

15 May 1990

BBC SUBSCRIPTION AND LICENCE FEE

The BBC management has clearly been getting at Home Office ministers.

The BBC and Broadcasting Reform

The BBC is a privileged and dominant player in British broadcasting. The Broadcasting Bill strengthens the position of the BBC and because of increased competition and deregulation weakens its commercial rivals:

- The BBC will be the only television company with two territorial channels, now that C4 has been separated from C3.
- The BBC has enormous hidden capital (property and land, masts, not least in the regions) which it could sell or mortgage. It faces none of the uncertainties of the auction.
- The BBC has a licence fee income of nearly £1 billion which is independent of the quality of its programmes or management.
- While some ITV companies may lose their franchise in the auction, the brand name BBC continues.
- The BBC has a unique archive of old programmes and newsreels which is extremely valuable.

At the same time the BBC has shown itself reluctant to enter the new world of broadcasting:

- It has accepted the 25% quota for independents and the need



to provide information with which Government can monitor its progress with great reluctance, which is why the 25% initiative required statutory backing.

- It has refused to privatise its transmission system until after 1996.
- Although the published figures claim it has reduced employment from 30,000 to 28,000, this is simply in the number of official 'posts': in reality employment in the BBC has increased over recent years from 30,000 to 31,000! (This is not publicly known but a great embarrassment to management.)

The strategy being pursued by the BBC is to take advantage of its own strengths and exploit the weaknesses of its rivals. It has been eager for some time to move into new areas and/or start joint ventures with the private sector, eg rent mast space to new broadcasters, engineering consultancy services, foreign satellite ventures, television world news service.

Meanwhile the Government has granted the BBC permission to expand into one new area - subscription - which has been a failure. The BBC set up a medical information service run by a commercial company (BMTV), which has gone bankrupt! It now plans to re-launch its subscription services next year.

#### The Home Office Proposals

Because of the failure of the subscription service to get off the ground the Home Office propose:-

- Nb
- (a) that the BBC should be allowed to go into other private ventures than subscription;
  - (b) the Government should employ a firm of management



consultants to second guess the BBC's projections.

I believe there are serious disadvantages to going down this road.

*under  
current  
scenario*  
The most serious danger of all is that we risk creating unfair competition. To allow a nationalised industry with a guaranteed income of £1 billion a year and substantial capital assets to flex its muscles could prove very damaging to private sector commercial television companies all of which are facing great uncertainty. (C3 companies because of the auction, C5 as it gets started, the independents as they fight to make the 25% a reality and the satellites (Sky and BSB) as they fight for their very survival).

If we go down the Home Office route we would be going against the grain of our policy to nationalise industries generally, which is that we should not encourage public sector bodies to exploit their power against private companies.

Moreover such a change will distract the BBC from facing up to the hard decisions it must make over its future direction. The BBC is like a huge broadcasting department store which wishes to produce and sell every conceivable broadcasting service all of which put pressure on the licence fee. By contrast over recent years private television companies have focussed on their strategy accordingly. This the BBC needs to do badly. These current proposals will not help at all.

#### The Licence Fee after April 1991

How then should the licence fee be set after 1991. The best that we can do in the public interest is to bring pressure on the BBC to cut costs and face up to the fact that in the 1990s it will have to introduce fundamental reforms.

This suggests a formula such as  $RPl-x$  when  $x$  is at least 2 and

hopefully 3. The BBC has plenty of fat which needs to be shed and we should help them get rid of it.

Brian Griffiths

BRIAN GRIFFITHS