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From: THE PRIVATE SECRETARY

CEB 9



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9 January 1987

Prime Minister <sup>2</sup>

This is the Home Secretary's proposed statement on financing of the BBC. He seems inclined to resist the business managers' view that it should be made before the debate on the Winnick Bill.

Dear Steven.

ANNOUNCEMENT ON BBC LICENCE FEE MATTERS

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As you know, the Home Secretary and Mr Mellor are to meet Mr Biffen and Mr Wakeham to discuss the timing of the announcement to be made next week. The alternatives, as the Home Secretary sees them, are for the announcement to be made as he had proposed during the Second Reading debate on Mr Winnock's Bill on Friday, 16 January or, as the business managers have suggested, for it to be made as separately, presumably as an oral statement two days earlier.

The Home Secretary thought that, especially given the time factor, it would be helpful for me to send you, and other Private Secretaries, at this stage a draft of the terms of an announcement. I therefore enclose a draft covering the decisions taken by MISC 128. The attached draft, being a self-contained document, would of course need some stylistic changes if it were to be incorporated as the Home Secretary envisages in Mr Mellor's speech on Mr Winnick's Bill.

I am sending a copy of this letter and enclosure to Andy Bearpark (No 10), to the Private Secretaries to the other members of MISC 128, to Tony Laurance (DHSS) and to Trevor Woolley (Cabinet Office).

Yours,  
Steph.

S W BOYS SMITH

Steven Wood, Esq.,

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1. I can now announce decisions on certain central features of the Peacock Report on Broadcasting which the House debated on 20 November.

2. We accept the judgment of the Peacock Committee that the BBC should not be financed through advertising and that for the time being the licence fee should remain the principal source of income. As the House knows, we have commissioned an expert study of the technical and economic feasibility of subscription which in principle we find attractive. We should receive this in the Spring, but it is in any case clear, as Peacock noted, that this form of funding could not be introduced for some years.

3. I have already announced that the colour licence fee will remain at £58 until March 1988. We have decided that thereafter it should be indexed to move annually in line with the retail price index. This will provide secure and predictable funding for the BBC consistent with the principle of its constitutional independence. Increases in the licence fee will in future be determined on precisely the same basis as increases in pensions and benefits. As Peacock proposed, the new colour licence fee will be calculated on a notional baseline of £60 on 1 April 1987. In April 1988 the fee will be increased by an amount which reflects the percentage annual change in the RPI as measured at October 1987. Given the past tendency of BBC costs to rise faster than inflation, this form of indexation will provide a strong incentive to achieve efficiency and care in undertaking fresh commitments.

/The Government....

The Government see the new arrangements I have announced today as lasting for at least three years from April 1988; any departure from them should be wholly exceptional and for clearly stated reasons.

4. [We are concerned that the cost of the licence should not prevent anyone from receiving television. Accordingly,] despite Peacock's suggestion that the monochrome licence fee might be brought closer to that of the colour licence, we have decided that the monochrome fee should remain at broadly its current level. It will accordingly be indexed on the basis I have described, starting from a notional baseline of £20 in April 1987 and continuing to provide a cheaper alternative licence.

*Area  
Principle.*

5. We have looked again at the arguments for concessionary licences. We are satisfied that there are overwhelming objections both on principle and on grounds of practicability to the Peacock Committee's proposal that pensioners drawing supplementary pensions should be exempt from the licence fee if they live in households wholly dependant on a pension. We reject Peacock's suggestion for a separate car radio licence. The case for licensing such radios but not others is not persuasive. Enforcement would be both difficult and costly. In the light of those decisions we have decided to retain the existing arrangements for

concessionary licences for those in residential care which Peacock recommended should be brought to an end.

6. We accept in principle the Peacock Committee's view that the BBC should be given a bigger role in collecting the licence fee. We have doubts about its specific proposal that the BBC should act as a managing agent, on a consultative basis, to the Home Office. That might well lead to a confusion of responsibility. While the Government will clearly need to determine the level of the licence fee and any concessionary arrangements, we believe, subject to study of the detailed implications, that the BBC should become directly responsible for collecting this revenue and for enforcing the licence fee system. I am glad to be able to tell the House that the BBC's Board of Governors accept in principle the merits of this approach. We shall be exploring together the detailed implications with a view to proposing any necessary legislative changes in due course.

7. We are anxious that those wanting a television licence should have available, and be fully aware of, convenient means of paying for it. Since the last settlement the Home Office, in consultation with the BBC and the Post Office, have conducted a thorough review of existing methods and examined possible new methods of payment. As a result both we and the BBC see attractions in arrangements under which

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licence fees could be issued on a pay-as-you-go basis - at present the licence fee has to be paid in full in advance. We shall be considering further with the BBC how this could be put into practice. Meanwhile we intend to make the public better aware of the various schemes which already exist for payment. We aim to increase convenience of payment for the consumer; to help those in financial difficulty to spread the cost of the fee; to minimise enforcement and administration costs; to reduce the levels of evasion and late payment; and to enable the BBC to maximise its revenue while keeping the cost of the licence fee down.

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