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I think the Chancellor
is right in saying
all Public Insp.
proposals must

Prime Minister

(1)

Ref. A04843

MR. ALEXANDER

Agree an early discussion in OD.?

The minute suggests that you should have a
word with the Chancellor but I cannot myself

discuss ~~together~~ ^{with} see what point is your doing so.

BBC External Services

And

The Prime Minister will wish to decide in what forum and how soon the
problem discussed in the Foreign and Commonwealth Secretary's minute of
1st May should be tackled.

2. Lord Carrington's proposals would involve a call on the central
contingency reserve. They would also entail savings of a kind likely to bring the
External Services' formidable lobby back into action. The proposals could leak
at any time, and it would be much easier to maintain a firm line on the BBC's
current expenditure if this were accompanied by decisions to ensure greater
audibility. The proposals have been the subject of Ministerial correspondence
between the FCO and the Treasury, and of discussion at a meeting between
Mr. Ridley and the Chief Secretary. In neither Department are Ministers ready
to accept the other's position without collective discussion. The Chancellor of
the Exchequer is now being advised to minute the Prime Minister that -

- (a) Lord Carrington's expenditure proposals should not be considered in
isolation from the rest of the Government's future public expenditure;
and that minimal financial penalties would be incurred by delaying a
decision until the autumn.
- (b) The choice of overseas services for retention deserves closer scrutiny
(particularly, for example, the BBC's French language broadcasts to
francophone Africa, costing £1 million per annum).

3. In January, when the Prime Minister considered the Forward Look of
business expected to come forward in the spring, she expressed the hope that the
future of the BBC External Services might be resolved without the need for
discussion by OD. This is why, on Cabinet Office advice, the Foreign and
Commonwealth Secretary has simply copied his proposals to OD colleagues,
rather than putting them formally in a memorandum to that Committee. Given
the range of interests involved, OD would be a suitable forum for discussion, and

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we have a meeting of OD provisionally arranged at which this could be taken; but it would be possible to arrange for an ad hoc discussion, if the Prime Minister would prefer that. And she may wish to have a word with the Chancellor before he makes any further contribution to the argument.

4. As regards timing, both Ministers are clearly influenced by tactical considerations in relation to the next Public Expenditure Survey round. Depending upon the terms of the Chancellor's minute, the Prime Minister might agree that there should be an early discussion, so as to allow for the possibility of the Foreign and Commonwealth Secretary's persuading his colleagues of the need for a quick decision. This timing would not of course exclude the alternative conclusion that the proposals should be held over for consideration together with the rest of the expenditure programme for the years in question.

RA

Robert Arms trong

8th May 1981