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Clive Priestley CB
Director of Special Projects

The Rt Hon Margaret Thatcher MP
Prime Minister and First Lord of the Treasury
10 Downing Street
LONDON SW1

CP/257

30 September 1983

Dear Mrs. Thatcher,

May I now renew my invitation to lunch or, if you would prefer something less "on parade", instead suggest the theatre one evening?

The lunch on 1 August was to have been for yourself, Derek Rayner, Robert Armstrong, George Jefferson, Robin Butler and Ian Beesley and, if this is agreeable to you, could be re-arranged. But if you would like a play instead, that could be easily arranged too, for a smaller party, perhaps.

I enclose a brief aide-memoire on my report on the Royal Opera House and the Royal Shakespeare Company, which will be published on Monday. The press and others will no doubt say that it is very embarrassing for the Government to have to consider giving Covent Garden and the RSC more at a time when, for example, there is so much trouble over the NHS. It may be a bit specious to argue that the ROH and RSC need more support as part of the "leisure industry" but I am quite clear, on that account and others, that they do deserve to have their finances put on a sound footing. Both companies would be expected to play their part through savings and, particularly in the Covent Garden case, measures of re-organisation.

I hope that you are now completely recovered and send you warm good wishes for the new Session.

Yours sincerely,

Clive Priestley

Enc: As indicated.

PERSONAL AND CONFIDENTIAL

SPECIAL FINANCIAL SCRUTINY OF THE ROYAL OPERA HOUSE AND
ROYAL SHAKESPEARE COMPANY: SUMMARY FOR PRIME MINISTER

Background

1 The Prime Minister agreed in December 1982 that the Government should make a supplementary grant of £5,000,000 to the Arts Council. Part of this was allotted to clearing deficits accumulated by the ROH and RSC. (In fact, the sums made over by the Arts Council were not enough to wipe out the whole deficit.) As a condition of her agreement, the Prime Minister asked for a scrutiny to establish where the companies' money went, particularly in the case of Covent Garden.

Method of Work

2 The companies have been scrutinised simultaneously by three consultants (two of whom were on secondment to the Efficiency Unit, and one of whom is a chartered accountant), six assignment officers from the MPO and me. The consultants and I dealt with the quality of financial management and control, "top-down". The assignment officers dealt with such examples of expenditure as costumes, sets and stage crew, "bottom-up".

3 The Prime Minister wanted a financial expert associated with the scrutiny. I used Mr Michael Haines of Thomson McLintock, who happens to be a distinguished amateur musician, has known the ROH for 30 years and proved to be very helpful. Other advisers appointed by Mr Paul Channon were Mr Peter Diamand, formerly Director of the Edinburgh International Festival and now with the Orchestre de Paris; and Monsieur Hugues Gall, formerly with the French National Opera and now Director of the Geneva Opera.

Savings and Reforms achievable by the Companies

4 I am proposing that the ROH should achieve an annual saving of £0.6m by end-1986/87, roughly equivalent to 3% of current expenditure, and the RSC £0.15m (2%). Some ROH savings will require much resolution (eg reforming stage crew practices); others propose the staging of fewer operas which do not do well at the box office.

5 The RSC saving is due to improvements and economies in the planning of the season, management of productions into performance and stage operating costs.

6 I propose too that both companies should make certain internal changes to organisation and systems. These are in line with existing developments. On the whole, the quality of management is good in the ROH, and getting better, and very good in the RSC.

Public Funding required

7 At present, 55% of ROH expenditure and 43.5% of RSC expenditure is met by grant. Both companies are underfunded, if the price of seats is to be kept at a reasonable level.

8 I am recommending the Government to endorse the range of products offered by the companies namely:

Royal Opera House

(1) Royal Opera Company, but relieving it of the obligation to tour in the United Kingdom.

(2) Royal Ballet, retaining the obligation to tour.

(3) Sadler's Wells Royal Ballet, which is Covent Garden's touring arm.

Royal Shakespeare Company

- (4) Royal Shakespeare Theatre and The Other Place, Stratford.
- (5) The Barbican Theatre and The Pit, Barbican Centre.
- (6) Annual 6-7 week visit to Newcastle-upon-Tyne.
- (7) Small-scale tour (in which a company of 15 visits 20 plus places throughout the UK, October-January).

9 The cost of getting things right is broadly:

- (1) A deficit write-off of £0.41m in respect of 1982-83 (ROH £0.22m, RSC £0.19m).
- (2) An increase of funding in 1983-84 of £1.686m (ROH £0.94m, RSC £0.746m).
- (3) An increase of funding in 1984-85 of £3m, and subsequently in proportion (ROH £1.8m, RSC £1.2m).

Alternatives to funding at the level proposed

10 The ROH could save £1.7m by disbanding the Sadler's Wells Royal Ballet, roughly the ROH's present annual deficit after funding. It might save £1m by moving the Royal Opera on to a "Festival" basis of working, giving about half the present number of performances. Each course has a capital cost (mainly redundancies). Dissolving the SWRB - the touring ballet - would be a grievous loss to the provinces. "Festival" opera would be a radical departure from what has been built up over the last 35 years with the help of Government subsidy.

11 The RSC could save £1.2m by ceasing the Barbican operation. This, too, has a capital cost. It would be a blow to the prospects of the Barbican Centre, and therefore to the City of London, as well as - also - a waste of earlier Government investment.

