

ccBG
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May 1st - ? Nicholas
David Nicholson's
earlier letter. This

Pine Anon
You will wish
to note the
conclusion reached.
It is a modest
proposal.
COP 29/4.

FCS/87/223

HOME SECRETARY

still requires
a study for 3 years

External Television Broadcasting

1. We met with Nigel Lawson, Norman Tebbit, Paul Channon and Brian Griffiths on 23 March to consider the prospects for external TV broadcasting in the light of the BBC's proposal for a World TV News service and the existing ITN package.
2. We subsequently told the BBC that we could not accept their scheme as then formulated. This led them to a fundamental rethink. The BBC have now produced a commercially based proposal. It reflects Michael Checkland's far more realistic and cost-conscious approach (evident also in the recently announced five year strategy). This is a welcome trend generally.
3. In examining the revised proposal I have made the following assumptions:
 - we would not wish to see new funding additional to that already devoted to external broadcasting and COI TV material for overseas use;
 - we could not contemplate any arrangement designed to put ITN at a disadvantage to the BBC internationally;
 - funding would have to be accommodated within the outcome of the PES round.



4. The BBC propose a half hour service, five days a week, substantially supported by commercial revenue. They envisage a contribution from government solely for pump-priming and over the first three years only, after which it would be run wholly on commercial lines. There would be no commitment to Government funding after that period. The commercial risk would be theirs (to be met from income from BBC Enterprises). The proposed FCO contribution is now about one sixth of that earlier envisaged. It would amount to £1.5 million capital and £2.8 million towards running costs. The BBC hope this would be new money.

5. I have examined these revised proposals carefully. I am now satisfied that the modest investment envisaged is fully justified as part of our existing information effort overseas, but not as additional expenditure. In forming this view I have considered in particular:

- the expansion of TV worldwide (reflected in the firm wish of both the BBC and ITN to invest accordingly);
- the obstacles to the BBC going ahead without pump priming, because of their dependence on the licence fee, and grants-in-aid, and their inability to raise the necessary risk capital (in which respect they lack ITN's freedom of action).



6. I therefore propose to tell the BBC that I would be ready to agree to the reallocation of resources primarily from vernacular radio (not the BBC World Service) to fund TV, subject to:

- agreement on prescription changes which would safeguard high priority vernacular radio broadcasting;
- satisfactory arrangements to ensure that FCO objectives are met, in terms of the service provided and countries served.

I would also tell the BBC that we would consider funding for distribution to poorer countries provided that FCO objectives were fully met, without excluding the possibility of funding distribution of the ITN service.

7. I have also considered the presentation of this decision. Support for the principle of external TV is strong. Delaying our response could in itself add to the pressures. I think that an open-minded approach to the principle of external TV broadcasting by the BBC, coupled with very strict financial arrangements, strikes the right balance. If the BBC accept our proposals we may face criticism for the inevitable reductions in radio services, but I believe this should be manageable, particularly as reductions will reflect agreement with the BBC on priorities. I think ITN's concerns will be substantially met by a decision which precludes additional funding for the BBC.

- But this doesn't

preclude it -
/8.



8. Subject to any views colleagues may make known by 10 November I propose to instruct officials to hold discussions with the BBC to establish whether they would be ready to work within the framework proposed.

9. I am copying this minute to the Prime Minister, Nigel Lawson, David Young and Kenneth Clarke.

A handwritten signature in dark ink, appearing to be 'G. Howe', with a horizontal line underneath.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

29 October 1987

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PM