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OD(81) 28

COPY NO

46

28 May 1981

CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

BBC EXTERNAL SERVICES

Note by the Secretaries

The BBC External Services are to be discussed by the Committee on 1 June, on the basis of minutes to the Prime Minister from the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer, dated 1 May, and 18 May respectively; and of the letter of 15 May from the Prime Minister's Private Secretary to the Foreign and Commonwealth Secretary's. Copies of these documents are for convenience re-circulated herewith.

Signed ROBERT ARMSTRONG  
R L WADE-GERY  
R M HASTIE-SMITH

Cabinet Office

28 May 1981

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10 DOWNING STREET

From the Private Secretary

15 May 1981

*Dear George,*

BBC External Services

The Prime Minister has seen the Foreign and Commonwealth Secretary's minute to her of 1 May on this subject. She is inclined to think that expenditure proposals such as those described by the Foreign and Commonwealth Secretary should not be considered in isolation from the rest of the Government's future public expenditure. Nonetheless, she recognises the urgency in this instance and has agreed that there should be an early Ministerial discussion of the Foreign and Commonwealth Secretary's minute. This might best take place in OD.

I am sending copies of this letter to the Private Secretaries to members of OD, to Murdo Maclean (Chief Whip's Office) and David Wright (Cabinet Office).

*Yours ever*

*Richard Alexander*

G. G. H. Walden, Esq.,  
Foreign and Commonwealth Office.

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

PRIME MINISTER

BBC EXTERNAL SERVICES

I have seen Peter Carrington's minute of 1 May to you.

2. I have grave doubts about the wisdom of the approach he advocates. It is suggested that we should agree now, in advance of the normal autumn PES round, to provide an additional £21 million up to 1984/85 for capital expenditure, to ensure net current savings of £1.5 million p.a. from 1982/83 onwards. Surely the procedure should be the other way round? The BBC should agree now to make appropriate cuts in current expenditure, while their proposals for additional money for the capital programme should be considered at the right time alongside other competing bids, in the usual way. It seems quite unacceptable that we should be asked to bribe an institution which is 90 per cent grant-aided.

3. My concern is increased by the fact that the BBC have always hitherto successfully resisted attempts to make cuts in the vernacular services. The 1977 CPRS Review of Overseas Representation considered that there was scope for savings to be made in this area, to offset increased capital expenditure on improving audibility. Sir Michael Swann wrote to the then-Foreign Secretary on 15 November 1978:

/"The Board take



"The Board take the view that this cutting the vernaculars is a most expensive and damaging course to adopt and that every effort should be made to avoid it. The means of doing so are not hard to find.

Within the Preferred Minimum Programme to improve audibility there are degrees of priority, and a re-phasing of capital expenditure amount in the five year PESC period ... can certainly be contrived which would not markedly affect any of the major items in the Programme."

4. Ian Gilmour wrote to you on 27 October 1979 suggesting that about two thirds of the annual cut to be imposed on the BBC (equivalent to £3.1 million at 1980 prices) be met by cutting seven vernacular services. He thought this could be done "without loss to our essential interests". But it did not happen: as Peter Carrington says, the BBC chose to take the whole of the cut on their capital programme. This reinforces my belief that, this time, the BBC must first show willing to make current savings.

5. I also find it difficult to understand that, whereas in 1979 we could contemplate cutting seven vernaculars, now we can only contemplate cutting four. French to Africa is to be maintained, although in 1979 it was thought to be dispensable. The total cost of broadcasting in French (to France and Africa) is given as £891,600. With shared overheads, the savings to be made mainly by abolishing French to France can only be part of this. And who in West Africa is listening? The BBS's own 1981 Handbook states that a survey conducted in 1978 in the Ivory Coast showed that only about 6.6 per cent of the potential audience in major towns, and 0.9 per cent in rural areas, listened to the BBC in French.

/We were prepared to



6. We were prepared to drop Turkish in 1979. This costs £288,00 p.a. The 1980 Handbook quotes a survey as showing that only 0.9 per cent of the population listened, once a week, to the BBC in Turkish. The survey found that "listening to both foreign and domestic broadcasts had declined significantly since a daily television service was introduced". This must surely apply to many other parts of the world. Portuguese to Latin America costs £387,000 p.a., and about 1.3 per cent of the population are said to listen, in Brazilian cities. The BBC's World Service in English is broadcast 24 hours a day. Surely in most countries the elite understand English? Peter Carrington says that he does not recommend further economies in the vernacular services "since these are important tools of foreign policy". Perhaps, but can we afford such a wide range of tools?

