

PRIME MINISTER

BRITISH AEROSPACE

Mr. Tebbit seeks your agreement to an announcement tomorrow that the Government should dispose of its residual shareholding in BAe sometime in April. Earlier today you expressed some hesitation about this, principally on the grounds that employees might feel they had taken a stake in a company of one kind and now found themselves holding a stake in a rather different company. Both John Redwood and I feel that Mr. Tebbit's proposals are justified.

i) The Government has announced that it is the Government's policy to sell minority shareholdings in privatised companies as circumstances permit. There is no special logic to owning BAe as a defence contractor - many other defence contractors are in the private sector and it is intended to return warship building to the private sector as soon as possible.

ii) The Government needs to raise money from asset sales to meet the public expenditure targets. The timetable for BA has slipped and there is now no firm date for it. BAe represents an important replacement in the asset sales programme.

iii) The 25% Government shareholding was intended to provide protection against foreign takeover but this can be just as well provided by a golden share and a 10% limit on application for new shares.

iv) The Civil Aviation manufacturing business is a high risk one. Why should the Government underwrite it? Government backing may lead to less taught management and less satisfactory control over project design and cost.

v) Employees have little cause for complaint. BAe shares were first made available at 150p in 1981 and the shares now stand at 360 - 370p.

Agree Mr. Tebbit's proposals?

AT

Andrew Turnbull  
14 January 1985



File

10 DOWNING STREET

Prime Minister

If there is to be an  
announcement tomorrow  
DTI / BAe will to know  
by 9am so that the shares  
can be suspended to prevent  
further damaging speculation

AT

14/1

Agreed  
ms

These papers can  
be downgraded to  
CONF.



## British Aerospace plc

3.33 pm

**The Secretary of State for Trade and Industry (Mr. Norman Tebbit):** With permission, Mr. Speaker, I should like to make a statement about the Government's residual shareholding in British Aerospace plc.

My right hon. and learned Friend the Chief Secretary to the Treasury told the House on 14 March last year that it was the Government's policy to sell minority residual shareholdings in privatised companies as the circumstances of the companies, the prospectus undertakings and market conditions permit. In pursuit of that policy, the Government have now decided to sell our residual shareholding in British Aerospace.

Since 1981, when it became the first nationalised industry to be denationalised, British Aerospace has been operating successfully in the private sector. We intend, subject to satisfactory market conditions, to offer for sale all our shares in British Aerospace—48.43 per cent. of the company's issued share capital—in the spring or early summer of this year.

The company has agreed that, before the sale is made, it will recommend to shareholders a resolution providing for the Government to retain a special share in the company. The purpose of this special share will be to ensure that no change may be made without Government consent to the provisions of the company's articles of association which restrict the foreign ownership of shares in the company and require the directors to be British nationals.

When British Aerospace was privatised, the Government said that we would retain at least 25 per cent. of the shares in the company so as to be able to block any changes to those articles. This Government shareholding will be rendered unnecessary by the issue of the special share which will have the same blocking effect.

We will also have the right to nominate a director to the company.

It is the company's intention to raise new equity capital at the same time as the Government's shares are sold. The British Aerospace chairman, Sir Austin Pearce, is making a statement about this this afternoon.

Subject to the approval, as necessary, of the company's shareholders, it is intended that the offer for sale should take the form of a simultaneous offering of the Government's existing shares and new shares issued by the company.

**Mr. John Smith (Monklands, East):** May I begin by welcoming the right hon. Gentleman back to the Dispatch Box? We are very pleased that his recovery has been so complete as to allow him to resume his duties in full. I am sorry, however, that his return to the House has been to deliver such a miserable and humiliating statement.

Is it not crystal clear that the Government have been pushed and panicked into an early forced sale of these shares in British Aerospace because of their incompetent handling of our financial affairs? Is it not the case that as a result of the yet further postponement of the sale of British Airways shares the books will not balance unless the Government sell something else as fast as they can? Is it not a shabby circumstance that valuable public assets of inestimable long-term significance have to be sold in forced sales circumstances which means that the price to be obtained will be well below the true value?

Is it not now obvious that the whole privatisation process is not a measured and well-considered transfer of assets as between private and public ownership but a scramble to sell off anything valuable that the Government can get their hands on to disguise their financial bungling? Is it not a measure of the Government's desperate straits that they have been forced to break a solemn undertaking that was given to Parliament, presumably in good faith, that they would retain 25 per cent. of the shareholding of the company so as to maintain essential control?

