

Seen by the Prime Minister.
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Prime Minister

1. Nicholas Ridley and I had a meeting this evening with Mansell, the Acting Director General of the BBC and Gregson, the Acting Director of the BBC External Services. At this meeting we resumed our discussion of last week about the possibility of rephrasing the BBC's capital expenditure programme for audibility as a means of maintaining the vernacular services.

2. After considerable discussion, Mansell said he would agree to the following formula, which I emphasised would require the approval of senior colleagues.

'The BBC regrets the need to defer completion of the capital investment programme for improved audibility. The programme, which is already behind schedule, has been regarded as essential by successive governments.

In view of the overriding need for economies in public expenditure the BBC are prepared to accept a plan to rephrase the audibility capital investment programme, so that it will be completed not more than two years later than previously planned.

The BBC welcomes the commitment by the Government that money will be made available to complete the programme. The BBC also welcomes the fact that their external broadcasting services, including the World Service and all vernacular services, will be maintained intact at their present level.'

3. This is the best deal we could get which the BBC will publicly accept. The formula has the advantage of making it possible to escape from an extremely difficult position in Parliament tomorrow, by enabling us to accept the motion put down by the Opposition, that there should be no cut in the spending of the BBC External Services.

/(The £2.7 million

£2.7 million saving in 1980/81, which the BBC have told us they will make, can be correctly described as a reduction in a higher planned level of expenditure rather than a cut.) It makes it clear that the Vernacular Services and World Services will remain intact and that the capital expenditure programme for audibility will go ahead, although taking rather longer to implement than originally planned.

4. I do not want to minimise the disadvantages. There is no commitment to a reduction of £2.7 million beyond 1980/81. The Chancellor's agreement will be needed to make up the £2.7 million re-phased from 1980/81, and also to restore the £2.7 million to the BBC's Grant-in-Aid for subsequent years, to honour our promise that the audibility programme will be completed and to avoid cuts in the vernacular services. Peter Carrington takes the view strongly that the Foreign and Commonwealth Office cannot be expected to provide this money.

5. The alternative is to maintain our demand for recurrent reductions of £2.7 million throughout the PESC period and go down to likely defeat in Parliament tomorrow. Which of these alternatives is better is not for Nick Ridley and me to say.

6. Prior to our meeting with the BBC, I had consulted Willie Whitelaw about the idea, which originally came from Sir Michael Swann, that £1 million might somehow be saved by means of a greater degree of rationalisation between the BBC's domestic and external services. I also consulted Francis Pym about the possibility of the defence vote meeting the whole cost of the BBC's monitoring services: the Ministry of Defence at present pay approximately 20% (£0.8m) of the total expenditure (£3.8 million) on this service, the rest falling on the FCO's grant-in-aid. Both Ministers sympathised with our predicament, but made it clear that, given the pressures on their own votes, solutions along these lines were not possible.

Peter Blaker

(Peter Blaker)

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