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*Prime Minister*

PRIME MINISTER

BBC EXTERNAL SERVICES

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Following our discussion yesterday evening I took the opportunity of speaking to Michael Swann about the BBC's External Services when I met him this evening on other matters.

I explained to him that I had followed the question of the financing of External Services, though in financial terms this must remain separate from the financing of the Home Services. I made it clear that I expected that good sense would now prevail.

I said that I thought the arrangements for 1980-81 were much better now that the vernacular services had been preserved. I noted that the money for this had come from what the BBC had in mind for the capital programme on audibility and for which, though there was PESC provision, the Government had not yet given formal approval.

I told him firmly that I thought there should now be some common sense discussions between the BBC and the Foreign and Commonwealth Office about the allocation of the money available for 1981-82 onwards. I said that I hoped that he could help to arrange these confidentially and sensibly. I pointed out to him that the Corporation might face longer

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term damage if they continued behaving publicly in the way they had done on this matter.

I am sending a copy of this minute to the Foreign and Commonwealth Secretary.

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