

*Prime Minister**After A i family ?**Yes not**Prime*

PM/80/57

PRIME MINISTERBBC External Services

1. At the OD meeting on 29 January, which considered the scope for finding economies in the BBC External Services in 1981/82 and throughout the PESC period, it was agreed that I should arrange for Nicholas Ridley and a senior FCO official to discuss with the BBC at high level, ways in which the necessary economies could be arranged for these years. My minute of 27 February reported progress to that date. Since then there have been two further meetings. This minute describes the present position.

2. The immediate problem has been to identify where the annual saving of £2.7 million (at 1979 Survey Prices) will come from in 1981/82. Nicholas Ridley has now thoroughly examined the Monitoring Service, English by Radio and Television, and the Transcription Services:
 - a) The Monitoring Service is having to meet exceptionally heavy demands because of the situation in Afghanistan, although their attempts to raise income by means of increased subscriptions have met with some limited success.

 - b) We are studying how to make English by Radio and Television more profitable.

 - c) The only way to make savings in the Transcription Services would be to abolish them altogether. This would be resisted vigorously by the BBC. It would save £0.9 million a year, but only after redundancy payments had been made.

3. We have looked again to capital expenditure for the necessary savings for 1981/82. You will recall that £2.7 million was cut from the capital programme to improve audibility

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in 1980/81. Since then the BBC have themselves rephased their capital plans over the PESC period to provide annual savings of £2.7 million. The effect of this rephasing will not greatly delay the implementation of the programme, as difficulties have arisen concerning two sites where capital projects are planned. Although this is not an ideal solution, it is the only one likely to produce the required saving without causing parliamentary opposition and I recommend that we accept it.

4. I do not think that we can go on milking the capital programme indefinitely. In the longer term, the BBC have agreed to the regular consultations (mentioned in paragraph 6 of my minute of 27 February) by which we will seek to ensure that their programme prescription accurately reflects the FCO's changing priorities. These consultations will be confidential. We may in due course wish to cut some existing vernacular services and increase others (which will obviously have implications for capital expenditure, the planning and distribution of new transmitters and aerials). We may also want to cut out the Transcription Services. We must not be seen by our cuts seriously to damage the audibility programme. These negotiations will not be easy, we must avoid accusations of interfering with the BBC's independence. I seek colleagues' approval to a continuing dialogue so that by persuasion and hopefully by agreement we can ensure that the External Services of the BBC do what we want them to do within their PESC limit.

5. Nicholas Ridley has kept the Backbench Media Committee fully informed. They are acquiescing warily so far.

6. I am copying this minute to OD colleagues, to the Chief Whip and to Sir Robert Armstrong.

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