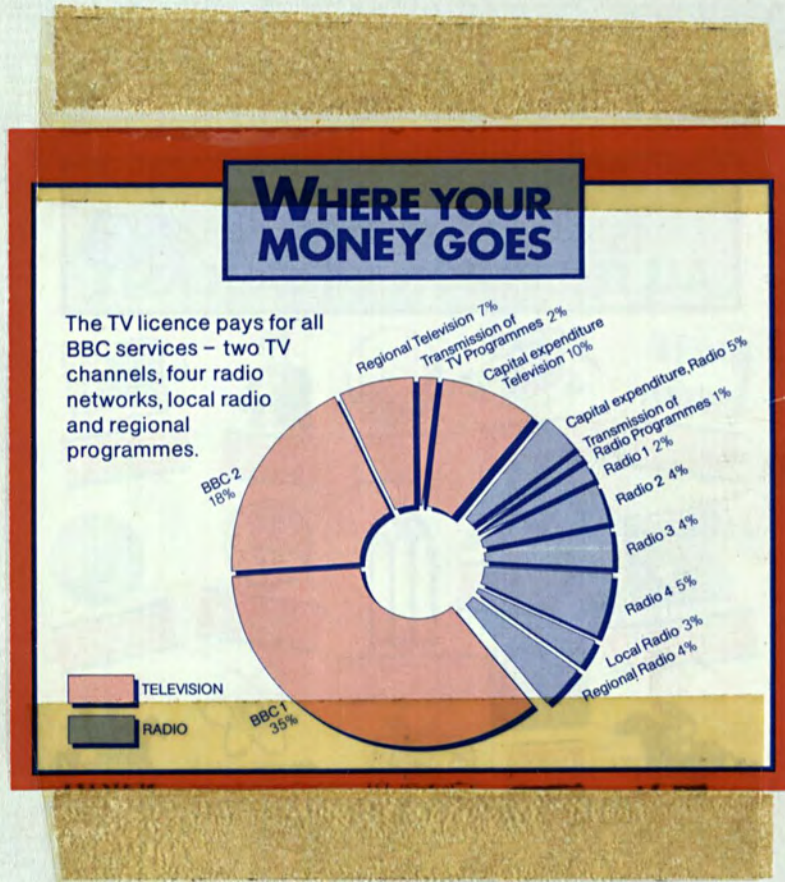
For the present it is recommended that a £55 licence be granted for three years, or better, say, a £53 licence for two years.

  
PETER WARRY

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WHERE THE MONEY GOES

(BBC licence fee literature)



BBC - THE FUTURE

Cable and DBS technology will reduce the BBC's attainable market share and together with home computers and Value Added Network Services (VANS) will convert the television into a piece of household equipment, rather than an outlet solely for the BBC and ITV.

When founded the BBC rightly strove to provide as wide a service as possible as there was then no commercial offering. This is no longer true, is it therefore right for the BBC to continue to strive for 50% of the audience and to continue to be represented in everything from breakfast TV to local radio?

True public service broadcasting cannot just be a carbon copy of commercial TV but without the adverts. The BBC's objective must be a quality service rather than a share of the audience or full coverage.

The first flat-screen TVs are on the market at a price of £99. Second generation flat screens will be available before 1990 and these will not activate detector vans. They could have the same impact on TV licences as transistors had on radio licences. Furthermore, as BBC's share of TV usage declines, justification for the licence fee must decline with it, and ultimately the preparedness of the majority of the population to pay it must come into question.

Many would consider advertising to taint the BBC's quality image, others would see it as a sensible undermining of the BBC's Reithian aloofness and financial arrogance. All of the vested interests will be against it: the ITV companies will be concerned at the erosion of their monopoly and possible reduction in their revenues. They will ensure that the advertising agencies sing a similar tune and tell horror stories of how the advertising barrel is dry.

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One choice is to abolish the licence altogether putting the BBC on the same footing as ITV but the right solution could be for the BBC to continue with a fixed level of licence fee income but be allowed, not instructed, to top it up with a controlled amount of advertising. This would leave the decision in their hands. And if they contract down to just true public service broadcasting, then they may not need advertising at all. Nevertheless ultimately the licence may have to be replaced by a direct subsidy.

If the BBC do adopt a more 'quality' approach, then any advertising they do will not necessarily affect the volume or price of ITV's; and even if it did, this barrel is clearly not dry yet. Radio advertising is less desirable: it would compete directly with the financially weak independent companies and generate comparatively little income from a barrel that is almost dry.

The ITV levy is currently the subject of a review between Government and the IBA. The high marginal rate of tax and levy on ITV profits (84%) must reduce their incentive to tight management which the BBC argue causes high wages and bad working practices for them as well. If the franchises were auctioned with the price being paid in instalments over the life of the franchise, then the levy could be eliminated and overall more income be raised. This would substantially reduce the marginal tax rate and significantly increase the incentive to good management.

When the ITV franchises come up for renewal in 1989 (unless deferred as a result of the DBS concession) they should be auctioned in lieu of the levy. It would also be sensible that any advertising on the BBC be introduced well in advance of this date, which suggests only a 2-year BBC licence be approved.

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