Is the Secretary of State aware that the special share device upon which he places great reliance has not yet been tested in the courts as being effective, especially in cases where the holder of the share has no beneficial interest whatsoever in the company? Does not the Secretary of State realise that if this rather pathetic device fails to achieve its objective the Government will have lost all control of an enterprise which is crucial to the equipment of our armed forces and to our national security? Is it not ironic that if the Government had not failed to obtain the proper value for the shares they sold in British Telecom they might have been spared the ignominy of this forced sale of British Aerospace?

**Mr. Tebbit:** May I first thank the right hon. and learned Gentleman for his kind personal remarks?

The Government have not been pushed unwillingly into selling these shares. It has been my ambition ever since the concept of denationalisation was arrived at that we should sell all of them. Indeed, we want to get back as soon as possible to the position which obtained before the Labour Government's incompetent decision to nationalise the industry in the first place.

When the right hon. and learned Gentleman talked about this being related to the British Airways decision and about its being necessary to balance the Government's books, he seemed not to understand that this will happen in the forthcoming financial year, during which I very much hope that British Airways will also be liberated.

If the right hon. and learned Gentleman thinks that the shares will be undervalued and sold too cheaply, he is at liberty to buy some. He is even at liberty to suggest that the Labour Party should buy some; it might help its financial state.

As to what the right hon. and learned Gentleman said about the retention of 25 per cent. of the shares, it is clear that he is unduly excited about the mechanism by which the objective would be achieved and is completely oblivious to the fact that it is the objective of ensuring that control of British Aerospace remains in Britain that is important. The right hon. and learned Gentleman chooses to cast some doubts upon the legal validity of the mechanism of special shares. That is an idea that he seems to have invented out of the air today because he has no other valid criticism to make.

**Mr. John Wilkinson (Ruislip-Northwood):** In welcoming my right hon. Friend back today, may I say how wonderful it is to have him in such cracking good form and delivering a statement so dear to his heart and so dear to his right hon. and hon. Friends who, for many a long month, have espoused a hope in their hearts that the totality of British Aerospace would be sold in this way? This example should be a very good precedent for the sale—in fact, the liberation—of British Airways? Could the employees of British Airways benefit in the same way that



showing heroic determination in fighting for their communities and the dignity of work. Does the right hon. Lady recognise that in June, September and October last year real negotiations which almost secured a settlement took place? Why can we not have a resumption of negotiations without preconditions to secure a principled and balanced conclusion to a dispute which is not helping sterling and is damaging the economy?

**The Prime Minister:** Some 73,000 members of the National Union of Mineworkers are not on strike. More than 20,000 members of the NUM have returned to work since the beginning of November, including 1,800 so far this week. The only attrition against the miners is being carried out by the leadership of the NUM.

3. **Mr. Cartwright** asked the Prime Minister if she will list her official engagements for Tuesday 15 January.

**The Prime Minister:** I refer the hon. Gentleman to the reply that I gave some moments ago.

**Mr. Cartwright:** Can I take it that the Prime Minister has now overruled the view of the Foreign and Commonwealth Office, expressed to me last week by letter, that any celebration of the 40th anniversary of VE day would be at best nostalgic and at worse anti-German? Will the right hon. Lady ensure that any celebrations are genuinely international in character and involve all our wartime allies?

**The Prime Minister:** I believe that we are entitled to national celebrations, and I have said that we shall be bringing forward some proposals. I hope that those will celebrate the victory of freedom over tyranny and that they will also celebrate 40 years of peace with that freedom. It will, therefore, be a celebration with two aspects to it.

**Mr. Favell:** In view of the clamour from Opposition Members for increased public spending, may I ask my right hon. Friend to spare a word for those engaged in the wealth-producing private sector? After all, they have borne the brunt of the recession, they need all the help they can get and, contrary to popular belief, the vast majority of them are not engaged in building roads and sewers.

**The Prime Minister:** The health of the public sector depends on having a flourishing private sector, and that

depends on not putting so many burdens on those in that sector that they cannot make sufficient profits to re-invest and extend their activities. I absolutely agree with my hon. Friend.

