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TELEVISION LICENCE FEE

As you know the Ministerial Group on Broadcasting (MISC 128) under your chairmanship decided, subject to reference to Cabinet, that the television licence fee should, after 1 April 1988, be indexed to the RPI as recommended by the Peacock Committee. It was also agreed that we should confirm our acceptance of the Peacock Committee's view that for the time being the licence fee should remain the principal source of finance for the BBC, and that the Corporation should not be financed in whole or in part by advertising. We agreed, however, that no announcement on these lines should be made until Parliament had had a chance to debate the Peacock Report.

A debate took place in the House of Commons on 20 November, and there will be a debate in the House of Lords on 15 December. It was clear from the Commons debate that there is general acceptance of Peacock's judgment on advertising. There was no substantial support for financing the BBC in this way and indeed I think only one speaker in the debate gave some support to the idea.

The way would thus in any event be open for an announcement on the lines we agreed to be made at a convenient moment early in the new year. The timing is now affected by Mr David Winnick's proposed Bill on television licences. Mr Winnick who came top in the ballot for Private Members Bills is likely to introduce a measure to provide free television licences to all pensioners, in line with the Labour Party's official policy. The Second Reading debate will take place on 16 January.

Our policy towards this proposal (which would cost £325 million) is well established. We had an opportunity to attack

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the Opposition's plan in the recent Commons debate. Accordingly, I suggest, subject to the views of the Chief Whip and other colleagues, that we should oppose the Second Reading of Mr Winnick's Bill rather than let the Bill pass to a Committee Stage from which we can expect nothing but trouble. I also suggest that we would be in a better position in opposing the Bill if we had some substantial announcements of our own to make in the debate. Accordingly, I propose that the Minister of State should take the opportunity of the Second Reading debate to announce our position on the television licence fee and the relevant recommendations of the Peacock Committee Report. I envisage that the Statement could:

- (i) make clear that the BBC will not be financed by advertising;
- (ii) say that from 1 April 1988 the colour licence fee will be determined by reference to past movements in the RPI, starting from a notional base line of £60 on 1 April 1987;
- (iii) reject Peacock's idea for new concessionary arrangements for pensioners on supplementary benefit while making it clear that the Government does not propose to alter the existing concessions - the 5p licence - which Peacock would have brought to an end;
- (iv) reject Peacock's idea for a car radio licence;
- (v) confirm that the cheaper monochrome licence will be retained, despite Peacock's suggestion that its cost should be substantially increased;
- (vi) emphasise the considerable incentive which the new regime will provide for enhanced efficiency and cost consciousness on the part of the BBC;

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- (vii) say that the Government is exploring with the BBC the possibility of the Corporation taking over administration of the licence fee;
- (viii) mention the development of ideas for better arrangements for easy payment methods for the licence fee; and
- (ix) confirm the steps we have taken to study the prospects in the medium term of replacing the licence fee with subscription.

I will not go into the arguments in detail. I should add that on our present forecasts of inflation the likely effect of (ii) above will be that the colour licence fee, which was increased from £46 to £58 on 1 April 1985, will increase by only £4 to £62 on 1 April 1988. This decision will mean that the BBC will have to plan for a slight reduction in expenditure in real terms over the next two financial years, and, thereafter, for much smaller increases in expenditure than they have enjoyed in the past. This will be, and be seen to be, a major change in the BBC's expectations of their likely future income.

As regards (iii), we were satisfied that any new concession to pensioners on supplementary benefit would have, in practice, to be extended to all householders containing such a pensioner, some of which could be well off, and that neither the Peacock proposals, nor any variant of them, would avoid creating further anomalies and dissatisfaction. The present concessionary arrangements, though themselves anomalous, should we judge remain as they are until such time as the licence fee can be replaced by subscription.

I recognise that the Opposition will seek to make capital out of the contrast between our proposals and their own promise to give 'free' licences to all pensioners. But, in addition to emphasising the cost of the Opposition's proposals, our own

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intention to index the licence fee to the RPI, on precisely the same basis as the retirement pension is so indexed, means that in future pensioners will not have to find more money, in real terms, for their licences.

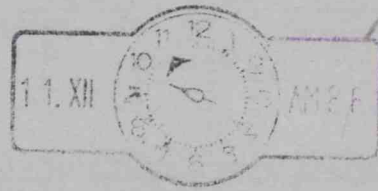
I hope that colleagues will agree that a statement on the lines I have outlined will be broadly acceptable to our supporters in the Commons and that we should ask them to oppose the Second Reading of Mr Winnick's Bill. The more detailed arrangements for handling the debate can be considered by Legislation Committee in the usual way early in January.

I am sending a copy of this minute to all members of the Cabinet, to the Chief Whip, to other Members of Legislation Committee who are not members of the Cabinet and to Sir Robert Armstrong.

Doyle & Howard

11 December 1986

BOARDASTENS - BBC Financing



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