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CC/NO

PRIME MINISTER

B.B.C. PAY

My officials reported to PSP(O) last week the latest information we had on the possible B.B.C. settlement for 1983 which is due on 1 April. It seemed to me that you and other colleagues would wish to know the present position.

The B.B.C. have told us that the unions have submitted a claim for an increase in rates in line with inflation, a narrowing of the differentials with the I.T.V. companies, and an increase in London Weighting, together with some minor adjustments relating to improved holiday arrangements. My officials have made it clear to the B.B.C. that they would be expected to get the lowest possible settlement. The B.B.C.'s initial view was that they might be able to settle for an increase of about 5% of the total pay bill, with a further 0.8% in respect of London Weighting (which would still leave their London Weighting figure lower than, among others, those of the Civil Service, the utilities, and the independent television companies). They have subsequently made an offer falling slightly short of this which the union side has now formally rejected. Further meetings will take place shortly, but B.B.C. officials tell us that they do not intend to increase their offer.

I believe for a number of reasons that the likely level of settlement is a reasonable and defensible one and that an attempt on my part to intervene or otherwise react would be mistaken. First, the B.B.C. is unique as a public sector body having to compete directly with a strong private sector - the I.T.V. companies. In the great majority of technical and production grades, the Corporation's rates are well behind those of the I.T.V. companies (in some cases by 60% or 70%). If this gap is seen by staff with marketable skills as unacceptably wide, they will desert the B.B.C. to its and the public's loss. Last year the B.B.C. settled for an increase of 6.9% on average earnings, compared with the I.B.A.'s 7% and the I.T.V. companies' 8.5%. The I.T.V. settlement was a two year one, the second year (from July this year) being linked to the R.P.I. Any increase in London Weighting would be in addition to it. Thus the B.B.C. are not setting out to narrow the gap this year; but certainly they cannot allow it to widen further, since the quality of their programming depends directly on the quality of the creative staff they can recruit and retain. Moreover, given the special circumstances of broadcasting employment I do not see any risk of a knock-on factor in the public sector generally.

The 1981 licence fee settlement was based on our philosophy of giving the B.B.C. a period of stability to plan ahead, provided its expenditure was carefully controlled. In my statement of 1 December 1981, I made it clear that the settlement should last for at least three years and that the B.B.C. were expected to live within the income which it provided until the end of March 1985. I shall, of course, continue to watch carefully to ensure that

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the B.B.C. stay within their expenditure plans; but I judge that it would be both ineffective and wrong for me to try to influence how their expenditure should be distributed.

Copies of this minute go to the members of E(PSP), the Secretary of State for Scotland and Sir Robert Armstrong.

*W.S.*

30 March 1983.

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