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From the Minister for the Arts

4 November 1983

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

Dear Nigel,

FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE AND THE ROYAL SHAKESPEARE COMPANY

I think it right to put to you immediately the consequences of the report on the financial affairs of the Royal Opera House and the Royal Shakespeare Company by Clive Priestley, which I received at the beginning of October. The report came too late to be taken into account in my PES exchanges with Peter Rees. I had also undertaken to consult on its conclusions with the Arts Council as the funding body, and with the companies themselves.

The report concludes that the extensive and complex operations of both the ROH and the RSC have been historically underfunded, and that their baseline needs to be raised, and guaranteed in future, if they are to continue at their present international standard. Priestley sets out the inexorable deficits that are again mounting up and recommends that in 1984/85 the basic grant for the ROH should be increased by £1.8m and that for the RSC by £1.3m. These conclusions have been reached in spite of the expectation, at the time when Paul Channon commissioned the report, that Priestley might be able to find significant savings; they are in fact in line with the long expressed view of the Arts Council and the companies themselves that they have been underfunded not overfunded.

I am afraid I can see no possibility of meeting the extra needs identified by Priestley within my existing Arts budget, as settled in the present PES round. As Peter Rees will know from the extensive discussions we have had, I have no room to manoeuvre: in order to help him as much as possible, and avoid causing more problems to colleagues, I have settled for only half of the additional bids I needed to make for

next year. The consequences of having to ask the Arts Council to find another £3m for the ROH and RSC within their own allocation (£92m in 1982/83) would be disastrous. The Arts Council would either have to perform drastic surgery at both the ROH and RSC (the latter probably pulling out of the Barbican), or meet the bill at the expense of the other national companies and the regions. The damage both politically and in terms of publicity of such action would in my judgement be out of all proportion to the sum of money required.

Priestley involves us in a wider but no less acute problem. The report investigated only two companies but its conclusions about underfunding apply to the other opera companies as well.

George Younger has already approached me about current Scottish Opera deficits; there are also problems in respect of the English National Opera, Welsh National Opera and Opera North. I would not be able to ask the Arts Council to rescue the ROH and the RSC without some regard to the problems of the other opera companies at least; I believe that I can hold the position in respect of the RSC in relation to the other theatre companies. A minimum package of £5m a year is therefore required to establish a new baseline for the ROH and other national opera companies, as well as the RSC, from 1984/85 onwards. I am afraid it is not open to us simply to repeat last year's bale-out operation, when a £5m supplementary was voted to write off existing deficits. The need is for a new baseline enabling these major companies to operate as centres of excellence without running into regular annual deficits.

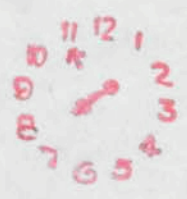
The implications of the Priestley report, therefore, are that I must approach you for an additional £5m a year, so as to enable the RSC and the ROH and the other major opera companies in this country to put their affairs on a sounder financial footing in 1984/85 and later years. For my part, I can assure you that I will use the opportunity given to me by additional funding to secure the managerial improvements also recommended by Priestley. As to timing, I need to be able to announce the Government's intentions on Priestley at the time of my statement on the Arts budget as a whole for 1984/85, which I hope can be made in the usual way at the beginning of December.

I am sending a copy of this letter to the Prime Minister.

Yours,
P/gray

LORD GOWRIE

4 NOV 1983





10 DOWNING STREET

From the Private Secretary

4 November 1983

FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE & THE ROYAL SHAKESPEARE
COMPANY

Lord Gowrie wrote to the Chancellor on 4 November about the financial scrutiny of the Royal Opera House and the Royal Shakespeare Company, and sent a copy of his letter to the Prime Minister.

The Prime Minister considers it unavoidable, in the light of the findings of the Priestley Report, to provide the funds proposed by Lord Gowrie for the Royal Opera House, the Royal Shakespeare Company and the other opera houses.

I am sending a copy of this letter to Mary Brown (Lord Gowrie's Office).

MR. D. BARCLAY

John Kerr, Esq.,
H.M. Treasury.