Future funding regime

12 I am recommending the Government to establish both a discipline for the companies and conditions of financial stability.

13 The aim is to provide for stability for three years ahead each year, subject always to circumstances. The means include the "targeting" of expenditures for subsidy; a detailed review of financial affairs and prospects by independent assessors every three years; and either a specific grant for the companies, earmarked in the Government's general grant-in-aid to the Arts Council, or a direct grant straight from Government.

Possible embarrassments for the Government

14 These include recommendations (R), suggestions (S), or observations (O) that:

(1) More money should be given to the ROH and RSC (R).

(2) It is just and wise to invest in the performing arts because of the amusement, inspiration and sustenance they can give the nation (S).

(3) The national status of the companies should be recognised by ceasing to put the Government's money for them in the general Arts Council grant (R).

(4) The ROH Board of Directors' Civil Service secretariat (whose senior members are Sir Robert Armstrong and Mr Butler) should be replaced by one found from among the ROH's own staff (R). (In a personal note to Lord Gowrie I have

made suggestions which would enable Sir R Armstrong, if invited and willing, to serve as a Director of the ROH in his personal capacity.)

(5) The high salaries paid to the Joint Artistic Directors of the RSC (Mr Nunn £47,000, Mr Hands £35,000) are unobjectionable, indeed deserved (0).

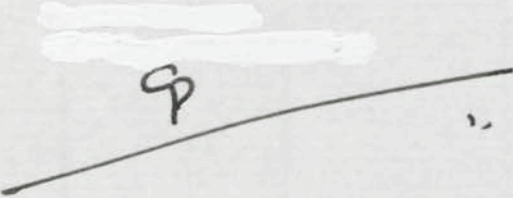
Next steps

15 The report goes to the Minister, the companies and the Arts Council today. Lord Gowrie has invited comments from the companies and the Council by 28 October. Publication will be on 3 October and press comment will start that day. There may be considerable controversy, both within the subsidised arts community and between it and others.

Tailpiece

16 The companies are doing excellent work. They are creators, and it irks me to see them in the Arts Council net. They bring us credit abroad. They are in the vanguard of their sector of the leisure industry. Subject to giving the assurances as to savings etc, I believe they deserve to be funded at a level which, while it is by no means excessive, secures their future.

17 More generally, despite the public expenditure implications, I think that the Government would do well to invest more in the performing arts. Generally, they seem to be doing excellent work, important to the morale of the nation. And there is the consideration that a touch of generosity here might well save the Government the sort of trouble caused by the "satire" movement of 20 years ago.


C PRIESTLEY
30 September 1983

PERSONAL



10 DOWNING STREET

From the Principal Private Secretary

5 October 1983

The Prime Minister has seen your letter of 30 September and is very grateful to you for renewing your invitation to lunch or the theatre.

I would not advise that we aim for an evening at the theatre. It took four cancellations before she was eventually able to join Sir Ronnie Millar to see his play 'Heartbreak House'. I know that she would like in principle to reinstate the lunch but we have put to her the only two dates she has for lunch before December and she ruled out both, one on the grounds that it was the first day of Parliament and the second on the grounds that she would be working on her speech for the Lord Mayor's Banquet.

I have the feeling that, what would have been apt and timely at the moment of your departure, especially in what should have been the quiet days of the first week of the Recess, is going to be difficult to fit in and vulnerable to cancellation now that we are back in the press of business. So I suggest that we leave it over for the time being. You will not fade in her affections!

FPB

Clive Priestley, Esq., CB.

Return
with pleasure
T.

PRIME MINISTER

Attached is a letter from Clive Priestley renewing his invitation to lunch or alternatively an evening at the theatre. I would have thought that the former was preferable especially since you have scarcely a free evening between now and Christmas. If you wish to take up the invitation to lunch, 24 October is just about the only free day between now and December, although this will make a very crowded week. Do you wish to agree ~~for~~ ^{to} 24 October or delay until December?

- Delay - the
week in the first day
of Parliament
mb

You have also mentioned the delayed lunch for John Sparrow. We are trying to fit this in for Friday 11 November.

I think we should be
working on the Lord Mayor's
speech that day

and I have already referred
a luncheon elsewhere
on that ground
mb

3 October 1983

Mr. Butler

What am I
go to do about
this?

CR.

Caroline

CR
15/11

There was a subsequent
of letters through which I shelved
the engagement sine die.

So no need to reply unless you
want to take up the invitation to you!
Robin

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CP/51

2 August 1983

Dear Clive,

I was so sorry to hear yesterday about the Prime Minister's eye trouble and hope that it will clear up, or be cleared up, soon.

The Prime Minister very kindly sent me, as you may know, a brief note in her own hand, regretting that the lunch arranged for yesterday at The Army and Navy Club had to be dropped; she went on to say, "We will have the lunch at No 10 soon".

Obviously, all bets are off for the time being and perhaps we can come back to the question of a lunch when the Prime Minister is better and has had her holiday. Let us have a word on the phone about the knotty question of who gives it! On the one hand, I should like to go ahead with restoring the arrangement we set up for yesterday with me in the chair; on the other hand, I would not want to upset the Prime Minister by sticking obdurately to the arrangement as planned for yesterday.

Incidentally, would you care to have lunch with me one day during the summer or early autumn if you can get away? It would be good to see you again; Jenny Gore here will get in touch with you and see what would suit you.

Yours ever,

Clive

C PRIESTLEY