



10 DOWNING STREET

From the Principal Private Secretary

14 March 1985

FINANCING THE BBC

The Prime Minister discussed with the Home Secretary and the Chancellor of the Exchequer this morning the Home Secretary's minute of 11 March, together with the earlier exchange of minutes about a review of the financing of the BBC.

On the period of the settlement, it was recognised that the length of time needed for the financing review and for taking policy decisions in the light of it was uncertain at this stage. It was agreed, that, in the light of the considerations in the Home Secretary's minute, it would be unlikely to be less than two years. The best course might therefore be to fix a new fee for a period of two years, with a statement on the lines that an extension for a further year was not ruled out but in that case the licence fee would remain at the same level.

On the amount of the licence fee, a decision was reached, which I am not recording in this letter.

The Home Secretary said that he had considered ways of widening the terms of reference of the licencing review so that it could cover sources of finance other than advertising, such as receiver subscription. He now proposed to do that by adding a final sentence to the terms of reference which would read as follows: "to consider any proposals for securing income from the consumer other than through the licence fee". There was a brief discussion about the proposed Chairman of the review and it was agreed that this discussion would be resumed next week. The Home Secretary said that it would be helpful to avoid as far as possible, in advance of the announcement of the new licence fee and of the financing reveiw on 26 March, statements which would lead to expectation of consideration of new methods of financing the BBC in the longer term.

Summing up the discussion, the Prime Minister said that the proposed licence fee from April 1985 was agreed: it would run for two years and would be accompanied by an announcement to the effect that an extension for a third

year was not ruled out but the licence fee would in that case continue at the same level: the Home Secretary would give further consideration to the exact form of words. She would discuss further the appointment of the Chairman of the financing review with the Home Secretary in the coming week.

I am copying this letter to Rachel Lomax (H M Treasury) and Sir Robert Armstrong.

FRB

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Home Office