**Mr. Ryman:** On a point of order, Mr. Speaker—

**Mr. Speaker:** Does it arise directly out of questions?

**Mr. Ryman:** It does, Mr. Speaker. In answering questions, the Prime Minister spent seven minutes answering two questions.—[HON. MEMBERS: "Three".] Before the Christmas recess, when a Minister of State at the Home Office purported to answer a question by taking eight minutes, you ruled, on a point of order raised by me, that you would exhort Ministers in future to restrict the length of time they took in purporting to answer questions. The Prime Minister, in her attempt to answer questions, clearly infringed that ruling that you gave before the Christmas recess. I ask for your guidance for future reference.

**Mr. Speaker:** The whole house knows that I should like to see shorter supplementary questions, which I think would lead to shorter answers from the Front Benches. In fairness to the Prime Minister, she was answering a very important question put on three occasions by the Leader of the Opposition. As a general principle, however, I agree with the hon. Gentleman that shorter questions would be beneficial.

**Mr. Faulds:** On a point of order, Mr. Speaker—

**Mr. Speaker:** Does it, too, arise directly out of questions?

**Mr. Faulds:** Yes, Mr. Speaker. Two of the three hon. Members who asked questions this afternoon did not, in their preliminary phraseology, refer to the Prime Minister's business today. Is it not the requirement that such a reference should be part of the phrasing of questions, and would it not have been right for you to have drawn the attention of the hon. Members concerned to that fact?

**Mr. Speaker:** The hon. Gentleman is entirely right, but I suppose that that preliminary phrase takes up that little bit of extra time. The whole House knows what we are about when we have these open questions.



the employees of British Aerospace have undoubtedly benefited, those who had the prescience to buy shares in the company when first it was floated?

**Mr. Tebbit:** I had best not be tempted into discussing the basis on which British Airways shares will be sold, but it is right that I should say to my hon. Friend that on this occasion, on the sale of British Aerospace shares, the existing employees will have priority rights of application with regard to the Government shareholding, but at present I do not envisage that there will be any special incentives beyond that for them to buy.

**Mr. Ian Wrigglesworth (Stockton, South):** I join with others in welcoming the Secretary of State back to the Dispatch Box and add the wish that his wife will also soon be restored to full health.

May I press the point that has been made, that this is like selling off the family silver to pay for the grocery bills? Does not the Secretary of State accept that selling off capital assets in this way would be more acceptable if the funds raised by the Government were not just lost to the Exchequer but that the Government's capital investment record were better than it was? Does the right hon. Gentleman agree that an increase in capital investment in the Budget would be widely welcomed using the revenues that have been received from the British Telecom sale, this sale and other sales of state assets?

**Mr. Tebbit:** I thank the hon. Gentleman for his kind remarks, particularly those concerning my wife, which I shall convey to her.

The hon. Gentleman referred to capital investment. I must confess that my memory may be at fault, but I thought that the hon. Gentleman was present in the House last Thursday when my right hon. Friend the Prime Minister sought to set his mind at rest over the Government's record on capital expenditure, which is very good—and so is the present record of the private sector of industry.

**Mr. Kenneth Warren (Hastings and Rye):** May I also say how great a pleasure it is to welcome my right hon. Friend back to the House? He has given us good news in his first statement. Can he define for the House and those outside who are partners with the British Aerospace company in international agreements such as Panavia in Germany and Italy and Airbus Industrie in France and Germany what relationships they will have with the new company when it is entirely in private enterprise? Will my right hon. Friend assure them that there will be change in those relationships and that the Government will continue to back those relationships?

**Mr. Tebbit:** I can certainly give my hon. Friend the assurance that no change is envisaged in the relationship between British Aerospace plc and its partners in either Airbus Industrie or Panavia, or in the other international projects with which British Aerospace is associated.

**Mr. George Park (Coventry, North-East):** Bearing in mind the De Lorean experience, will the Secretary of State say what the terms of reference will be for the Government-appointed director?

**Mr. Tebbit:** The Government director will have the responsibilities of every other director of the company. I do not think that there is very much connection between De Lorean and British Aerospace, not even, I hope, in the mind of the hon. Gentleman.

**Mr. Michael Marshall (Arundel):** I welcome my right hon. Friend's statement and am delighted to see him back. Is he aware that those of us who have been involved with this denationalisation process will be most interested in the special share arrangement that he has announced and that, on the face of it, it appears to be a most useful way in which to provide additional opportunities for putting shares on the market? Will he take this opportunity to say how far he hopes that share ownership will be spread as widely as possible, as with small investors for British Telecom? Does he further recall that when British Aerospace was floated 90 per cent. of the employees took their free issue but that 40 per cent. spent money to buy shares? Is that not a promising augury?

