



Broadcasting

Prime Minister

MS 21/2

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Francis Pym MC MP
Secretary of State
Foreign & Commonwealth Office
Downing Street
London SW1A 2AL

21 February 1983

Dear Secretary of State

BBC EXTERNAL SERVICES PAY

Thank you for your minute of 4 February.

I am afraid I cannot accept your proposal that the pay of the BBC External Services should be removed from cash limits and that we should stand ready to provide extra finance for whatever pay awards the BBC decide to make. This would be quite contrary to our policy towards pay costs which are a charge on Government's funds. It would also be contrary to the principles of the Public Expenditure Survey, one of the main purposes of which is to identify for Ministerial consideration cases where it is claimed that the normal provision is not sufficient. I think it is important that we should examine such claims each time, so that we can decide how far they are justified and, to the extent that they are, how they should be financed.

However, I welcome your suggestion that ways should be examined of containing the costs of the BBC External Services, whether through the C&AG or through a management review by independent consultants. While I acknowledge the difficulties of it, I think we should also consider the feasibility of separating External Services pay from BBC pay generally, so that we can relate it to what the Government can afford. In addition, there is the possibility of asking the BBC to absorb excess External Services costs from within their general revenue - the amounts would be marginal in terms of the BBC's total activities and would arguably not prejudice the principle that the licence fee is for home broadcasting.

I suggest therefore that our officials should do further work on these and any other ideas for limiting the costs to us of the External Services.

I am copying this letter to the Prime Minister, the Home Secretary and the Defence Secretary.

Yours sincerely

J.S. Gieve

for LEON BRITTAN

[Approved by the Chief Secretary]

21 APR 1988

100 111 122 11
8 7 6 5 4
3 2 1