



Broadcasting
JCS

cc Master Let

10 DOWNING STREET

From the Principal Private Secretary

13 November 1979

Dear Munro,

BBC External Services

The Prime Minister met your Minister at 2330 last night in her room in the House of Commons to discuss his minute of 12 November to her. The Chief Whip, the Financial Secretary and Mr. Ridley were also present. The Chancellor of the Exchequer joined the meeting subsequently.

Your Minister said that the formula which he and Mr. Ridley had agreed with Mr. Mansell earlier in the evening was the best they could negotiate with the BBC. There was no denying that it would sound as though the BBC were laying down its terms. The fact was that Mr. Mansell knew that there were 90 Conservative backbenchers who were on his side and if he had a mind to, he could get them to apply pressure on the Government. Mr. Ridley said that the BBC were seeking a bargain under which they kept intact all their vernacular services and their capital programme while accepting no more than a rephrasing of the latter which would make it possible to say that there had been a cut in their programme of £2.7 million in 1980/81. There was no doubt that if the Government were seen to subscribe to this form of words, it would be regarded as a serious breach of its approach to public expenditure generally. But the fact was that the BBC, with 90 Conservative backbenchers supporting it, was in a very strong position. The choice before the Government was whether it was going to be defeated on a vote or be defeated by giving way.

The Chief Whip said that he believed that the Government had to accept the Motion on the Order Paper or else it would be defeated. The Home Secretary had said that if we found ourselves in difficulties with the BBC over external services, he would call in the Chairman of the Governors.

The Financial Secretary said that the formula agreed with the BBC was totally unsatisfactory. If it was used it would be said that the Government was not serious in its attempts to restrain public expenditure. Acceptance of the BBC's case meant conceding £11 million over five years. In particular he could not go along with a commitment on the part of the Government to find the necessary money in the years after 1980/81 to complete the audibility capital investment programme. He did not believe it right that the Government's freedom of action should be constrained in this way. As the Motion now stood, it could be read as being open-ended and not confined only to 1980/81. He could however

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accept the Motion on the understanding that it meant that there would be no cut in real terms below the present level of expenditure of £40.3 million in the current year.

The Prime Minister said that the Government could not agree now that both the vernacular and capital expenditure should be exempted from cuts in 1981/82 and thereafter. The fact was that the BBC external services programme as a whole was receiving far more favourable treatment in 1980/81 than many other public expenditure programmes. The increase between the present year and next year would be £4.9 million or 12 per cent, and this fact needed to be got home to Government backbenchers. When she had explained the position recently to the Executive of the 1922 Committee, nobody had demurred. The Government could not enter any commitment beyond 1980/81. We could accept the Motion as it stood on the understanding that it applied only to next year. The debate the following day should be handled on that basis.

I am sending copies of this letter to Tony Battishill (Chancellor of the Exchequer's Office), Murdo Maclean (Chief Whip's Office) Stephen Locke (Financial Secretary's Office) and Ken Temple (Mr. Ridley's Office, Foreign and Commonwealth Office).

Yours sincerely,

Sheila Whittaker

C.A. Munro, Esq.,
Foreign and Commonwealth Office.

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