



17 MARCH 1983

PRIME MINISTER

VHF BAND II AND INDEPENDENT NATIONAL RADIO

I have seen Willie Whitelaw's minute to you of ^{with PM} 9 March.

2. Two aspects of his proposals worry me. First I am anxious about the financial implications of the continued expansion of the BBC's local radio service. The BBC's sole source of income for home services is the licence fee, which is essentially a form of poll tax, paid by 97 per cent of households. While the money involved in local radio is no doubt small it is in the general licence holder's interest to curb rather than to encourage expansionist tendencies in the BBC.

3. Second, I do not know what evidence there is of a demand for a new independent national radio service, but again I am wary of what could be expansion for expansion's sake. Given that the interdepartmental report on cable television pointed out to us the uncertainties about the future advertising market, and the recent history of TV-AM and Channel 4, I am concerned that there may not be sufficient demand for the conventional tv channels and cable and satellite television as well as a new radio service and an enhanced Radio 1. If all this reduces the take of the ITV and ILR levies then, again, the loser will be the general taxpayer.

4. I hope, therefore, that we can pause before we commit ourselves to Willie's proposals. I suggest that there should be further discussions at official level, in which Treasury would be happy to become involved and in which the economic considerations could be more fully brought out.

5. I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

L.B.

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Broadcasting:

Review of Radio Frequency

4/82



117 MAR 1982

