

(Broad) casting

Ref: B06210

PRIME MINISTERBBC External Services
(OD(81) 28)

BACKGROUND

1. The BBC External Services are almost wholly funded by the Foreign and Commonwealth Office. They comprise the English-language World Service, which broadcasts 24 hours a day and is agreed by everyone to deserve the highest priority (it has been doing particularly good work in recent weeks in putting over the Government's case on Northern Ireland); the Vernacular Services which broadcast for shorter periods in over 30 languages; and certain minor ancillaries such as the Transcription Service. Expenditure is also divided between capital investment (which governs audibility) and current (which governs the number of hours broadcast in each language to each area). Commonsense would suggest that maintenance of the World Service is essential, because of its authority, effectiveness and wide appeal; that capital expenditure to ensure audibility is also essential (because only BBC employees gain if they are paid to broadcast splendid programmes which cannot be heard); and that the Vernacular Services should therefore bear the brunt of any unavoidable cuts. This was the Government's approach in the autumn of 1979. But the Vernacular Services have well-trained parliamentary and public lobbies to support them, and the result was a backbenchers' revolt.

2. When OD last considered the subject in January 1980 (OD(80) 3rd Meeting, Item 1) the immediate problem was how to implement an agreed cut of £2.7 million in 1980/81. The Foreign and Commonwealth Secretary suggested appointing a "wise man" to consider the problem, as an alternative to abandoning the cuts or risking further trouble in Parliament by imposing them against the BBC's wishes. The Committee rejected this; reaffirmed that the BBC should not be immune to public expenditure cuts; and invited Lord Carrington and Mr Ridley to explore the possibilities further. Lord Carrington reported later developments in his minutes to you of 27th February and 21st July 1980; and you accepted his recommendation in the latter that the £2.7 million for 1980/81 should be found by postponing capital expenditure (some of which had in any case to be delayed for purely practical reasons).



3. Lord Carrington's latest minute of 1st May this year (attached to OD(81) 28) calls for further decisions which require collective discussion. He wants to impose on the BBC in 1982/83 and each of the two subsequent years a current expenditure out of £1.7 million (£1.5 million net after asking them to increase certain Afghanistan-related broadcasting). As well as abolishing the Transcription Service this will eat into the Vernacular Services and will therefore be strongly resisted by the BBC and their supporters in Parliament and elsewhere. To neutralise criticism Lord Carrington wants simultaneously to offer the BBC £21 million more, over the same 3 years, for capital expenditure on audibility. £12 million of this would be new money from the Contingency Reserve; the balance would come from the imposed cuts on current expenditure plus certain current savings resulting from capital programme slippage. An early decision is needed if the BBC are to issue redundancy notices in time to implement the imposed cut for 1982/83.

4. The Chancellor of the Exchequer (in his minute of 18th May, also attached to OD(81) 28) objects strongly to this attempt to pre-empt PESC decisions due this autumn; to the principle of bribing the BBC, on capital account, to do what they are told on current account; and, more marginally, to the shallowness of the current expenditure cuts proposed for the Vernacular Services. He fears that the BBC will try to wriggle out of Vernacular cuts whatever bargains are offered. He therefore wants to impose the current cuts now; defy the Parliamentary lobby; and settle the capital problem later.

HANDLING

5. The Foreign and Commonwealth Secretary should be invited to speak to his proposals and the Chancellor of the Exchequer to reply. The Home Secretary may also have relevant views, given his responsibility for the non-external side of the BBC. The Chancellor of the Duchy and the Lord President should then be asked to comment on the likely attitude of Parliament. The Committee will also want to hear from Mr Ridley (who will be present for this item) how he assesses the present mood both of the BBC and ^{of} their Parliamentary supporters.



6. The Parliamentary prospect is likely to be decisive. Sir Geoffrey Howe thinks that the BBC's supporters will be less strident than in 1979, given present economic severities. Lord Carrington's judgement is that neither deeper Vernacular cuts nor a smaller Audibility bribe would be acceptable.

7. You will need the Committee's answers to the following questions, which may be easiest to approach in the order given.

(a) Would Sir Geoffrey Howe's plan (to impose current cuts now without addressing the capital issue) stand any chance in Parliament? If so, it should presumably be tried.

(b) If not, does Sir Geoffrey Howe see any alternative to addressing the capital (ie audibility) issue now, despite the PESC timetable?

(c) If current cuts and capital bribe are to be considered together, is the Carrington formula the least expensive way of securing Parliamentary acceptance? Or would the BBC's supporters accept, *if pressed,* ~~at a pinch,~~ deeper cuts and/or a smaller bribe?

CONCLUSION

8. You will need decisions on (a) - (c) above. The Business Managers are, with yourself, the ultimate arbiters of (a). On (b) the Chancellor of the Exchequer may be brought to accept that the unsatisfactory procedure suggested by the Foreign and Commonwealth Secretary would be a lesser evil than missing the chance of Vernacular cuts in 1982/83; but if not the Committee will probably not want, in the last resort, to overrule him on a public expenditure issue which could cause resentment to other spending Ministers. On (c) it will be a matter of probing whether Lord Carrington and Mr Ridley could, at a pinch, manage with somewhat less generous figures (ie deeper cuts and smaller bribe).

9. Subject to the discussion, you may be able to guide the Committee to agree

(a) that Parliament would not accept current cuts if nothing can be said on the capital side;



(b) that final decisions on the shape of the deal with the BBC must await PESC decisions in the autumn;

(c) that at this stage the proposed Carrington deal looks about right, if perhaps marginally too generous on both accounts; and that the BBC should therefore be put clearly on notice now that current cuts involving staff reductions will be needed in 1982/83, and may have to be correspondingly deeper if they cannot be effected at the start of the financial year because redundancy notices were not issued in good time.

R. L. WADE-GERY

29th May 1981

c Sir Robert Armstrong o/r