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CABINET  
DEFENCE AND OVERSEA POLICY COMMITTEE

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BBC EXTERNAL SERVICES  
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Memorandum by the Secretary of State for Foreign  
and Commonwealth Affairs

1. On 13 November we announced that savings of £2.7m in the BBC's PESC provision for 1980/81 should be found by reducing the capital expenditure envisaged for that year to improve audibility (details at Annex A). An early decision is now required for 1981/82 and thereafter because:-

- a) A White Paper on Public Expenditure for 1981/82 to 1983/84 is due to be published; and
- b) if audibility is to be maintained and improved, decisions should be taken soon on the capital programme as a whole.

2. I have no doubt what our policy ought to be. We should maintain the principle that public expenditure cuts should apply to the BBC External Services. Economies could in theory be found by a "cocktail" of measures, including cuts in vernacular services; a stretching of

the capital expenditure programme; a reduction in transcription services; an increased contribution from the Ministry of Defence towards the cost of the Monitoring Services; and some economies found by the BBC themselves in the interface between the Domestic and External Services.

3. The difficulties about this course are:

- (i) Parliament has shown itself resistant to the idea of cutting any vernaculars because such cuts would be permanent and Parliament assumes that the large audience figures claimed by the External Services (about which I am sceptical) are valid.
- (ii) Though Parliament has accepted a cut of £2.7m in the audibility programme for 1980/81, this programme has been several times postponed and audibility is already becoming a serious problem.
- (iii) Cuts in the transcription services (which would mean charging consumers more) would reduce the demand for the product and thus might save little.
- (iv) Investigations already made suggest that the scope for economies on the interface between the Domestic and External Services (an idea floated initially by Sir Michael Swann) is small and that they would raise difficult problems regarding the terms of reference of the two services.

4. A second option, if we think it is not worth risking another major confrontation for the sake of saving only £2.7m a year, would be to exempt the BBC from further public expenditure cuts and amend the

forthcoming White Paper to reflect this. I have already contributed from the ODA and FCO votes £1.3 million towards the savings required of the External Services in 1980/81. To dig further into these votes would, given the priorities I attach to the services concerned, cause a distortion of expenditure that I am not prepared to contemplate.

5. A third alternative would be to appoint a "wise man" to review the possibilities of finding economies in the BBC External Services. His terms of reference would have to be carefully drawn. I suggest that he could be required to examine the extent to which the BBC's External Services could find the necessary savings in their FCO grant-in-aid for the year 1981/82 and beyond, bearing in mind the relevance of the External Services to our national interests. If this should find favour, the Chairman of the BBC would have to be told in advance in order to seek the BBC's cooperation.

6. I favour the "wise man" solution. Having failed once to impose our will on the BBC, there is no reason to suppose that we would be more successful in exacting a "cocktail" of economies this time. To exempt the BBC entirely from cuts would be complete capitulation. The middle course of appointing a "wise man", whatever he may recommend, although not an ideal solution, would take some of the political sting out of the issue and provide time to make new dispositions.

7. The "wise man" would look at the whole area covered by the grant-in-aid, including the capital expenditure programme for audibility. But it is urgent to make a start on this: there is provision in the

PESC estimates for expenditure under this programme in 1979/80 and 1980/81 (less £2.7m), and I am authorising the BBC to proceed with this expenditure on the assumption that the amount available in 1981/82 for the programme is not less than that provided for in the PESC estimates, less a reduction of £2.7m. (It is necessary to make the latter assumption to enable sensible planning to go ahead in the earlier two years). It will nevertheless be necessary for the "wise man" to make recommendations for the whole period of the programme after 1980/81.

8. If my colleagues agree, I propose to proceed on the lines of paragraphs 5, 6 and 7 above.

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FOREIGN AND COMMONWEALTH OFFICE

3 JANUARY 1980

A BBC EXTERNAL SERVICES PESC PROVISIONS 1979/80 - 1983/84  
(INHERITED PLANS)

£ million

1979/80	1980/81	1981/82	1982/83	1983/84
40.3	47.9	47.0	45.9	45.8

B BBC CAPITAL EXPENDITURE PROGRAMME TO IMPROVE AUDIBILITY  
(AS INCLUDED IN INHERITED PLANS)

£ million

	1979/80	1980/81	1981/82	1982/83	1983/84
<b>Plan:</b>					
Capital	1.8	7.8	6.2	4.3	3.3
Current	0.1	0.3	0.9	2.1	2.7
<b>Total (Rounded)</b>	1.9	8.1	7.2	6.4	6.0

N.B. In 1980/81 the total PESC provision following the Government's Public Expenditure Review is £45.2m. This saving of £2.7m will be found by a reduction in capital expenditure to improve audibility from £7.8m to £5.1m, in 1980/81.