

FROM: THE PRIVATE SECRETARY

Prime Minister

Content to approve the terms of reference for a consultancy study on efficiency of the BBC - to

scope for keeping licence fee increases below the RPI movement? HOME OFFICE QUEEN ANNES GATE LONDON SW1H 9AT



25 September 1990

RHP 2519

Dear Barry

BBC LICENCE FEE

Thank you for your letter of 6 July conveying the Prime Minister's agreement to the proposed study by consultants on the efficiency of the BBC. The Prime Minister asked that the No. 10 Policy Unit should be involved in setting in place the study and in drawing up the terms of reference.

The Home Secretary has now approved arrangements for the study and the enclosed terms of reference, which have been discussed and agreed in substance with the Policy Unit, the Treasury and the BBC. Time constraints preclude a first order efficiency review, and the study will accordingly focus primarily on the scope for discounting the licence fee below RPI as a result of further efficiency savings. It will need to draw heavily on evidence from other recent studies, along with some original research.

We need to take a decision on next year's licence fee by about the end of this year and it is therefore important that we set up the consultancy quickly. The Home Secretary would therefore be grateful if you could let me know by tomorrow morning if possible whether the Prime Minister is content with the terms of reference.

I am copying this letter and enclosure to the Private Secretaries to the Chancellor of the Exchequer and Sir Robin Butler.

C J WALTERS

No - it should not include 'prospects for' in the 'broadening' and would be clear that... We are in a period when RPI... We are in a period when RPI... We are in a period when RPI...

ANNEX C

LICENCE FEE CONSULTANCY

TERMS OF REFERENCE

1. The White Paper "Broadcasting in the 1990s" said that "the Government intends after April 1991 to agree licence fee increases of less than the RPI increase in a way which takes account of the BBC's capacity to generate income from subscription". It is now clear that subscription will not generate substantial income for the BBC in the immediate future. The purpose of this study, therefore, is to provide an independent assessment of whether it is still feasible to set future increases in the television licence fee below the level of RPI inflation and to assess the consequences of a range of formulas for such increases. The study will take account of the prospects for inflation in the broadcasting industry and the interests of the licence paying public and will, in particular, investigate the scope for further economies within the BBC, having regard to the policy set out in the White Paper that the BBC should:

"provide high quality programming across the full range of public tastes and interests, including both programmes of popular appeal and programmes of minority interest, and to offer education, information and cultural material as well as entertainment".

2. The study and recommendations should cover, but need not be restricted to, the following issues:-

- (a) the rigour and effectiveness of the BBC's plans and procedures for identifying economies through efficiency measures, consistent with the obligations

Became
the RPI
have refused
to do it

Yes

No

They have
just added a
new radio service

described above;

- (b) the adequacy of controls over budget setting and monitoring; *at what level?*
- (c) an assessment of the potential for income generation from subscription services;
- (d) an assessment of any additional revenue or reductions in expenditure likely from other existing or planned activities, including, for example, asset disposals, the management of working capital and research spending;
- (e) the extent to which the cost of programmes made by the BBC differs from those made by other broadcasters or independent producers;
- (f) a broad comparison, where possible, of the efficiency of the BBC with that of public service broadcasters providing similar services in other countries;
- (g) the potential for increase in the BBC's net income by reducing licence fee evasion or reducing the administrative costs of collecting the licence fee;
- (h) in the light of (a) to (g) above, what savings or additional income might reasonably be expected to accrue.

There aren't any like the BBC.

BROADCASTING: POLICE PRIC