



1. CDP  
2 NBSM  
AT 28/11

FCS/85/193

CHIEF SECRETARY, HM TREASURY

BBC External Services: Three-Year Funding

- will request if required*
1. Thank you for your letter of 10 June. I was disappointed at your rejection of my proposals for implementing the recommendation in the recent review of the BBC External Services that their grant-in-aid should be set for a three-year period in step with the licence fee. A central background feature for the review was the unique nature of the External Services, funded by FCO and MOD but with all its staff costs and much of its other expenditure intertwined with the other nine-tenths of the Corporation funded by the licence fee.
  2. The licence fee has just been increased by 26%. It is quite unrealistic to assume, as your letter does, that the External Services can survive merely with the 3% and 2½% PES uplift factors. The difference would be immediately apparent to the External Services' supporters in Parliament who will recall the Home Secretary setting the licence fee to "enable the Corporation to maintain its present level and range of services".
  3. My own proposals are already modest enough, namely no increase at all in the first of the three licence fee years followed by £14.3 million and £11.2 million in the next two years. Most of this corresponds to the capital programme to improve audibility overseas to which the Government is committed by statements to Parliament in 1981, together with the increased running costs of the more powerful transmitters. It is net of substantial efficiency savings arising from the recent review.





4. I fully share the general view that the efficiency of the BBC as a whole should be improved. To this end the recent review rightly proposed that the External Services should have something closer to the three-year planning certainty now enjoyed by the Home side of the BBC. But we are not going to get the cooperation we need from the External Services if we say that three-year funding means no extra funding at all. There can be no question of switching resources from other FCO programmes which are already hard pressed and the consequence would therefore be a massive reduction in vernacular language services and drastic postponement of the audibility programme.

5. We are now nearly three months into the first three-year period. To allow the issue to be mixed up with the Public Expenditure Survey could take us up to November which would be too late for launching a multi-year planning scheme. Unless therefore you can agree to us offering the External Services realistic additional funding on the lines I have proposed, we must sadly abandon the concept of three-year funding and continue with the unsatisfactory previous practice of "annual battles". This would be a great pity and would I am sure frustrate our objective of improving the efficiency of the External Services and indeed of the Corporation as a whole. I am however prepared to offer a compromise. I could with reluctance agree to postpone a decision on the capital part of my bid until the Survey. This would leave the current part amounting to an additional £6.7 million in 1986/87 and £10.4 million in 1987/88 (with an appropriate uplift into the period starting 1988/89). I am prepared to reduce these figures by £1 million in each year to be found by yet further efficiency savings including the savings we hope will arise in later years from the transfer to the BBC of the staff running the FCO relay stations. I should stress that I can only make this reduction on the basis of an agreement now which will enable the BBC to plan. It would not be possible to

/maintain





maintain it in the Autumn PES bilaterals and I could only vary the figure in the FCO (Other) chapter if it were an agreed bid. In view of the urgency which you recognise I hope you can agree to this proposal as soon as possible.

6. I am sending copies of this minute to the Prime Minister, the Home Secretary, the Defence Secretary, Sir Robert Armstrong and Sir Robin Ibbs.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
26 June 1985