



PM/80/15

PRIME MINISTER

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1. At the OD Committee meeting on 29 January, which considered my Memorandum on the scope for finding economies in the BBC External Services in 1981/82 and thereafter, it was agreed that I should arrange for Nicholas Ridley and a senior FCO official to discuss further with the BBC at a high level, ways in which the necessary economies could be arranged for the years beyond 1980/81. You might like a progress report.
2. Mr Ridley and the Under-Secretary responsible for liaison with the BBC have had two meetings with Mr Mansell, the Managing Director of BBC External Services, at the first of which the Director-General, Ian Trethowan, was also present.
3. It was explained and accepted that the cut of £2.7 million per annum would continue throughout the PESC period. The BBC have expressed fears about the additional financial difficulties which they expect will result from the CAC pay award, due to be announced shortly. They expect it will have the effect of making them exceed their present cash limits possibly by as much as £1.5 million. They wish to know what the Government's reaction would be to such a situation. Mr Ridley has made it clear that there will be no easing of cash limits to accommodate pay awards, even mandatory ones, and that anything beyond the percentage agreed in the fixing of cash limits will have to come from further economies.
4. Discussions on specific savings have focussed on three main areas, in each of which we have suggested that there is scope for increased revenue from a more commercial approach:
 - a) The Monitoring Service costs the Exchequer £3.8 million. Mr Ridley has suggested that we should increase subscriptions generally and also explore the possibility of participation in its financing by our NATO allies and possibly Australia. My officials are exploring these ideas.
 - b) The Transcription Services (ie the selling of recordings on tape and disc to overseas radio stations) bring a net loss of £900,000 p.a. Mr Ridley has told the BBC to make them self-financing or, if this is impossible, to cut them out.

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c) The English-by-Radio services are already financially self-supporting, but we believe they could be run at a profit.

On the capital programme to improve audibility the BBC have referred to practical problems which might make it difficult to implement the plan according to the original time-scale. They have undertaken to produce details to show what is feasible.

5. The BBC are now drawing up figures to show what savings can be achieved from the three areas described above, together with the likely shortfall on capital spending. Mr Ridley has made it clear that any deficiency will have to be found by ending some vernacular services, principally the European ones.

6. Mr Ridley believes that a 'steering committee', drawn from the External Services and the FCO, should be instituted to improve consultation, meeting periodically, perhaps with Ministerial participation. The BBC's reaction to this suggestion has been generally welcoming, provided of course the intention is not to interfere with their editorial independence. Among other functions, the committee could regularly review the vernacular services, increasing or reducing particular ones in accordance with our financial and political requirements.

7. The Backbench Media Committee have been kept fully informed. They are likely not to object to this solution provided no cuts are made in the vernacular services, although we might get away with some by means of the steering committee.

8. I am copying this letter to OD colleagues and to the Chief Whip.

(CARRINGTON)

Foreign and Commonwealth Office

27 February 1980