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FM FCO 221826Z OCT 81

TO IMMEDIATE UKDEL CANCUN

TELEGRAM NUMBER 62 OF 22 OCTOBER.

INFO IMMEDIATE WASHINGTON (FOR PS/LORD TREFGARNE).

FOR SECRETARY OF STATE FROM LORD PRIVY SEAL

BBC EXTERNAL SERVICES

1. THE OPPOSITION ARE PUTTING DOWN A MOTION SIMILAR TO EARLY DAY MOTION NO 492 FOR DEBATE IN THE HOUSE OF COMMONS ON MONDAY AFTERNOON 26 OCTOBER. MIFT CONTAINS THE TEXT OF A MINUTE I HAVE TODAY SENT TO OD COLLEAGUES. THE TREASURY HAVE AGREED AN EXTRA POUNDS 1.5 MILLION FOR 1982/3, BUT INSIST THAT THE FIGURES FOR 1983/84 AND 1984/85 REMAIN AS ORIGINALLY PROPOSED. THEY AGREE HOWEVER THAT THE CAPITAL PROGRAMME WILL BE COMPLETED IN FULL IN DUE COURSE, ALTHOUGH THIS WILL ENTAIL SOME SLIPPAGE.

2. ON THAT BASIS, IT IS MY BELIEF THAT WE WILL CARRY THE HOUSE. MAY I TAKE IT THAT YOU AND THE PRIME MINISTER ARE CONTENT.

3. I SHALL BE AT THE FOREIGN AFFAIRS COUNCIL ON MONDAY. THE INTENTION IS THAT RICHARD LUCE SHOULD SUMMON THE DIRECTOR-GENERAL OF THE BBC THAT MORNING AND THEN MAKE THE OPENING STATEMENT IN THE COMMONS, WITH NICHOLAS RIDLEY WINDING UP.

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TELEGRAM NUMBER 63 OF 22 OCTOBER.
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FOR SECRETARY OF STATE FROM LORD PRIVY SEAL

MIPT: BBC EXTERNAL SERVICES

1. FOLLOWING IS TEXT OF MINUTE TO OD:
BEGINS

THE OPPOSITION ARE PUTTING DOWN A MOTION FOR DEBATE IN THE HOUSE OF COMMONS ON MONDAY, 26 OCTOBER SIMILAR TO EARLY DAY MOTION 492 (WHICH HAS BEEN SIGNED BY 76 CONSERVATIVE MEMBERS INCLUDING ALL THE OFFICERS OF THE BACK BENCH FOREIGN AFFAIRS COMMITTEE AND MOST CONSERVATIVE MEMBERS OF THE FOREIGN AFFAIRS COMMITTEE.

THE OD MEETING OF 18 SEPTEMBER INVITED ME, WITH THE SUPPORT OF THE FINANCIAL SECRETARY TO THE TREASURY, TO DISCUSS WITH GOVERNMENT SUPPORTERS IN PARLIAMENT THE PACKAGE OF CURRENT EXPENDITURE CUTS AND AN INCREASE IN THE CAPITAL PROGRAMME WHICH REPRESENTED THE MAXIMUM OF PUBLIC MONEY WHICH COULD BE MADE AVAILABLE TO THE BBC EXTERNAL SERVICES. I HAVE NOW HELD A SERIES OF DISCUSSIONS WITH THE CHAIRMEN AND OFFICERS OF THE CONSERVATIVE PARTY FOREIGN AFFAIRS AND MEDIA COMMITTEES AND WITH THE CHAIRMAN OF THE HOUSE OF COMMONS FOREIGN AFFAIRS COMMITTEE, AND OTHERS. I HAVE CONCLUDED THAT OUR EXISTING PROPOSALS WILL NOT COMMAND THE SUPPORT OF THE COMMONS. THERE WOULD HOWEVER BE RELUCTANT SUPPORT FOR OUR MAKING APPROXIMATELY HALF THE CURRENT EXPENDITURE CUTS ORIGINALLY PROPOSED. THIS WOULD TAKE THE FORM OF ENDING THE VERNACULAR SERVICES TO MALTA, ITALY AND SPAIN, HALVING THOSE TO FRANCE AND BRAZIL, AND HALVING THE SUBSIDY TO THE TRANSCRIPTION SERVICES. THIS IS NOT VERY FAR FROM THE PROPOSALS THE FOREIGN AND COMMONWEALTH SECRETARY FIRST PUT TO OD IN HIS PAPER OF 1 MAY AND WOULD INVOLVE RELIEVING THE SERVICES TO THIRD WORLD COUNTRIES INCLUDING SOMALIA AND BURMA. THE ANNUAL SAVING WOULD AMOUNT TO ABOUT POUNDS 1.5 MILLION INSTEAD OF THE POUNDS 3 MILLION ORIGINALLY PROPOSED AT 1982/83 CASH PRICES.

I EMPHASISED THAT THE BALANCE OF POUNDS 1.5 MILLION PER ANNUM WOULD HAVE TO BE MET BY POSTPONING THE CAPITAL PROGRAMME. I MET VERY STRONG OPPOSITION ON THIS POINT. THE BACK BENCHERS REMINDED ME OF THE GOVERNMENT'S EMPHASIS ON IMPROVED AUDIBILITY, WHICH COULD ONLY BE ACHIEVED BY THE CAPITAL PROGRAMME AS ORIGINALLY PROPOSED. HOWEVER I JUDGE THAT THEY WOULD NOT OPPOSE A PARTIAL REDUCTION IN THE CAPITAL PROGRAMME OF POUNDS 0.5 MILLION PER YEAR. EVEN THIS WOULD ADVERSELY AFFECT PRIORITY PROGRAMMES LIKE BUSH HOUSE MODERNISATION AND SATELLITE LINKS AND INVOLVE POSTPONING THE PROPOSED FAR EAST AND EAST AFRICA PROJECTS A FURTHER YEAR. BUT TO SEEK HIGHER SAVINGS FROM FURTHER POSTPONEMENT OF THE CAPITAL PROGRAMME WOULD SERIOUSLY AFFECT AUDIBILITY IN THE MEDIUM AND SHORT TERM AND BE VIGOROUSLY RESISTED IN PARLIAMENT.

