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CF
Do Home Office
stand to comment?
JRS

at least

PRIME MINISTER

I have seen your Private Secretary's letter of 16 January to the Home Office, concerning Douglas Hurd's announcement on the BBC licence fee. I should explain a little further what lay behind my assumption that it was understood by all concerned that any change in the current restriction on the use of sponsored programmes by the BBC would reopen the question of the level of the licence fee.

MISC 128 did not discuss the question of sponsorship. It has arisen since we considered the level of the licence fee (I gather that in fact the BBC raised it when Douglas pressed them to make more use of independent producers).

Sponsorship is in essence an alternative form of advertising, but it would be likely to work differently and to raise some very difficult issues of both broadcasting finance and editorial independence. That is why independent television was deliberately set up in the '50s by the then Conservative Government on the basis of spot advertising, not sponsorship. Sponsored programmes are not only banned on the BBC by the licence agreement, but strictly controlled on ITV and Channel 4. So a proposal to allow the BBC to use sponsored programmes would have to be considered very carefully as a matter of broadcasting policy, quite apart from the licence fee.

The connection with the licence fee is that sponsorship could be used to supplement BBC revenues - essentially as an alternative to advertising. The tobacco companies' sponsorship of televised sport indicates the nature and scope of what might be involved. But our



decision about the licence fee was based on the assumption that it would be the BBC's only source of revenue apart from their own commercial operations: sponsorship is banned, and Peacock considered it "only as one form of advertising" (para.397). To allow the BBC to move into sponsorship would thus call in question the basis on which we considered the level of the licence fee in the same sort of way that allowing them to move into advertising would do so. The ITV companies would have a clear grievance - the more so since it would draw money from advertising budgets, when we are looking to advertising to sustain new developments like DBS and cable.

I entirely agree that sponsorship revenue need not have a £ for £ affect on licence revenue - otherwise, there would be no incentive. But if it had no effect on licence revenue it would simply be a soft option for the BBC, working against our aim of a more efficient broadcasting industry.

I do not know how seriously the question of sponsorship may be raised, if at all. I would not necessarily be opposed to it. But for all these reasons I am sure it should only be on the basis that it would have some effect on the licence fee: indeed if that were not so I am clear that I should be opposed to sponsorship.

I am copying this minute to Douglas Hurd; to the other members of MISC 128: to Norman Fowler; and to Sir Robert Armstrong.

N.L.

21 January 1987

BROADCASTING: Licence fees
pt 3.

