From: THE PRIVATE SECRETARY

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HOME OFFICE
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7 November 1979

1. Mr Alexander
2. PRIME MINISTER

Mr Whitelaw sees no real scope for switching Home Service funds to External services.
For the present, this is overtaken by discussions on re-phasing of capital expenditure. MAP 8/11.

Dear Mike,

I understand that when Sir Michael Swann, the Chairman of the BBC, saw the Prime Minister on Friday he indicated that, given a free hand with its priorities, the BBC would like to use some of its Home Services income on the External Services.

We do not believe that this is possible under the terms of the BBC's present Licence and Agreement dated 7 July 1969 (Cmnd 4095). That document clearly states in Clause 16 that the revenue for the purposes of the Home Services shall be derived from monies provided by Parliament, being a sum equal to the net licence revenue or such lesser percentage as the Treasury may determine and in Clause 17 that the Minister shall finance the External Services out of the monies provided by Parliament. An amendment to the Licence and Agreement would require Parliamentary approval.

We believe that in principle the present distinction is a proper one. The Home Secretary determines the level of the television licence fees and hence the level of income for the Home Services. The Foreign Secretary determines the level of the vote for External Services. Any transfers between these two sources of income seem to us unjustifiable because the aims of the two types of expenditure are different and are differently supervised by Government. Nor can we readily see by what criteria the Licence and Agreement ought to be amended.

If, however, the Government and the BBC were to agree that it was appropriate to change the boundary between Home and External Services of the BBC because some element now paid for by the External Services should more properly be attributed to the Home Services, then it might not be to the interests of any third party to question the change, though we would need to consider whether an amendment to the Licence and Agreement was necessary in the particular circumstances of what was proposed.

/The Home Office is

M A Pattison Esq

The Home Office is not, however, aware of any expenditure on the External Services Vote which should more appropriately be treated as Home Services expenditure at the present time. (The fact that the World Service is more extensively audible in this country since the wavelength changes is only a temporary phenomenon. Moreover, if it were once admitted that the World Service or part of it was directed to the United Kingdom, then additional royalties would have to be paid to BBC staff, making the cost of the service more expensive.) There could be difficulties of public presentation since it would be bound to be thought more than a coincidence that the BBC should have discovered the virtues of any such change just at the time when they were being required to save £2.7 million on the External Services. Moreover, the Home Secretary would at the very least have to be satisfied that there would be a real reduction of expenditure of £2.7 million on the Home Services in 1980-81 so that he could say, and demonstrate, that neither the amount nor the timing of future fee increases was affected. It would not in fact be easy to find savings of this amount even on the Home Services since the BBC already have several uses for every extra £ they can get. Thirdly, any such transfer of services and resources would be irreversible.

Yours,

John

(J A CHILCOT)