



cc COL

10 DOWNING STREET

From the Private Secretary

27 November 1984

Review of BBC External Services

Thank you for your letter of 26 November enclosing the report of the review on the BBC's External Services.

The Prime Minister has noted the report and the fact that it is to be made public. She looks forward in due course to seeing recommendations on how the Government should react.

I am copying this letter to David Peretz (HM Treasury) and Hugh Taylor (Home Office).

(C.D. POWELL)

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

26 November 1984

Dear Charles,

Review of BBC External Services

We wrote to you on 20 July to inform you that terms of reference for the joint review of the External Services had been agreed with the BBC. I am writing to you now to tell you that the review has been completed and that the report, which is in two volumes, has been submitted by the Chairman of the Steering Committee to the Foreign Secretary and to the Chairman of the BBC Board of Governors. A copy is enclosed.

There is much in the report that will require careful consideration, but our preliminary reaction is that the review team have done a thorough and useful job. In the main part of their report they have examined the general concept of the External Services, including objectives, the relationship with the FCO and financial and management practices; and in the accompanying volume they have looked in detail at a number of External Services activities, including four of the 36 vernacular services, chosen as reasonably representative, and the World Service.

The team say it is clear that the BBC has a high reputation abroad for the quality, accuracy and impartiality of its output and that they have heard nothing to refute the view that in substantial areas of the world the output and reputation of the BBC do enhance the UK's image. They recognise, however, that it is extremely difficult in many parts of the world to generate precise evidence. The team recommended that a greater effort should be made in the area of audience research. The team also recommended a number of other measures to improve the FCO's ability to monitor the BBC's performance, without in any way compromising the editorial independence of the External Services. These measures are designed to ensure the most efficient use of the available resources by the BBC in line with agreed priorities.

/The disappointing

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[Handwritten initials]

*Prime Minister
Only action at this
stage is to inform
Parliament and to
publish the report.
CDP
26/11*



The disappointing aspect of the report, from our point of view, is that the review team have been unable to propose a clear-cut solution to the longstanding problem of the pay shortfall, which arises because BBC pay tends to rise faster than the pay element in the Treasury inflation factor. They have, however, proposed a change in the method of funding the External Services, which may contribute to that end. They recommend that when the licence fee is under discussion, the Government and the Board of Governors should also consider the level of the grant-in-aid, which instead of being determined annually, should be set for a fixed period of three years to coincide with the period of the licence fee agreement. They believe that such an arrangement would give the BBC an element of confidence about funding which at present is lacking, and would enable them to plan their expenditure more efficiently and effectively. Sir Geoffrey will wish to consider carefully whether such an approach would be possible given the annual PES cycle.

We do not yet know how the BBC themselves will react to the report, which is due for consideration by the Board of Governors only later this month. They may be disappointed that it has not given the clear endorsement of their activities that they had hoped for. But on the other hand the review found no evidence of serious mismanagement; on the contrary in some services they noted particularly good and effective management. And while the review recommended some staff cuts, these were mainly in the supporting staff and not the broadcasters. Our preliminary contacts with the External Services suggest that they will be able to accept the recommendations in the main part of the report, but that several of the more detailed recommendations contained in the case studies will be more difficult for them to implement. They believe that many of the staff reductions proposed show an insufficient understanding of the requirements of international broadcasting, and they are sceptical about the savings which the review team have identified. If fully realised, these reductions could produce savings of some £700,000 in a full year and about as much again after three years or longer.

Sir Geoffrey Howe will wish to study the recommendations carefully before concluding whether the Government should accept all or some of them. In the meantime he sees no objection to making the report public. He is writing to the Chairman of the BBC's Board of Governors proposing that Parliament should be informed of the report, which we would arrange by means of an inspired written Parliamentary Question, and that a copy of the main part should be placed in the House of Commons Library. (The Board of Governors may well feel that the case studies, which identify individuals by function, are not suitable for publication. We would not press them on this.) If the Board of Governors agree, a simultaneous announcement by the



BBC and the FCO would follow, and copies of the main report would be made available to members of the press and public who are interested. We shall let you know of the BBC's response.

I am copying this letter to David Peretz (HM Treasury) and Hugh Taylor (Home Office).

Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

