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Foreign and Commonwealth Office

London SW1A 2AH

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Phms

John Michael

PUBLIC EXPENDITURE CUTS : BBC EXTERNAL SERVICES

I understand that the Prime Minister has enquired whether it would be possible to find economies in the BBC's capital expenditure programme and thus avoid the need for cuts to vernacular services in the context of the public expenditure review. The short answer is that it is possible and indeed the package of cuts already announced includes a reduction in the capital expenditure programme of at least £0.5 million per year. The fact that we have not loaded all the cuts on to the capital expenditure programme has been because of the importance which our Ministers attach to the need to maintain and improve audibility for the BBC's overseas services, including the World Service. The BBC themselves have frequently emphasised the need to renew obsolete equipment and to maintain competitiveness with other broadcasters who are increasing the power and number of their transmitters.

The fact that we have chosen to cut vernacular services rather than to eat further into the capital expenditure programme is a reflection of our view that despite what the BBC may say about their vernacular services, we are frankly sceptical of the value of continuing to broadcast in vernaculars to countries in Europe which do not broadcast to us in English. Furthermore when asked to provide options for cuts, the only illustrations provided by the BBC were based on cuts to the vernaculars and to the World Service.

/The BBC

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The BBC throughout, however, have made it quite plain that they would oppose cuts of any kind and have waged a very effective campaign in support of this, not only in Parliament and press, but in their own broadcasting services.

If, in the light of this pressure, Ministers should decide to preserve all existing vernacular services they still have an option to delay instead the capital expenditure programme, details of which are attached (in its uncut form). It should be noted however that this would offer only temporary relief as any cuts made would be regarded by the Treasury as due to be repeated in each year of the PESC period and any savings produced temporarily from the capital programme would have to be restored later if audibility is to reach the level planned.

Yours ever

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JP C A Munro
Private Secretary to Mr Blaker