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CABINET

DEFENCE AND OVERSEA POLICY COMMITTEE

BBC EXTERNAL SERVICES

Memorandum by the Secretary of State for Foreign and Commonwealth Affairs

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1. On 30 July, the House of Lords supported by 82-45 a motion calling on us to reconsider our plans to cut certain BBC services. We must decide whether to continue with our plans.
 2. The OD meeting of 1 June approved in principle the External Services capital programme that I had proposed subject to my securing in return at least the cuts in expenditure which I had proposed $\overline{\pounds}2.05m$ per annum ($\pounds 1.5m$)* from Transcription Services, French and Spanish to Europe, Italian and Maltese $\overline{\pounds}$ "plus the maximum of additional cuts in the Vernacular Services that was practicable". Picking up this last point, FCO ministers then suggested to the Treasury a further $\pounds 0.95m$ ($\pounds 0.7m$) p.a. saving by ending Burmese, Portuguese to Brazil and Somali. We stressed the strong opposition this would incur.

*All figures are in forecast cash prices for 1982/83 or the year concerned with 1980 Survey Price figures as used in the previous OD paper in brackets where appropriate.

3. Since our package was announced on 25 June, the BBC's supporters have mounted a powerful campaign against the cuts in Parliament and the press. By the beginning of the Parliamentary recess, 177 MPs had signed Early Day Motion 492 (including 77 Conservatives) and the Opposition have called for a debate in the overspill period beginning 19 October. The House of Commons Foreign Affairs Committee has also called for an accelerated capital programme with no cuts. My colleagues and I have vigorously explained our case in both Houses and in reply to nearly 300 MPs' letters.

4. Our critics in Parliament are not saying that we have got our priorities wrong between existing services and audibility, but that the BBC should have the money it needs for both. Their view is that the External Services should have priority over other objects of Government expenditure. A House of Commons debate in October or November seem unavoidable and it is for consideration whether we should table a motion or wait for an Opposition motion. I must warn colleagues that we risk major problems in Parliament unless we can reach a satisfactory solution.

5. The Committee should also be aware that the BBC External Services have asked us for £1.2m p.a. (£0.95m) to meet the difference between our 1981/82 6% cash limit and the 8½% wage award which the BBC granted as of 1 April to all their staff. External Services pay is inextricably linked with the much larger BBC Home Services since the unions are the same and there is constant interchange of staff. We have put this issue separately to Treasury colleagues, who have taken the view that the BBC must cover the gap by savings elsewhere in their budget. If we do not provide new money, or prescribe compensating cuts elsewhere, this will squeeze the baseline for calculating the BBC's estimates from 1982/83 onwards when our new cash planning system begins.

6. I believe we cannot just press on and "deprescribe" the 8 services as planned. Indeed I judge that we would be defeated in Parliament even if we made slightly fewer cuts than this. We would also be defeated if we made no cuts in current services but said that all the new money needed for capital above the present PESC provision must be given up, ie £1.5m in 1982/83, £10.8m in 1983/84, £8.9m in 1984/85 etc. If we did this, the impact on audibility, which has always - and rightly - been our top priority, would be very bad. All projects except,

presumably, Bush House modernisation (which has priority for health reasons) would have to be delayed, including some urgent repairs and maintenance. Taking into account the need to finance the excess wage award, existing capital equipment would soon start to deteriorate and some transmitters would have to shut down.

7. On the other hand, it is vital to re-establish our authority over the BBC so that the Government can decide on priorities. I therefore recommend that the Minister of State, Nicholas Ridley, be authorised to discuss and seek agreement with representative Conservative backbenchers on the maximum level of cuts consistent with the avoidance of a humiliating defeat in any House of Commons vote. His mandate would be as follows:-

- a. To start from my original proposals to OD, namely to approve the capital programme and cut only the 4 Western European vernaculars and the subsidy to the Transcription Services. We would thus recognise that, because of parliamentary pressure, the "maximum practicable" additional cuts requested by OD beyond my original £2.05m p.a. (£1.5m) amounted to zero. As regards the excess wage award, the BBC would have to meet this from savings on administrative overheads etc or, failing that, by postponing part of the capital programme.
- b. As a first fallback position, we could approve the capital programme and exact in return enough savings to match the excess wage award of £1.2m p.a. (£0.95m). This could be achieved by ending the 4 Western European services and only reducing the subsidy to the Transcription Services by a quarter.
- c. Finally, we could propose that the capital programme be reduced by the total cost of any of the 8 services to be cut which are reprieved (ie £3.0m p.a. (£2.2m) if all 8 were reprieved, although I would expect that agreement could be reached on cutting at least some of them). The consequences for the audibility programme would still be serious, particularly if the excess wage award also had to be met from capital. We would have to postpone the key Orfordness HF scheme and also the East Africa and Far East projects.

8. I should be grateful for colleagues' early agreement to proceed as proposed. I recognise that (b) and (c) above go beyond what was agreed in OD. But I

consider that the parliamentary position is very dangerous and that there are no realistic alternatives.

C.

Foreign and Commonwealth Office

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