

Broadbent

Ref. A05552

MR ALEXANDER

BBC External Services

(OD(81) 42 and 45)

BACKGROUND

OD last discussed the BBC External Services at their meeting on 1 June (OD(81) 10th Meeting). The Committee approved in principle a deal under which additional Government money would be provided for the capital expenditure required to improve audibility, which is agreed on all sides to be the first priority, provided that part of the cost was offset by immediate cuts in a number of the BBC's vernacular services and the removal of the subsidy for the BBC's transcription service. The BBC have objected strongly to this proviso and their supporters, in Parliament and the Press, have mounted a powerful campaign against it. The BBC have also incurred £1.2 million additional expenditure in 1981/82 by agreeing to a pay deal of 8½ per cent rather than the 6 per cent allowed for in the cash limit: if the Government does not provide new money to cover the £1.2 million gap, or prescribe cuts elsewhere, the baseline for calculating the BBC's estimates from 1982/83 will be squeezed.

2. The offsetting cuts envisaged by OD in June were those originally proposed by the Foreign and Commonwealth Secretary, worth £2.05 million per annum at-updated prices, plus "the maximum of additional cuts ... that was practicable". The Committee set no figure on the latter, but in Lord Carrington's package as put to the BBC they were worth £0.95 million.

3. Lord Carrington now judges it impossible to secure the whole of this £3 million "offset". His paper OD(81) 42, therefore, suggests negotiating further with the Government's backbenchers and :

- a. going for an offset of only the £2.05 million he originally had in mind;
- b. failing that, going for no net offset at all (£1.2 million would be cut from vernacular and transcription services but the BBC would be allowed to use this to finance their higher wages);

- c. failing that, insisting that any part of the whole £3 million not attainable by current expenditure cuts must be met by cutting the proposed capital programme.

The progression is an odd one, since the cost to public funds by comparison with OD's decision (as subsequently quantified by the FCO) would be as follows:

- a. £0.95 million
 b. £3 million
 c. Nil

It is also odd of Lord Carrington to say that "b. and c. go beyond" OD's decision; b. certainly does, but so also does a., while c. goes beyond OD only in terms of policy, not money.

4. In OD(81) 45 the Chief Secretary, not surprisingly, favours going straight to course c. He also argues for imposing this on the BBC and against negotiating with backbenchers.

5. The Home Secretary, who cannot be present and does not wish to be represented, wrote to you on 15 September in support of Lord Carrington's paper.

6. Course a. could only be reconciled with OD's decision in June by deeming the "maximum practicable" extra cuts to be nil. Publicly it would be a clear if partial retreat. There might also be a risk that some of the capital sum would be diverted from audibility improvements to helping pay the wage bill: this risk might be averted by stipulating to the BBC that the excess wage award must be met from current rather than capital expenditure.

7. Course b. would be less satisfactory in that the "audibility bribe" would have been used simply to ensure that the BBC sticks to their cash limits. On the other hand, the Government's major objective of greater audibility for the World Service would survive and the BBC's reductions in current expenditure could be shown to flow directly from its own actions; and it would be demonstrated that the vernacular services was not sacrosanct.

8. Course c. would be the only one consistent with OD's June decision. It would be the more defensible to the Government's supporters by reference to the worsening public expenditure climate in the interval. But it would involve postponing if not abandoning the Government's prime objective of dealing with the World Service's declining audibility. In common sense terms, a costly service which cannot be readily heard would clearly be the worst of all worlds.



HANDLING

9. The Foreign and Commonwealth Secretary should be invited to speak to his proposals and the Chancellor of the Exchequer and the Chief Secretary to the latter's paper. The Lord Privy Seal may have additional points to make. The Lord President and the Chief Whip (who has been invited for this item) will be able to offer an assessment of Parliamentary sentiment.

10. Questions the Committee may wish to consider in reaching a decision are:

- a. Are negotiations with leaders of the BBC's Parliamentary lobby likely to do the trick (and how will they be conducted following Mr Ridley's transfer to the Treasury)? Or will an approach to the BBC's Director General be more effective?
- b. If the latter, might there be advantage in the Prime Minister herself summoning Sir Ian Trethowan for this purpose?
- c. Will the tactics employed in dealing with the questions of the Overseas Services have any implications for the handling of the forthcoming negotiations on the issue of the licence fee?

CONCLUSION

11. Subject to the points made in discussion the Committee might be guided to agree that Sir Ian Trethowan should be offered a straight choice between course a. and course c.; and that the backbenchers should be prepared for this outcome in whatever way the Lord President and Chief Whip think best.

ROBERT ARMSTRONG

17 September 1981