



*Cenlo 2*  
Prime Minister

*WR*

*27/4*

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

The Rt Hon William Whitelaw, CH MC MP  
Secretary of State for the Home  
Department

29 April 1983

*Dear Home Secretary*

I have seen your minute of 30 March to the Prime Minister about BBC pay, and the subsequent exchange between her private secretary and yours.

We must hope that the BBC remains firm in its intention not to increase its pay offer. The offer is already on the high side in relation to the main public service settlements. And it would cause further problems with the financing of the external services. I accept that intervention may not yet be justified. But we should certainly register our disquiet with the BBC if it looks like making any significant increase in the offer.

I recognise also that we should be careful about being thought to prejudice the constitutional independence of the Corporation. But the BBC is financed almost exclusively by a form of poll tax. We therefore have a responsibility to licence payers to ensure that the financial regime under which it operates is a tight one, conducive to efficient management and control; and that we do not set a wasteful pattern for the private sector.

Given the difficulties of intervening directly, I wonder whether one approach for you might be to tell the Corporation that it should not continue to plan on the assumption of an automatic increase in the licence fee from March 1985, as is its current expectation, but that it must make its present resources last at least a year longer? This would increase the pressure on it to operate economically. It would recognise the reality that inflation has followed a much lower path than was generally expected when we agreed the £46 colour licence fee in December 1981. And it would ensure that the windfall gain the BBC has received from lower price rises could not be dissipated in pay and other current expenditure.

/I think we

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I think we ought also to take a critical look at the limited amount of BBC expenditure which we can directly control. One such area is satellite broadcasting on which we shall be writing separately.

I am copying this letter to the Prime Minister, the members of E(PSP), the Foreign Secretary, the Secretary of State for Scotland and Sir Robert Armstrong.

Yours sincerely,

Margaret O'Hara

GEOFFREY HOWE

[Approved by the Chancellor and signed in his absence]

CONFIDENTIAL

271

