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10 DOWNING STREET

From the Principal Private Secretary

6 March 1985

FINANCING THE BBC

The Home Secretary called on the Prime Minister yesterday to discuss his minute of 28 February covering the draft terms of reference for a review of financing the BBC and a proposal of the name of a Chairman.

On the terms of reference, the Prime Minister felt that the alternative methods of financing the BBC should not be limited to advertising and sponsorship. There were objections in principle to obliging people to pay the BBC licence fee simply for owning a receiver when they might wish only to receive non-BBC programmes. If manufacturers could market receivers which were incapable of receiving BBC programmes, she saw no reason in principle why people should not be able to have these without paying a BBC licence fee.

The Home Secretary said that, as a matter of fact, surveys had found that there would be insufficient demand for television sets which could only receive non-BBC programmes. There would also be difficulties about enforcement of the licence fee if such sets were made available. Nevertheless, he would have no objection to widening the terms of reference by including words on the lines of "or other methods of raising finance" after "advertising or sponsorship".

On the suggestion of a Chairman, the Prime Minister commented that she had doubts whether Professor Alan Peacock had sufficient knowledge of broadcasting to prevent the wool being pulled over his eyes by those who have a vested interest in opposing alternative methods of financing the BBC. She would not rule him out as a member of the inquiry but, until she had had the opportunity to consider alternatives, she was doubtful about whether he would be appropriate as Chairman.

The Home Secretary and the Prime Minister agreed that they would both give further consideration to alternative names for the Chairmanship of the Inquiry and then resume their discussion.

I am copying this letter to Janet Lewis-Jones (Lord President's Office), Len Appleyard (Foreign and Commonwealth Office), Rachel Lomax (H M Treasury), David Morris (Lord Privy Seal's Office), Callum McCarthy (Department of Trade and Industry) and Sir Robert Armstrong.

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Hugh Taylor, Esq.,
Home Office