



Foreign and Commonwealth Office
London SW1A 2AH

Telephone 01-

Mr Lancaster
No 10 Downing Street

Your reference

Our reference

Date 5 November 1979

Dear Lancaster

PUBLIC EXPENDITURE CUTS: BBC EXTERNAL SERVICES

1. The Prime Minister has asked for more information about the proportion of the FCO's grant-in-aid to the BBC accounted for by the Capital Expenditure Programme to improve audibility.
2. In the short time available, I enclose a copy of a note describing the programme which shows that provision is made in 1979/80 for the expenditure of £1.9 million and in 1980/81 of £8.1 million, an increase of £6.2 million. Some of this sum, however, will be spent by Communications Engineering Department of the FCO which operates certain transmitters overseas and at home on behalf of the BBC. (There is also an element in these figures for modernisation of Bush House.)
3. PESC provision for BBC External Services in 1979/80 was £40.3 million (at constant 1979 survey prices); for 1980/81, £47.9 million (at 1979 survey prices).

Yours ever,
W R McQuillan
W R McQuillan
Information Policy Department

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CAPITAL EXPENDITURE PROGRAMME TO IMPROVE AUDIBILITY:
FINANCIAL DETAILS

A sum of £23.4 million (1979 Survey Prices) has been included in the current Public Expenditure Survey Programme for capital expenditure by BBC External Services. Most of the sum is earmarked for new or improved transmitters to enhance the audibility of External Services. There is also an element for continuing modernisation of Bush House. Financial details are as follows:-

	1979-80	1980-81	1981-82	1982-83	1983-84	1979 Survey Prices 84/85 £ million Total
Capital	1.8	7.8	6.2	4.3	3.3	23.5 (rounded)
Recurrent costs	0.1	0.3	0.9	2.1	2.7	

In the year 1984-85, capital expenditure of £1.8 million is required to complete the audibility programme at a total cost of £25.3 million; when the programme is complete, recurrent costs will be £2.8 million (all at 1979 Survey Prices).

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Secretary of State

Private Secretary

cc: PS/LPS
PS/Mr Blaker
PS/Mr Hurd
PS/PUS
Lord N Gordon Lennox

Lg
Purd

BBC EXTERNAL SERVICES: PUBLIC EXPENDITURE CUTS

1. The Prime Minister has drawn attention to an apparent discrepancy between the figures quoted in Mr Blaker's speech in the House of Commons on 2 November and a note prepared by the Chief Secretary on public expenditure cuts. I understand that she intends to raise this question at this afternoon's OD meeting.
2. We have not in the time available been able to obtain a copy of the Treasury note, and our contact in the Treasury who deals with Diplomatic Service estimates had no knowledge of it.
3. The figures in Mr Blaker's speech were as follows:

'The cut of £2.7 million is a cut for 1980/81 and — subsequent years on a figure of £47.9 million which — had been the planned expenditure for 1980/81, at 1979 — survey prices. The grant-in-aid for the current financial year is £43.5 million (1979 survey prices).'

These figures are correct as they stand, except that the latter figure of £43.5 million instead of being described as 'at 1979 survey prices' should have been described as 'at out-turn prices'. It includes a sum of £0.8 million as an MOD contribution to monitoring services.

4. To compare like with like, the second sentence in the passage quoted from Mr Blaker's speech should be amended to read as follows:

'This compares with a PESC provision for 1979/80 of £40.3 million (at constant 1979 survey prices).'

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Do you understand this?



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5. I understand that the Prime Minister has asked why, in view of the substantial increase in the provision for the BBC between 1979/80 and 1980/81, it has been found necessary to cut any vernacular services. The answer is that it is a question of priorities. The increase is accounted for by additional capital expenditure to improve audibility. The existing £2.7 million package of cuts already involves a cut of at least £ 0.5 million per year in the capital expenditure programme. The FCO considers the improvement of audibility to be of great importance (it is obviously not cost-effective to maintain a broadcasting service which is difficult to hear). Of course it is possible to take the whole £2.7 million out of planned capital expenditure, but this would further delay improvement of audibility. Furthermore, public expenditure cuts are permanent and such a solution would only offer a temporary relief.

W R McQuillan
Information Policy Department

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Capital instead of Current.

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