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ccMLB

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 March 1989

Thank you for your letter of 6 March enclosing briefing for the Prime Minister's meeting with John Wheeler MP on 7 March. I fear that I was grievously misled. The meeting is not until 4 April. Could you please let me know on the 3rd if you wish to amend the briefing in any way.

P. A. Bearpark

Miss Catherine Bannister,
Home Office.



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

6 March 1989

Dear Andy

Thank you for your letter of 22 February requesting briefing for the Prime Minister's meeting with John Wheeler MP on 7 March to discuss aspects of broadcasting policy.

... I attach briefing to cover the four topics mentioned in Mr Wheeler's letter, namely:

- (a) the use by the BBC of the night hours to develop subscription services;
- (b) the maintenance of the licence fee in real terms for the next few years;
- (c) transfer to the BBC of responsibility for administration of the licence fee system;
- (d) decriminalisation of licence fee evasion.

Yours
Catherine

MISS C J BANNISTER

P A Bearpark, Esq
Private Secretary
10 Downing Street

BBC NIGHT HOURS

Line to take

Understand your reasons for thinking that the BBC should be allowed to retain both sets of night hours. Peacock in fact recommended that they should lose both sets. The White Paper proposal to remove one set only will give the BBC an opportunity to develop subscription services at night, while at the same time providing an opportunity for a new operator to enter the field. We will, however, consider your views carefully, along with any fresh arguments from the BBC.

Background

2. The White Paper proposed that one set of night hours should be removed from the BBC and allocated by the ITC by competitive tender. (The White Paper did not define the night hours, but referred to the definition proposed by Peacock ie 1-6 am). The objective was to create a further opportunity for a new operator to enter the field.

3. The BBC have argued that they should be allowed to retain both sets of night hours, on the basis that this would give them greater scope to develop subscription services. If the BBC were to retain both sets they would propose to use one set for specialised services aimed at professional and occupational groups provided in conjunction with commercial partners (such as the experimental service for doctors which started recently), and the other set for entertainment services drawing on their programme archives (eg a Nature Club drawing on the BBC's archive of nature programmes). In both cases the services would be downloaded onto VCRs. They have argued that the removal of one set of hours would greatly reduce the scope for subscription services. Some of the time on the remaining set of night hours would have to be reserved

for overnight coverage of events (eg Olympics, elections). As some of these events are not foreseeable far in advance the commercial value of the remaining hours would be lessened by the fact that they might become unavailable at short notice.

<wk>J/Nt/BBC/Nt/Hrs

MAINTENANCE OF LICENCE FEE IN REAL TERMS

Line to Take

1. The licence fee will in fact be index linked to the RPI until 1991. This has given the BBC a more secure basis for their funding than previously, helping them to budget sensibly while giving them an incentive to increase their efficiency.
2. But as we have said in the White Paper, from 1991 we intend to take into account the BBC's capacity to generate money from subscription services when settling licence fee increases. I believe this is the sensible thing to do, both encouraging the BBC to maximise its earning potential and ensuring that the licence payer benefits from the BBC's success in doing so.

Background

1. The BBC licence fee is being indexed to the RPI between 1987 and 1991. This is intended to put a double squeeze on the BBC's finances. First, because costs in the broadcasting industry have traditionally tended to rise by more than the RPI. Secondly, because the BBC had previously planned to spend more than the increase in 1987 - the base year for index linking - would have allowed them to do so. At the same time, it benefits the BBC by giving them a secure basis on which to budget; and the licence payer by stimulating the BBC to reduce their costs and increase efficiency.
2. From 1991, the Broadcasting White Paper proposes that the licence fee should be increased by less than the RPI in a way which takes account of the BBC's capacity to raise money from subscription and encourages progress in that direction. The White Paper looks forward to the eventual replacement of the licence fee, but says that the timing will depend on experience gained of the impetus and effects of BBC and other new subscription services. A wide range of commentators on the White Paper have expressed concern about the long-term effect on UK broadcasting standards of changes in the way the BBC is funded.
3. As announced by the Home Secretary last October, under the present indexation arrangement, the licence fees ~~are to be~~ ^{were} increased on 1 April from £62.50 to £66 (colour) and from £21 to £22 (monochrome).

Line to Take

I fully agree with what you say. The White Paper on broadcasting sets out our intention to transfer this responsibility to the BBC through the Broadcasting Bill. This was, as you know, a Peacock Committee recommendation. I know that the BBC are keen to take on this task. In their response to the White Paper, they have stated their wish to develop the present collection system, including the direct debit instalment scheme to be introduced this year, and to consider other forms of easy payment. They are also considering the practicalities of marketing and collecting subscription payments.

2. The BBC's aim is to maximise convenience and benefit to the licence payer. Taking on this responsibility will give them a good base from which to become more directly accountable to their customers. I welcome this positive approach by the BBC.

Background

1. At present the Home Office is responsible for the administration of the television licence fee system. The Peacock Committee recommended that the BBC should take over this responsibility and this has been agreed. The White Paper on broadcasting sets out the Government's intention to make the necessary legislative changes, which will be included in the forthcoming Broadcasting Bill. On present plans, the transfer would take place about April 1991.

2. The BBC will then become responsible for all aspects of licence fee administration. The Home Secretary will continue to set the level of the fee, the licence conditions, the types of licences which may be issued, and the payment of the BBC grant.

3. This will save some central Government costs and staff. And the BBC are keen to take the opportunity to develop the present collection system, including the direct debit instalment scheme to be introduced later this year, in order to maximise the convenience and benefit to the licence payer. The BBC have commissioned a marketing study to see what other forms of easy payment may be desirable. And they are also considering the practicalities of marketing and collecting the payments for add-on subscription services.

DECRIMINALISATION OF LICENCE FEE EVASION

Line to take

I understand the reasoning behind this recommendation. We do of course need to consider the practical implications for broadcasting finance, and in particular to look at how the utilities are able to enforce payment. We will let you know as soon as we have reached a decision.

BACKGROUND

2. The Home Affairs Select Committee report on broadcasting recommended, amongst other things, that evasion of the licence fee should become a civil rather than a criminal offence. Mr Wheeler argues that the obligation to pay the licence fee should be no different from the requirement of consumers to pay other public charges such as water rates and charges for other public utility services.

3. In considering this recommendation, we have been in consultation with the Gas, Electricity and Water Industries and British Telecom about their debt collection procedures and how they enforce payment. There are some difficult practical issues: unlike the utilities the BBC are not able to cut off the service to non-payers; the evasion rate is already higher than that of the utilities and would increase; lack of incentive under civil liability to pay up quickly, with cash flow consequences; generally the debts would be below the level at which the courts could award costs; difficulties in enforcing civil court judgements.

4. After consideration of these issues, the Home Secretary intends to report to MISC 128.

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