**Mr. Tebbit:** I hope that the share ownership of British Aerospace will be spread widely. I especially hope that many of that company's employees will take advantage of the priority that they will have to apply for shares in the company in which they work and in the success of which they have an enormous interest.

**Mr. James Lamond (Oldham, Central and Royton):** Is it not an interesting insight into the morality of the Secretary of State and those Members behind him who cheered that, when he attempted to meet the criticism of my right hon. and learned Friend the Member for Monklands, East (Mr. Smith) about shares once again being sold at far too low a price, he suggested that the criticism might be stifled by my right hon. and learned Friend trying to make money out of the shares himself? Is that the sort of morality that we now have in the House?

**Mr. Tebbit:** I am not sure that I am too keen on taking lessons in morality from the hon. Member, but I suggest that he has misunderstood the import of my question. Were he and his hon. Friends and others, who believe that something is undervalued, to come forward with a better bid, the price would be raised, the taxpayer would benefit, and, as I have suggested, even the right hon. and learned Member for Monklands, East and his colleagues might benefit. When such benefits can be spread widely, it is an unhappy thing that the hon. Member should be so carping. Why does he not celebrate a little?

**Sir Edward Gardner (Fylde):** Might I also welcome my right hon. Friend's return to the Dispatch Box? Although he sounded fine on television, he sounded even better this afternoon, giving a message that I know will be warmly welcomed by all of us who have British Aerospace divisions in our constituencies? The announcement will be welcomed as giving new and increased hope for the future of this most important, if not vital, industry.

**Mr. Tebbit:** I am grateful to my hon. and learned Friend. It is worth remembering that British Aerospace's constituent companies were prosperous and well run before denationalisation. Their success since denationalisation has been quite remarkable—there has been a continued growth in turnover, exports and profitability. We can all hope that that will continue.

**Mr. Harry Ewing (Falkirk, East):** How long will it take the Secretary of State to learn that privatisation does not spread share ownership more widely? If he takes the time to investigate the circumstances of British Telecom plc now, he will find that 30 per cent. of its employees who bought shares have already sold them.



[Mr. Harry Ewing]

Does the right hon. Gentleman remember that, in the middle of 1984, General Electric Company attempted to gain control of British Aerospace? For one reason or another the attempt did not materialise. Will he assure us that his announcement is not a back-door method of giving control of an extremely important industry to GEC? If that happened, it would be an utter disaster for the British Aerospace industry.

**Mr. Tebbit:** The hon. Gentleman has forgotten that, should there be an attempt at a takeover of a company such as British Aerospace, it would fall within the criteria that apply under the Fair Trading Act 1973 and therefore might well be investigated by the Monopolies and Mergers Commission. A conclusion would then be reached by the MMC and the Government on whether such a bid should be allowed to go ahead. There is no question of this sale of shares changing matters in that respect.

**Mr. Alan Haselhurst** (Saffron Walden): I welcome the principle of what my right hon. Friend has announced, but is he satisfied that the arrangements that he has outlined will give the Government reasonable certainty that, in its future ownership, the company will retain primacy in matters of aerospace?

**Mr. Tebbit:** The standing of British Aerospace will be governed by the skill of the work force from the chairman down to the last man and woman on the shop floor. The Government will continue to give British Aerospace the support which they give to all British companies in their efforts to export and prosper.

As my hon. Friend will be aware, the Government have already entered into an agreement with British Aerospace about launch aid for the A320 airbus. That agreement is completely unaffected by the sale. It may also be of some comfort to Opposition Members if I say that we intend to impose a limit of 10 per cent. of the proportion of the shares offered that will be allocated to any single applicant or group of applicants acting in concert.

**Mr. Stuart Bell** (Middlesbrough): When answering a supplementary question the Secretary of State said that it has always been his intention to sell all the shares in British Aerospace and yet in the statement he said that the Government intended to retain 25 per cent. of the shares. Can he reconcile the difference between those two statements?

**Mr. Tebbit:** Simply. I have always had that desire and intention in my mind since the dastardly act of nationalisation was first committed.

**Mr. Robert Atkins** (South Ribble): In welcoming back my right hon. Friend, may I ask whether he agrees that his statement is an indication of the strength of the company, the commitment of the work force, the excellence of its products and the success of privatisation? Does he agree that that is nothing but good news for the company's employees, at whatever level, and for our constituents?

