

PEACOCK REPORT

Advertising or Index-linking?

Provided economic growth remains above 2% per annum the Peacock analysis showed that the BBC could freeze the licence fee yet maintain its revenue in real terms by topping up with advertising, and still leave over enough advertising for the ITV companies to maintain their revenue, again in real terms. Such a strategy would have the dual advantages of breaking the IBA advertising monopoly and putting commercial pressure on the BBC.

The alternative is index-linking. Since 1979 BBC revenue has increased by 193% whilst inflation over the period has only been 87%. The rising proportion of colour licences has contributed to the revenue growth but this trend is now largely exhausted. Index-linking would (comparatively) therefore be a very tough regime: it would force the BBC to take a much stronger line with its staff (75% of total expenditure goes on staff) and to seriously review its range of activities. Although the BBC will claim quality will be jeopardised, their own instincts are likely to run against doing this. Instead they would be sensible to curtail their imperial expansion into local radio, 24 hour broadcasting and (the latest) - global television. (See cutting from yesterday's Times).

Advertising - even if it brought a freezing of the licence - would not be universally popular. It would run against Peacock and give the BBC a chance to whip up a storm. Index-linking ought to bring the BBC to heel just as effectively but without the same political risks. Tactically, however, it would be a mistake to commit to index-linking permanently (or until pay-per-view) because,

rather like the Rooker Wise tax thresholds, index-linking could become a base from which the BBC merely applied for larger increases. The right thing would be to have RPI increases for three years from March 1988 with no commitment as to what happens beyond then.

Arguably adjustments ought to be made to the level of the licence fee to reflect (hopefully) the privatisation of Radios 1 and 2. But this would undermine the purity of the Government's full Peacock case and in any event it would be wise to leave the BBC with a financial incentive for selling off the services. The commitment however to the RPI could usefully be linked to the BBC's achievement of other objectives, for example, the increasing use of independent producers.

Concessionary licences

The current position on concessionary licences is far from satisfactory. We are already part-way down the slippery slope of hypothecating pensions on behalf of the elderly. To go further would please nobody whilst bringing into question all of the inequity in the current system. To compound these problems by also making a transfer from the motorist to the pensioner would be merely to upset a second innocent interest group.

Collection the Licence Fee

The BBC have frequently complained about the inadequacies of the licence fee collection system. Giving them the responsibility for collection (which they want) will undercut their moaning and is entirely consistent with the Government's approach to such issues. It will also help prepare the way for the ultimate pay-per-view system. Provided the Post Office perform an efficient and economic service, the BBC ought to retain their services (although

subscription will ultimately radically change whatever role there is for the Post Office).

Other Issues

Misc 128 is scheduled to discuss independent producers and privatising radio later this month. These are important issues where the Home Office will not want to be too radical. Douglas Hurd might possibly want to pre-empt the later Misc 128 meeting but this should not be allowed.

Conclusions on the Home Secretary's Paper

We support the Home Secretary's conclusions but recommend, to be effective, that index-linking should initially last for three years rather than just a single year as he proposes.

A National Carrier Network

This issue is fundamental to the UK's industrial success in the 21st Century. DTI are right to say it raises far wider concerns than Peacock but wrong to be too concerned about safeguarding the existing cable operators who have failed to establish the infrastructure we need. However, the first stage is clearly a study which DTI now intend to launch.

Peter Warry

PETER WARRY

BBC's global designs

The BBC World Service expects to announce next month that it is ready to proceed with an international television news service for a global audience that could grow to hundreds of millions (Jonathan Miller writes).

The service would consist of one hour of programmes a day in English, broken down into two half-hour news and current affairs slots. The service could grow to include additional languages and material.

Programmes would be transmitted by satellites owned by an international consortium, Intelsat, and beamed by foreign television stations. The scheme is expected to cost more than £10 million a year, which would require a direct government subsidy.