

M117



10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

1 October 1990

BBC LICENCE FEE

The Prime Minister has seen the revised terms of reference for the licence fee consultancy and was content.

ANDREW TURNBULL

Colin Walters, Esq.,
Home Office

867

CPK



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

27 September 1990

Dear Andrew

Yes ms

BBC LICENCE FEE

at lap
... Thank you for your letter of 26 September. I attach revised terms of reference in which we have tried to meet the Prime Minister's concerns.

I should be very grateful to know on Monday if possible whether the Prime Minister is content.

Prime Minister

X replaces the phrase "whether it is still feasible to set"

Y omits the reference to "taking account of the prospect for inflation in broadcasting industry"

Contact with revised version?

AT

28/9

C J WALTERS

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

ANNEX C

LICENCE FEE CONSULTANCY

TERMS OF REFERENCE

X | 1. The White Paper "Broadcasting in the 1990s" said that "the
Y | 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 the study, therefore, is to assess how future
increases in the television licence fee can be set below the
level of RPI inflation, and the consequences of a range of
formulas for such increases. The study will take account of the
interests of the licence paying public and will investigate the
scope for further economies within the BBC, while maintaining
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
described above;
- (b) the adequacy of controls over budget setting and

monitoring;

- (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.