**Mr. Tebbit:** I agree with my hon. Friend. I am sure that he would wish to look back on the company's record of profitability since it has been privatised, its success with export orders and many other matters, and take comfort from that. I am sure that the staff of British Aerospace will feel the same about it. I think that they will be glad to be entirely free from Government.

**Mr. Dave Nellist** (Coventry, South-East): Does the Secretary of State agree that this further act of denationalisation owes less to the idea of the spreading of a company's share ownership, because it reduces public involvement in that company and concentrates it in a few hands, and more to his and the Government's idea of rewarding their political mentors and supporters from before the election with the profits from the privatisation of industry?

**Mr. Tebbit:** No, Sir.

**Mr. Anthony Beaumont-Dark** (Birmingham, Selly Oak): Does my right hon. Friend accept that most of us on the Conservative Benches accept the logic that there is no need for any Government to own shares in British Aerospace? However, bearing in mind the fact that at one time Thorn-EMI wished to bid for British Aerospace and that GEC is now widely rumoured to wish also to bid and has a huge mountain of cash so that it could do so if his Department allowed it, would it not be sensible to clear this matter out of the way first to save any embarrassment from selling shares at a relatively low price, with a bid being made within a short time, when that profit could accrue to the state instead of to other outside shareholders?

**Mr. Tebbit:** My hon. Friend neglects the fact that I do not believe that GEC or Thorn-EMI would necessarily take me into their confidence as to whether they intended at some time to bid.

**Mr. Dennis Skinner** (Bolsover): Now that the Secretary of State is back, and aided in his recovery by the non-privatised section of the National Health Service—*[Interruption.]* It is a fact—and taking into account the fact that there have been several statements from the Government about privatising sections of the economy and that with each of those statements, like today, there is talk of liberating industry and assisting the economy, why after five years of privatisation measures is the pound in the geriatric ward?

**Mr. Tebbit:** Oh, dear, Mr. Speaker; the hon. Gentleman must, as usual, have spent more time with his mouth open than with his ears open during the exchanges at Prime Minister's Question Time today. As to what has really helped me back to my present state of what I understand is called rude health, above all else I have been encouraged by the splendid return of miners to work in the hon. Gentleman's constituency.

**Viscount Cranborne** (Dorset, South): Would not my right hon. Friend agree that it was extraordinarily interesting that the right hon. and learned Member for Monklads, East (Mr. Smith), who spoke this afternoon on behalf of the Opposition, made no reference to the possibility of his party renationalising British Aerospace in the unlikely event of its being returned to power? Could that be because he has become an apostate of the theory of nationalisation, or is it more likely that the right hon. Gentleman recognises—

**Mr. Speaker:** Order. The hon. Gentleman must ask a question which the Secretary of State can answer. The Secretary of State cannot put himself into the mind of the Opposition spokesman.

**Viscount Cranborne:** Thank you, Mr. Speaker. Will my right hon. Friend therefore agree with me that the reason why the right hon. and learned Member for



Monklands, East was reluctant to refer to this previous undertaking was that it would be a vote loser and that the people recognise that it would cause extreme damage to the British economy?

**Mr. Tebbit:** I am sure that my hon. Friend does not really expect me to take responsibility for the state of mind of the right hon. and learned Member for Monklands, East (Mr. Smith) and his colleagues. I do not think that I am quite well enough just yet to take that on. I am quite sure, however, that there will be no question of denationalisation because there is no possibility of a Government committed to that sort of policy ever again being returned to office in this country.

**Mr. D. N. Campbell-Savours (Workington):** As the Secretary of State has returned to the House with all his former "bottle" intact, will he tell the House how much he expects the net gain to the Exchequer to be as a result of this sale? Is it not fair to say that the proceeds of the sale will be used next year to cut the taxes of the better-off in our society?

**Mr. Tebbit:** One could equally say that the proceeds of the sale will be used by the Government to maintain the value of pensions and other benefits. One cannot distinguish between what one section of money does as it goes into the Exchequer and another.

As to the amount of money which will be raised, at the time when dealings were suspended the valuation of the Government's holding was about £350 million or £360 million. What the valuation will be at the time of the sale depends, as the hon. Gentleman knows, upon many factors.

**Mr. Tim Yeo (Suffolk, South):** I welcome both the return and the statement of my right hon. Friend. Does not he agree that, so far from this being a forced sale at a disadvantageous moment, as the Prime Minister pointed out earlier this afternoon, the stock exchange has risen very substantially and therefore this may seem to be a highly opportune moment for disposing of the rest of the Government's stake?

