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cc: Policy Unit pps / BBC*

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From the Principal Private Secretary

26 September 1990

BBC LICENCE FEE

The Prime Minister has seen the proposed terms of reference for the study into the efficiency of the BBC which were attached to your letter of 25 September to Barry Potter.

The Prime Minister was concerned at the way the first paragraph called into question ("whether it is still feasible") the objective of securing the increase in the licence fee below the general rate of inflation. She was also concerned at the implication that inflation in the BBC's costs should be accommodated ("will take account of the prospect of inflation in the broadcasting industry"). She has commented that if inflation is to be brought down, the BBC, in common with industry generally, will have to absorb much of the increase in costs through greater efficiency.

The Prime Minister also commented that she doubted whether the BBC had made a major effort to generate substantial income from subscription; that while seeking economy, the BBC had just added a new radio service; and that a comparison with other public service broadcasters was likely to be of limited value as there were none quite like the BBC.

The Prime Minister would be grateful, therefore, if the Home Secretary could consider drafting changes to paragraph 1 which meet her concerns.

I am sending copies of this letter to John Gieve (HM Treasury), and Sonia Phippard (Cabinet Office).

ANDREW TURNBULL

C.J. Walters, Esq.,
Home Office.

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