

MEETING REWRY
"MASTER"

CONFIDENTIAL



file 26

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

24 May 1990

Dear Colin,

BBC LICENCE FEE

During their bilateral today, the Prime Minister and Home Secretary discussed his minute of 11 May. The Prime Minister expressed misgivings about the proposal that the Home Office should retain consultants to examine possible ways in which the BBC might develop alternative revenues so that the discount below the RPI applicable to the licence fee after April 1991 could be larger. There were dangers in allowing a public sector body to set up commercial ventures, either on its own or with a partner, which would compete with other private sector operators. As experience with nationalised industries had shown, it was very difficult to secure fair competition. The BBC had many advantages over private sector operators; its future was secure while other operators were having to justify their commercial existence; it had a large stable income; and it was the only broadcaster with two terrestrial channels. The Prime Minister believed the increase in the licence fee could be set below the RPI without allowing the BBC to expand into new commercial activities. There was still substantial scope for reducing costs. She observed that although the "official" establishment of the BBC had fallen from 30,000 to 28,000, actual employment had risen to 31,000. She was concerned that the consultants employed would encourage BBC expansionism.

The Home Secretary said the Home Office had to take a decision on the size of the discount and had needed a source of expertise and advice which would allow it to scrutinise BBC proposals and arguments. He agreed that a discount could be justified either in relation to extra income or cost savings. He agreed to look again at the way the Home Office equipped itself to make these decisions while avoiding the dangers to which the Prime Minister had drawn attention.

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The Prime Minister repeated her objections to the situation under which the BBC licence fee was protected by criminal sanctions while the community charge and the subscription to Sky TV was only a civil debt. The Home Secretary said this had been discussed at their bilateral in November where it had been agreed that the issue should be deferred either to the next Criminal Justice Bill or to the review of the Charter.

The Prime Minister said she had seen the exchange of correspondence with the Chairman of the Conservative Party about the Wyatt/Chalfont amendment to the Broadcasting Bill in the Lords which sought to enforce greater balance. The Home Office had indicated that this amendment should be opposed. She, however, saw a great deal of merit in the amendment and asked the Home Secretary to look at the Government's position again.

*Yours sincerely
Andrew Turnbull*

Andrew Turnbull

Colin Walters Esq
Home Office