7. I see no need for a decision by June. The FCO can start straightaway discussing cuts in the vernaculars with the BBC. The sooner the BBC agrees, the sooner it can begin issuing redundancy notices. The proposals for additional money for capital expenditure in 1983/84 and 1984/85 can be considered on their merits in the autumn round.

8. I am copying this minute to OD colleagues, the Chief Whip and Sir Robert Armstrong.

A handwritten signature in black ink, appearing to be 'G.H.' with a flourish.

(G.H.)

18 May 1981



PM/81/22

PRIME MINISTER

BBC External Services

1. My minute to you of 21 July 1980 described the position reached in Nicholas Ridley's discussions with the BBC External Services. Decisions are now required on:-

- (a) obliging the BBC to make a cut of £1.7m p.a. (at 1980 Survey prices) in current operations on the transcription services and vernacular language broadcasts to Western Europe;
- (b) financing a capital programme to improve audibility which would require new money from the central contingency reserve of £6.9m in 1983/84 and £5.1m in 1984/85.

2. These proposals form a carefully worked-out package which I believe is essential if we are once for all to ensure the BBC's audibility and avoid difficulties in Parliament. The attached table (Annex A) shows that if the plan is accepted there will be an underspending of the existing PESC provision when counting both 1981/82 and 1982/83, but that requirements on the capital side in 1983/84 and 1984/85 will necessitate the new money mentioned above. The proposed expenditure contains some unavoidable new elements, in particular further modernisation of Bush House to deal with an unexpected health hazard caused by asbestos ducting and unforeseen ground works at Orfordness. We must also replace obsolete transmitters with up-to-date equipment. All the projects involve further development of work whose commencement has been approved, except a proposed additional relay station in the Far East designed to improve audibility in China and Japan.



3. I attach top priority to ensuring that the BBC is heard. Its audibility is far below that of Radio Moscow, the Voice of America and others. The savings which the External Services were required to make in 1979 (equivalent to £3.1m p.a. at 1980 Survey prices) have been found from the capital side in 1980/81 and 1981/82. But as I said in my minute, we cannot go on milking the capital programme. We have therefore put the BBC on notice (without as yet instructing them) that they must reduce their planned current side operations by £1.7m p.a. from 1982/83 onwards. Of this £0.9m would come from ending the Transcription Service (tapes of cultural and other programmes distributed abroad) and the balance from ending all broadcasts in Italian, Maltese, French to France and Spanish to Spain (French to Africa and Spanish to Latin America would not be affected). However, since we have asked the BBC to increase output in Russian, Farsi, Turkish and Pushtu to meet FCO priorities over Afghanistan at a cost of £200,000 p.a., the net saving on the current side would be £1.5m p.a. I judge this to be the most we can expect from the BBC. I do not recommend further economies in the other vernacular services, mainly directed to communist and developing countries, since these are important tools of foreign policy. (Full list at Annex B).

4. I have met great resistance from the BBC to making savings in these services, which they vigorously maintain are of national importance. You will recall from the campaign which the BBC conducted in 1979 that they can muster a powerful lobby against cuts in Parliament and elsewhere. In my view the main national interest lies in approving the capital programme. This would be phased over a number of years, since appropriate forward planning is necessary. To stretch it further into the future would increase overall costs, eg repairs and additional recruitment to keep obsolescent stations open. There is at present no scope for cost-sharing with the Voice of America or other broadcasting organisations.



5. In spite of the BBC's resistance I have, of course, so far insisted that the original cut of £3.1m p.a. at 1980 Survey prices mentioned above should be applied throughout the planning period. I have however decided to exempt the External Services from the 2% expenditure cut imposed on Departmental programmes last November (£.9m at 1980 Survey prices) and I am with difficulty finding the required saving from other FCO programmes. It would not be right to impose additional cuts on the programmes under my control to compensate for the increased requirements for the BBC. I am not prepared to make further cuts in overseas representation. Nor am I prepared to transfer any more funds from the Aid Programme; this has already been subjected to much sharper reductions, as part of general Government public expenditure cuts, than those for most other Departments.

6. I invite my colleagues to consider the following possibilities:-

- (a) If no change is made in the present PESC provision there will have to be further cuts in vernacular services and the BBC's capital equipment will start to deteriorate in 1983/84. For health reasons priority must be given to Bush House modernisation. Thus planned improvements in transmission, notably to Eastern Europe from Orfordness, would be postponed six years and work on the proposed Seychelles and Far East relay stations would not start until 1993. High priority repairs and maintenance would also be delayed.
- (b) If on the other hand my proposals are accepted, we would establish a settled programme for an invaluable British asset.

7. I see an inherent bargain between us and the BBC: if they accept our cuts in current operations they would secure the





extra money necessary for the capital programme. We must expect a row in the House of Commons about our proposed savings. If we render the capital programme unviable by refusing the extra funds opposition may be irresistible.

