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Foreign and Commonwealth Office

London SW1A 2AH

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The impression has been given that we are keeping to the vernacular services the expense of the

Dear Michael, capital expenditure Prime Minister if we go back on that - that's what will only be another now. [Signature]

BBC EXTERNAL SERVICES

You may like to know where we stand on the BBC External Services since the Supply Debate in the Commons on Tuesday 13 November.

A meeting was held under the chairmanship of the Lord Privy Seal and attended by Mr Blaker, Mr Ridley and Mr Hurd on 16 November to decide where we should go from here. Basing their discussions on the Prime Minister's statement (at her meeting in the House on the night of 12 November) that the Government could not agree now that both the vernacular services and the capital expenditure programme should be exempted from cuts in 1981/2 and thereafter, Ministers discussed various options open to them. It was generally agreed that it would be a mistake to eat further into the Capital Expenditure Programme to improve audibility and that the Government's earlier proposal to cut some vernacular services had been the right one from the point of view of the national interest, if not from the point of view of the BBC, Mr Critchley and his friends. FCO officials were instructed to examine possible ways out of this dilemma confronting us and to propose a paper for OD.

While it is tempting to let things rest for a while longer to allow public attention to die down, there are two time constraints which cannot be side-stepped. First FCO and BBC engineers point out that it is now getting very late indeed to place orders for that part of the capital expenditure programme for which financial provision has already been made in 1979/80 and 1980/81. In order to do this, they must have a clear idea of the future sums which will be available for the programme as a whole. An early decision therefore is required on the future financial provisions and time scale for the programme as a whole. Second, the White Paper on Public Expenditure for 1981/82 and beyond is due to be published before the end of this year. Although the figures in the White Paper will be aggregated under departmental votes, the publication of the Government's financial plans will certainly provoke questions in Parliament and elsewhere about their effects on the BBC External Services. Such questions could of course arise at any time.

/At

Michael O'D B Alexander Esq
10 Downing Street

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At some stage a further approach to the BBC will be necessary, but Ministers decided that before there were further talks with them, we should clear our own minds in a discussion in OD. The Secretary of State's paper will be submitted shortly.

*Yours
G G H*

G G H Walden