WE HAVE NOT YET PUT ANY PROPOSALS TO THE BBC. HOWEVER THEY HAVE MADE CLEAR THAT WE ARE NOW SO CLOSE TO THE 1982/83 FINANCIAL YEAR THAT IT WOULD BE UNREALISTIC TO EXPECT SIGNIFICANT SAVINGS UNTIL 1983/84. WE HAVE TOLD THE BBC THAT THEY MUST FIND THE POUNDS 1.2 MILLION PER ANNUM DIFFERENCE BETWEEN THEIR 1981 PAY AWARD AND THAT YEAR'S CASH LIMIT FROM WITHIN EXISTING RESOURCES (PARAGRAPH 5 OF OUR PREVIOUS PAPER OD(81)42 DESCRIBES THE BACKGROUND) SEMI COLON BEFORE THE INTRODUCTION OF CASH PLANNING THE BBC WERE NORMALLY ALLOWED SUCH QUOTE RISEN COSTS UNQUOTE.

IN PARAGRAPH 4 OF HIS PAPER OD(81)49 OF 16 SEPTEMBER THE CHIEF SECRETARY EXPLAINED THAT THE NEW RESOURCES AVAILABLE TO THE BBC WOULD BE AS FOLLOWS:

1982/83	- POUNDS 1.5 MILLION
1983/84	+ POUNDS 7.6 MILLION
1984/85	+ POUNDS 5.5 MILLION

THE MINUS FIGURE FOR 1982/83 WAS ON THE ASSUMPTION THAT WE COULD ACHIEVE THE FULL POUNDS 3.0 MILLION SAVINGS ORIGINALLY PROPOSED IN THAT YEAR. THIS FIGURE MIGHT HAVE BEEN ACHIEVED NEXT YEAR HAD THE BBC BEEN INVAST JUNE TO MAKE THE NECESSARY CUTS. BUT THE BBC CANNOT NOW REALISTICALLY SAVE MORE THAN POUNDS 1.0 MILLION FROM CURRENT AND CAPITAL EXPENDITURE COMBINED IN 1982/83 GIVEN THE NEED TO MAKE REDUNDANCY PAYMENTS AND TO FULFIL TRANSCRIPTION SERVICE CONTRACTS WITH OVERSEAS CUSTOMERS.

IF MY PACKAGE IS APPROVED WE WOULD BE PROPOSING TO THE BBC POUNDS 1.5 MILLION PER ANNUM CURRENT SAVINGS AND POUNDS 0.5 MILLION PER ANNUM POSTPONEMENT OF THE CAPITAL PROGRAMME. THEREFORE IT WOULD BE NECESSARY TO INCREASE THE CHIEF SECRETARY'S FIGURES MENTIONED ABOVE BY POUNDS 2.0 MILLION IN THE FIRST YEAR AND POUNDS 1.0 MILLION PER ANNUM THEREAFTER, MAKING THEM + POUNDS 0.5 MILLION, + POUNDS 8.6 MILLION AND + POUNDS 6.5 MILLION RESPECTIVELY (THESE FIGURES WILL NEED MINOR ADJUSTMENT SINCE INFLATION FACTORS HAVE BEEN CHANGED). AS THE FOREIGN AND COMMONWEALTH SECRETARY SAID IN HIS PAPER OF 1 MAY WE CANNOT AGREE TO IMPOSE ADDITIONAL CUTS ON FCO PROGRAMMES TO COMPENSATE FOR THE INCREASED REQUIREMENTS FOR THE BBC.

IN SUMMARY THEREFORE I JUDGE THE POSITION TO BE AS FOLLOWS. IF WE MAKE NO CHANGE IN OUR EXISTING PROPOSALS, MONDAY'S MOTION WILL BE CARRIED AGAINST THE GOVERNMENT. IF WE REDUCE THE CURRENT EXPENDITURE CUTS IN THE MANNER DESCRIBED ABOVE BUT INSIST THAT ALL THE BALANCE IS FOUND BY POSTPONING CAPITAL EXPENDITURE, WE SHALL STILL LOSE. IF, HOWEVER, WE REDUCE THE CAPITAL EXPENDITURE PROGRAMME BY APPROXIMATELY POUNDS 0.5 MILLION A YEAR AND INCREASE THE CHIEF SECRETARY'S FIGURES BY POUNDS 1 MILLION, WE SHALL BE ABLE TO CARRY THE HOUSE OF COMMONS.

IN VIEW OF THE TIME FACTOR, I SEEK COLLEAGUES' AGREEMENT TO THIS PROPOSAL BY MIDDAY ON FRIDAY, 23 OCTOBER. I SHALL THEN INFORM THE BBC OF WHAT WE NOW PROPOSE, CONFIDENT THAT I WILL BE ABLE TO CARRY THE HOUSE OF COMMONS WITH US IN THE FACE OF ANY FURTHER RESISTANCE BY THE BBC.

I AM COPYING THIS MINUTE TO THE MEMBERS OF OD, TO THE CHIEF SHIP, AND TO SIR R ARMSTRONG.

ENDS

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