8. I have agreed the factual basis of the figures in this minute with the Treasury. A decision is required by June in order for the BBC to issue the necessary redundancy notices for the cuts mentioned in paragraph 3 to come into effect by 1982/83. I hope that this matter can be settled quickly.

9. I am sending a copy of this minute to OD colleagues, the Chief Whip, and Sir Robert Armstrong.

A large, stylized handwritten signature, possibly 'C', with a horizontal line underneath.

(CARRINGTON)

Foreign and Commonwealth Office

1 May 1981

## CONFIDENTIAL

## ADDITIONAL RESOURCES REQUIRED FOR THE EXTERNAL SERVICES EXPENDITURE PROGRAMME

	£m 1980 survey prices				Expenditure in later years to complete projects
	1981/82	1982/83	1983/84	1984/85	
<u>(A) CAPITAL EXPENDITURE</u>					
(1) Present PES programme	8.4	5.2	4.1	4.1	
(2) Programme now proposed	8.0	8.8	14.0	11.9	44.4
<u>(B) RECURRENT EXPENDITURE</u>					
(3) Present PES provision	40.8	43.3	44.3	44.3	
(4) Reduction resulting from expected slippage in present capital programme running costs	0.0	-2.0	-1.5	-1.2	
(5) net reductions now proposed	0.0	-1.5	-1.5	-1.5	
(6) Resultant programme now proposed ( (3) + (4) + (5) )	40.8	39.8	41.3	41.6	
<u>(C) DIFFERENCES</u>					
(7) Between (2) & (1) - capital	-0.4	+3.6	+9.9	+7.8	
(8) Between (6) & (3) - recurrent	0.0	-3.5	-3.0	-2.7	
(9) Total of (7) and (8)	-0.4	+0.1	+6.9	+5.1	

- NOTES
1. The figures for Communications Engineering Department (CED), FCO have in accordance with previous practice, been presented with those for the BBC since as regards the audibility programme they are inextricably woven together.
  2. The total requirements (BBC plus CED) for the proposed capital programme, by project and year, are as follows (£1,000's at 1980 Survey Prices),

	<u>CAPITAL</u>							EXPENDITURE	TOTAL
	1981/2	1982/3	1983/4	1984/5	1985/6	1986/7	1987/8	IN LATER YEARS TO COMPLETE PROJECTS	
SKELTON "B" REPLACEMENT	1,920	3,130	5,740	1,656					12,446
SATELLITE FEEDS	238	559	559	559					1,915
SEYCHELLES					550	2,987	1,188	275	5,000
BUSH HOUSE MODERNISATION	2,064	2,169	2,330	1,483	1,640	2,032	1,590	1,422	14,630
MINOR AND GENERAL	1,363	1,733	2,025	1,745	3,745	4,855	4,595	6,695	26,756
*FAR EAST					526	1,316	2,105	1,783	5,730
ORFORDNESS MF	820								820
ORFORDNESS HF			3,400	6,500	5,120	2,000			17,020
CYPRUS HF	1,637	1,168	28						2,833
<b>TOTAL</b>	<b>8,042</b>	<b>8,759</b>	<b>14,082</b>	<b>11,943</b>	<b>11,481</b>	<b>13,190</b>	<b>9,478</b>	<b>10,175</b>	<b>87,150</b>

\* Planned to be sited in Hong Kong or elsewhere

Cost of BBC Vernacular Services as at 31st March 1981

	Hours per Week	Annual Cost
Arabic	63	£000
French : to Africa	26½	1,779
to Europe	21	891
Russian	45	933
Spanish to Latin America	28	604
German	24½	740
Polish	21½	480
Czech/Slovak	21½	532
Hungarian	18	430
Serbo-Croat/Slovene	16½	363
Chinese (Cantonese/Mandarin)	16	473
Portuguese to Latin America	15½	387
Hindi	14	366
Romanian	14	335
Farsi	12½	310
Bulgarian	12½	292
Turkish	10½	288
Greek	10½	267
Indonesian/Malay	10½	301
Urdu	10	250
Hausa	8½	271
Portuguese to Europe and Africa	8½	238
Vietnamese	8½	250
Finnish	8½	199
Bengali	8	224
Swahili	7	250
Burmese	7	183
Japanese	7	226
Thai	7	177
Italian	7	229
Spanish to Europe	7	198
Somali	5½	182
Tamil	1½	36
Nepali	½	20
Maltese	½	14

Notes

1. The above costs relate to direct costs including transmissions and an allowance for accommodation. No other overheads are included.
2. The above amounts do not necessarily represent what would be saved if any particular service or services were to be abolished.