**Mr. Tebbit:** I very much hope that it will prove to be.

**Mr. Andrew MacKay (Berkshire, East):** Is my right hon. Friend aware that his most welcome and boisterous return to the Dispatch Box will give particular pleasure to those of my constituents who work for British Aerospace? His statement is a sign, first, that in the private sector it is now commercially vibrant and, secondly, that it will lead to the final shackles of nationalisation being removed from their work place.

**Mr. Tebbit:** It is important to understand—I do not believe that the Opposition have yet quite grasped this—that the denationalisation of these enterprises results in wider share ownership and in a more dispersed control of the company. For who, really, has been controlling the company while it has been nationalised? One sometimes wonders. Certainly it is not a very widespread group of people.

## British Broadcasting Corporation Advertising

3.58 pm

**Mr. Joseph Ashton (Bassetlaw):** I beg to move,

That leave be given to bring in a Bill to amend the constitution of the British Broadcasting Corporation to allow the Corporation to raise revenue, as and when required, through transmitting advertisements subject to the same rules as to advertisements that apply to independent television.

I welcome this opportunity to put the Bill before the House because, believe it or not, since 1923 when the BBC began, the House has never had any say in the fixing of the television or broadcasting licence. It has usually been stitched up as a deal between successive Home Secretaries and Governments and announced at midnight. The public have had to put up with that form of poll tax whether they liked it or not.

There is no doubt that the proposal to increase the licence fee to £65 will bear heavily on the poorer sections of the community. Many families in Britain, probably 5 million, never see £65 in a lump sum. It is not that they do not want to pay £65 for a television licence; it is just that they can never afford to pay that.

The time has come to re-examine the method of financing the BBC and there is a great public demand for that. Obviously, many of my colleagues are opposed to advertising on principle. [HON. MEMBERS: "Hear, hear."] I have yet to see similar opposition to advertising that appears in *Tribune*, *Morning Star*, *Labour Weekly* or the *Radio Times*, or any other form of financial help which is given to those organisations.

Obviously, it would be better if a subsidy could be paid to poor people so that they would not have to pay a massive £65. But the fact is that no Chancellor, Labour or Conservative, has ever shown any sign that he is prepared to put up that sort of money. It would need about 1.5 per cent. on VAT to pay it. There is no sign even now that a future Labour Chancellor would be able to find between £400 million and £500 million to keep down the cost of the television licence and to pay a subsidy to people on low incomes. Therefore, we must consider how that could be financed.

There is no doubt that some of my hon. Friends will argue that already the poor pay more than £65 in the 1p that they pay on a tin of beans or the adverts on the other supermarket purchases that they make every day. But the fact is that that sort of payment is relatively painless. When people pay a penny on a tin of beans for the advertising they can absorb that into their weekly budget far more easily than a £65 lump sum payment.

Nobody is denying that £65 would be tremendously good value for money. It would be. It works out at about the cost of a postage stamp per day. But the fact is that the BBC has not yet come up with any method of collecting it, other than in a lump sum. The benefit of paying by advertising is that the people who spend the most tend to pay the most. The poor families in my constituency who cannot afford continental holidays are not paying for the continental holidays to be advertised on television. If they cannot afford to fly British Airways or to pay for beer, they do not pay for advertisements for those. There is a principle in advertising that the ones who spend the most pay the most, which is a good principle on which to work.

The Bill does not tell the BBC how it has to run its affairs or raise funds. It allows it complete flexibility. It



[Mr. Joseph Ashton]

has been worked out by advertising agencies that the BBC would need to take as little as 30 or 40 seconds an hour. I have just returned from making a television programme with Mr. Alasdair Milne, the director-general of the BBC. [Interruption.] It is not usual to shout hon. Members down on a ten-minute Bill, but I understand that my hon. Friends do not wish to listen to the argument.

Mr. Alasdair Milne confirmed on television an hour ago that advertising would work out at just over a minute an hour. One commercial an hour is all that the BBC would need to keep the licence fee at its present level. It would have a guaranteed per capita income of £46 and it could then raise as much or as little as it liked to finance its programmes.

