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

25 March 1985

H H Taylor Esq  
Private Secretary to the  
Secretary of State for the Home Department

NBPM

*Dear Hugh,*

**BBC LICENCE FEE**

The Chancellor has seen a draft of your Secretary of State's statement about the financing of the BBC, enclosed with your letter of 21 March.

While the Chancellor is generally content, he feels the passage about the licence fee could benefit from some shortening. He suggests that the present version might invite further questioning, for example about our inflation assumptions. He is concerned that it might seem to endorse the Corporation's present range of activities when the justification for some recent innovations such as breakfast television, appears rather dubious, and that it might expose the Government to charges, however unfair, that the new fee level was inadequate. He also feels that it gives the Corporation more credit than they deserve for such limited action as they have already taken to improve efficiency. (As you know, the Peats report reveals serious failings in the implementation of the 'activity reviews' programme and of other previous management recommendations.)

... I enclose a revised draft of this section. The Chancellor is certainly not wedded to the precise text but would be grateful to know if your Secretary of State sees any difficulty with its general thrust.

More generally, the Chancellor would be interested to know what further action your Secretary of State envisages taking to ensure the Corporation implement the Peats recommendations. He acknowledges that the decisions so far announced are, on the face of it, encouraging but in view of the way the Corporation sought to present the Peats report as a justification of their licence fee bid, he seriously doubts whether the message has sunk in. He believes that some senior BBC staff will also need to change their attitudes fundamentally if any progress is to be made.

I am copying this letter to Tim Flesher (No.10) and Richard Hatfield (Cabinet Office).

*Yours sincerely,  
Margaret O'Mara*

MISS M O'MARA  
Private Secretary

SUGGESTED REVISE OF PARAGRAPHS 5 AND FOLLOWING

As to the level of the fee, my task has, as always, been to balance the interests of the licence fee payer with the needs of the BBC.

In the current year, the Corporation, drawing on savings made earlier in the present licence fee period, is spending at a level equivalent to the product of a £51 licence fee. There will no doubt be some inescapable cost increases over the next three years, and the Corporation would like to improve and enhance its services in various ways. On the other hand, it is right that the BBC should strive for greater efficiency and economy, and there is a limit to what licence fee payers can reasonably be expected to afford.

In accordance with previous practice, I do not propose to give a detailed account of the way in which I have balanced these various factors and it will be for the Corporation to decide how to use the money available to it. I should say, however, that I have paid particular attention to the scope for improvement in the Corporation's planning, management and control of resources, and in its efficiency and economy. I do not doubt the BBC's commitment to the principle of achieving value for money. But I believe it could and must achieve greater productivity than it has done in the past or has so far planned for the future. The report from Peat Marwick and Mitchell commissioned by the BBC, with my agreement, and subsequently published, identified a number of measures that should be taken to improve management procedures and strengthen management attitudes. I understand that the Corporation plans to implement all but two of the

Report's recommendations by the end of 1985-86, three quarters of them within the next six months. The Governors will be calling for reports every six months on the implementation of these and also on the programme of activity reviews which has already started, on the management training programme, and on other steps designed to ensure that the change in management style and approach sought by Peats is being achieved.

All this I very much welcome. Successful implementation should allow the Corporation to provide a satisfactory level of service with a licence fee well below the level they have requested. I have accordingly decided.....

BROADCASTING: Finances of BBC July 79



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