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10 DOWNING STREET

From the Private Secretary

1 July, 1980

The Prime Minister has recently heard a number of comments made about BBC finances. Given the signs that the BBC will be looking for a further increase in income in the foreseeable future, she would like to ensure that all options are properly considered before the Government is faced with demands for a further licence increase.

Points made to the Prime Minister recently include the argument that the technological revolution is changing the structure of broadcasting costs elsewhere in the world, but that the BBC is not making the most of this; that the BBC local radio service does not appear to be filling a gap where independent local radio could not function - at least in London, where the BBC Radio London and LBC services seem very similar; that in major American cities the costs of all-night music programmes are essentially met by the record industry, but no comparable arrangements have been tried here; that the argument against the acceptance of advertising by some of BBC's radio services need re-examining, and should not be dismissed on the basis of the subjective assertion that commercialism means low standards and vulgarity; that the popularity of the Overseas Service - with its apparently lower production costs - should be exploited, in preference to making the Overseas Service unavailable in the UK when new facilities come into operation.

The Prime Minister has seen several of these points discussed and dismissed individually, but she does feel that a list like this indicates a range of possibilities for improving the Corporation's finances, and she would like to know what serious consideration is being given to improving the Corporation's economic position other than by further increases in the licence fee.

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