Nothing in the Bill says that every programme must contain advertising. The BBC could choose to advertise on "Dynasty" or "Dallas", "Hi-di-hi" or "Blankety Blank", and leave "Panorama" or "Newsnight" alone. It could choose to show programmes from the olympic games where there were adverts for McDonald's hamburgers or Coca Cola and then use the cash to subsidise opera on BBC2. The Bill gives the BBC complete flexibility to decide how much it wants to raise and how to raise it.

An alternative argument that would probably be put forward is that advertising tends to lower standards and goes for the mass market. There may have been something in that argument until Channel 4 appeared. Nobody now can say that Channel 4 lowered its standards to get a bigger range of advertising, because it did not. Many programmes on ITV, such as "World in Action", "Weekend World", "TV Eye" and "News at Ten", do not pander to advertisers. They make no concessions to advertising at all. They are excellent programmes of integrity. The miners in my constituency will say that Channel 4 news has given them the fairest coverage that they have had. Therefore, there is no experience at all that advertising lowers standards in Britain, and that is the result of the strict controls that we have. Last year ITV won all seven Emmy awards for dramas such as "Jewel in the Crown" and "Brideshead Revisited" and made a profit from selling those programmes abroad.

We already have massive advertising on BBC every single day, especially on sporting programmes at the weekend. The Canon league, the Gillette cup, the Nat-West trophy and all sorts of sponsored events are constantly thrust in front of the public. We now have the crazy situation where the BBC pays Embassy to show its snooker when it should be Embassy paying the BBC to advertise Embassy. How can that be Socialism? To expect people to pay £65 to subsidise Embassy is inconceivable to me.

Advertising is one of the best growth industries in Britain. It is making massive profits. We have only to look at the growth of free newspapers over the past 10 years. Ten years ago Britain never experienced free newspapers being shoved through the door. There has been a phenomenal rise in that market and its profit. In real terms ITV now charges 50 per cent. more for advertising than it did in the 1970s. That is possibly because there is a massive demand for advertising. ITV does not want to change the set-up because it does not want to face competition. If the price of the cost of advertising comes

down because the BBC is showing it, it benefits the consumers and the poor people who pay 1p on a tin of beans towards paying for it.

ITV experienced so much demand for advertising last year that it went to the Independent Broadcasting Authority and asked for an extra minute an hour and the IBA turned it down. The market potential there for fund raising is enormous. The only thing that prevents it is that on the one hand the BBC do not want to do it, and on the other it does not want a handout from the Government because it wants to retain its integrity. It cannot have it both ways. There must be some form of help to the poor and lower paid.

That system works well in Italy and Germany. In Italy the fee is £33. One can argue about quality, but we are arguing about financing.

4.7 pm

**Mr. Brian Sedgemore** (Hackney, South and Shoreditch) *rose*—

**Mr. Speaker:** Does the hon. Gentleman seek to oppose the Bill?

**Mr. Sedgemore:** Yes, Mr. Speaker.

Few Labour Members would have expected to see a Labour Member bring in a Bill to put the BBC in private hands and bring public service broadcasting to an end. I imagine that the hon. Member for Bassetlaw (Mr. Ashton) wants to be remembered as that person who gave the BBC over to commercial salesmen.

Frankly, I am horrified at the way in which the hon. Gentleman has run his campaign on radio and in the press. He knows the long-term and calamitous consequences of what he is proposing but he simply does not care. In bringing the Bill before the House in this fashion he combines, as only he is capable of combining, rampant populism with insistent philistinism and a profound ignorance of television and the importance of the BBC in the maintenance of our culture.

The Bill will damage entertainment, drama, news, art and culture. It may be the hon. Member's intention to turn Bassetlaw into a cultural-free zone before he dies.

The hon. Gentleman has consistently misled the public on radio and television. He has said that the BBC would need only 30 seconds of advertising per hour to keep the licence fee at the present level. That is incorrect, as I have always known. The hon. Gentleman has taken that figure from an advertising agency called DMM. In fact, the BBC would need three times that amount—one minute and 20 seconds of advertising per hour. If I can do my homework on that, I do not see why the hon. Gentleman cannot.

The hon. Gentleman has argued in public and in the House today that people who watch ITV should not have to pay for the BBC. Audience research figures show that 97 per cent. of the public watch BBC television for an average of 10 hours per week. That is the whole population except those who are moving house or happen to be away from home for some reason.

The hon. Gentleman said that the BBC had won no Emmy awards this year. Perhaps he regards those gargantuan competitions as reflecting the quality of television broadcasts, but if he had done his homework he would know that the BBC had won no fewer than 100 national and international awards this year.