

PRIME MINISTER

BBC SUBSCRIPTION AND LICENCE FEE

The attached minute (Flag A) from the Home Secretary is rather inconclusive. In essence he argues that:

- (1) the Government had intended that licence fee increases after April 1991 should be held below the RPI; but
- (ii) the BBC was expected to get extra income from subscription services; and this venture has in practice failed; *That is their fault.*
- (iii) a search is needed for other sources of income for the BBC. *No*

The minute is not persuasive that such other sources can be found. By implication Mr Waddington appears to be seeking continuation of RPI index-linking the television licence after April 1991.

At Flag B is a convincing note from Brian Griffiths. He argues that an RPI minus x formula is appropriate for the BBC. *Agreed*

There is no need for action now. The Home Secretary is coming in for a bilateral next Thursday and wishes to discuss this then.

I will arrange for appropriate briefing in due course.

*BHP*

(BARRY H. POTTER)

17 May 1990

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