



No. the limits  
of reference are far

Pr. Minister: CEBI

PRIME MINISTER

Agree that

Professor Peacock should  
be approached to chair  
the BBC inquiry?

too limited  
I might be consulted?!

FINANCING THE BBC

As you know, I have been considering with colleagues,  
alongside the BBC's application for an increase in the licence  
fee, the establishment of an inquiry into the possibility that  
the BBC should be funded, at least in part, through advertising,  
on the lines that we discussed on 9 January.

I have now discussed this proposal with the Lord President,  
the Foreign & Commonwealth Secretary, the Chancellor of the  
Exchequer, the Lord Privy Seal and the Secretary of State for  
Trade and Industry, all of whom support it. The Lord President  
considers that, because of the close association of the proposal  
with the licence fee settlement itself, the proposal need not  
be submitted to H Committee.

Accordingly, I now seek your approval to my announcing, with  
the licence fee settlement which we shall be considering  
separately, a study with the attached terms of reference (subject  
to any comments the chosen Chairman may have on them). These  
have been approved by colleagues and reflect my view that the  
study must consider all the implications of advertising, and put  
forward a range of alternative options, rather than a single  
recommendation. I remain convinced that this kind of study is a  
more effective way of securing that a wider variety of issues  
relating to the BBC is considered, than setting up an inevitably  
time-consuming inquiry of a more general kind. This view is  
shared by the colleagues with whom I have discussed the matter.

I envisage that the study should be undertaken by a small  
inquiry team, with about seven members. It would be a great help  
if, when we come to announce the study, we can give also the name  
of the Chairman. I propose, if you agree, to approach Professor  
Alan Peacock. He is currently the Principal of the University  
College at Buckingham and is, of course, a distinguished economist.

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shop enough

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In addition to his academic career, he has served as Chief Economic Adviser to the Department of Industry and Trade (as it then was) and has worked on a number of public inquiries. It is relevant that he combines his economic expertise with interest in the arts and that he has undertaken an economic analysis of the market place for musical composition. Experience in bringing a market perspective to a cultural matter usually approached in a different way should be most helpful.

I am sending a copy of this minute to the Lord President, the Foreign & Commonwealth Secretary, the Chancellor of the Exchequer, the Lord Privy Seal and the Secretary of State for Trade and Industry, and to Sir Robert Armstrong.

L.B.

28 February 1985

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DRAFT TERMS OF REFERENCE FOR REVIEW OF FINANCING THE BBC

- (1) To assess the effects of the introduction of advertising or sponsorship on the BBC's Home Services, either as an alternative or a supplement to the income now received through the licence fee, including
  - (a) the financial and other consequences for the BBC, for independent television and independent local radio, for the prospective services of cable, independent national radio and direct broadcasting by satellite, for the press and the advertising industry and for the Exchequer; and
  - (b) the impact on the range and quality of existing broadcasting services; and
  
- (11) to identify a range of options for the introduction, in varying amounts and on different conditions of advertising or sponsorship on some or all of the BBC's Home Services, with an assessment of the advantages and disadvantages of each option.

Home Office  
28 February 1985