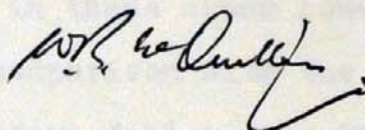


- Mr Daunt, Southern European Dept, W70.
- Mr Gladstone, Western European Dept, W62. ✓
- Mr White, South Asian Dept, W132.
- Mr Simons, South East Asian Dept. W85.
- Mr Ure, South America Dept. K267.
- Mr Shakespeare, Mexico and Caribbean Dept, K364.
- Mr Johnson, West African Dept, K273.
- Mr Robson, East African Dept, K322A.
- Mr Munro, Middle East Dept, W96.
- Mr Tomkys, Near East and North Africa Dept, W75.

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je.

REVIEW OF PUBLIC EXPENDITURE: BBC EXTERNAL SERVICES

I attach a draft submission on the above-mentioned subject which we should like to put up to Ministers early in the week beginning 13 August. As you will see, the recommendations could affect BBC vernacular services to countries for which your department is responsible. I should therefore welcome your comments which, if critical of the recommendations, will be incorporated in the submission. If you could reply by Wednesday 8 August it would be a great help.

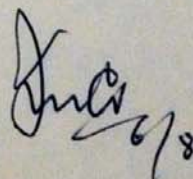


W R McQuillan
Information Policy Department

3 August 1979

- Mr Jukes *ack 6/8*
- Mr Nashy *RM 6/8*
- Mr Carter *6/8*
- Mr Laming *discussed*
- Miss Attwood *PA 6/8*

(I think we had better discuss at Tuesday's morning meeting)



Registry No.

DRAFT SUBMISSION

Type 1 +

SECURITY CLASSIFICATION

- Top Secret.
- Secret.
- Confidential.
- Restricted.
- Unclassified.

To:-

FROM
 W R McQuillan
 Telephone No. Ext.

Department
 IPD

PRIVACY MARKING

..... In Confidence

PROBLEM

1. The nature of the cuts to be made to the BBC External Services following Cabinet's decision to prune their 1980/81 PESC programme by £4 million.

RECOMMENDATION

2. If the BBC can offer savings, without reducing their broadcasting services and without any adverse effects - including delays - to their capital programme to improve audibility, I recommend that such savings should be accepted. Economies in these areas however are likely to be small in comparison with the total required. It will therefore fall to the FCO to decide what services should be cut. I recommend that the World Service should be preserved untouched and that such cuts as may be necessary should be made in the vernacular services. A list of such services in order of eligibility for cutting is at Annex A. The detailed costings will have to be checked with the BBC.

A

/BACKGROUND AND ARGUMENT

NOTHING TO BE WRITTEN IN THIS MARGIN

BACKGROUND AND ARGUMENT

1. The Government have decided that the BBC External Services as a grant-aided body cannot be excluded from the current review of all aspects of future plans for public expenditure.
2. On 1 June Mr Leahy wrote to Mr Mansell, Managing Director of BBC External Services, on a confidential basis asking him to propose options in the context of the Chief Secretary's exercise to reduce public expenditure by $7\frac{1}{2}$ per cent in 1980/81, $12\frac{1}{2}$ per cent in 1981/2, and $17\frac{1}{2}$ per cent in 1982/83. In his reply of 6 June Mr Mansell chose to show only what would be involved in reducing expenditure by $17\frac{1}{2}$ per cent in the final year.
3. Following a meeting between the Secretary of State and the Chief Secretary it was agreed that the BBC External Services contribution to cuts should be £4 million in 1980/81 (approximately $8\frac{1}{2}$ per cent of their PESC programme for that year). Lord Nicholas Gordon Lennox accordingly asked Mr Mansell to provide options for this revised sum. Mr Mansell replied by letter on 11 July (Annex B). Cabinet subsequently endorsed the figure of £4 million.
4. Although no public announcement has been made about the Cabinet's decision to exact a cut of £4 million from the BBC's PESC programme in 1980/81, and although the BBC have not been formally told of the amount, the BBC have chosen to act as if the figure of £4 million were public knowledge and have orchestrated a campaign in both Houses of Parliament, in the media, and by means of letters from the public, with the object of attempting to persuade the Government to draw back from its decision.

B

C

5. The Prime Minister in a reply (Annex C) to a letter from Sir Michael Swann of 30 July said that she would ensure that there was detailed discussion between the management of the External Services and the Foreign and Commonwealth Office about the implementation of any economies; and it has been agreed that the Secretary of State, after his return from Lusaka, will inform the Chairman of the BBC formally but in confidence of the amount of cuts to be made and of the readiness of FCO officials to meet with the management of the External Services to discuss the form of such cuts.

D

6. Before FCO officials meet with representatives of the BBC, however, it is important that Ministers should approve the line to be taken, especially as the BBC have warned that they will resist any cuts to vernacular services, the prescription for which is clearly the responsibility of the FCO. Past experience suggests that when faced with the prospect of actual staff cuts in their Bush House operation (a certain consequence of cuts in vernaculars) the BBC will find new options for savings based on the postponement or rephasing of their capital expenditure programme, (financial details of which are at Annex D). The capital expenditure programme however is already long overdue and most if it has a direct bearing on audibility (including that of the World Service) to which Ministers attach great importance. For this reason we have not recommended that savings be accepted in this area, unless it can be shown convincingly that they would occur anyway i.e. through unavoidable delays in the supply of equipment etc. An additional reason for not milking the capital expenditure programme is that if the percentage cuts in public expenditure are to be cumulative

