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Prime Minister: You asked for some background on the FCO's dealings with the BBC. I would probably get some more background on the cases mentioned in para 6 - or on similar cases - if you wanted it.

PERSONAL & CONFIDENTIAL

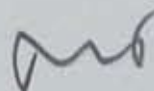
BBC EXTERNAL SERVICES

Print 6/41

1. At a meeting with Lord Carrington on 19 July Sir Michael Swann said that he did not expect the BBC to be spared from the cuts exercise but they wanted to minimise the cuts. He added that irrespective of his own wishes the BBC tom-toms would no doubt start beating once the 'Mafia' realised that cuts were inevitable. Later the same day Cabinet confirmed that BBC should accept a cut of £4 million, but did not specify where the cuts should fall. No public announcement was ever made about this, (It was decided that the details should only be announced at the time of the publication of the White Paper), but the fact that the Government were contemplating a £4 million cut was leaked to the press over the weekend and the predicted campaign in the press, Parliament, and broadcasting services, began.

2. When asked for illustrative options for a £4 million cut the BBC suggested three options based on cutting a list of vernacular services. (They made it clear that these options were unacceptable to them.) They suggested that two of these options involved closing down relay stations which would then become uneconomic, but never suggested any options to cuts, even illustrative ones, based on adjustments to the capital expenditure programme.

3. In our discussions with the BBC they have never volunteered economies of their own, in any sector of their activities. (By way of contrast the British Council have cooperated in suggesting and producing savings of £5.1 million in 1980/81.) In their talks with the FCO, the BBC have throughout taken the line that it is for the FCO to tell the BBC which vernacular services they want cut. However, now that an announcement has been made, the BBC (Mr Mansell's radio broadcast, and Sir Michael Swann's talk with the Prime Minister) are taking the line that the vernaculars selected for cutting are ill-chosen, adducing reasons for saying this.



4. The Secretary of State informed Sir Michael Swann on 22 October that the Government were able to reduce the savings expected of the BBC by £1 million. In a speech by Sir Michael Swann to the Institute of Directors in Sheffield on 29 October, however, which was widely reported by the BBC and the press, Sir Michael still spoke of the £4 million savings expected of the BBC. He said this would change the whole nature of the External Services and in the long term inevitably undermine the English Language World Service as well.

5. Sir Michael also said in his speech that he wished to make it quite clear that he was not questioning the Government's objectives: 'no one aware of the country's present economic plight could doubt the importance of finding ways of drawing the line on public spending'. There has, however, never been any accompanying suggestion that cuts of any kind should be visited on the External Services.

6. Although the large majority of reports about the BBC External Services are laudatory there is an obverse side. We have frequently received complaints from overseas, usually through our posts, about the allegedly tendentious or inaccurate nature of the BBC External Services' reports. For instance, in the last year or so we have had complaints from Afghanistan, Nigeria, Sudan, Pakistan, Malta, Spain, Iran and Syria. We do not know how many of the complaints are justified, but we suspect that some are not without foundation. In replying to such complaints we always ask that the complainant take up his case direct with the BBC, as we do not wish to leave the impression that we are in any way responsible for what they say.