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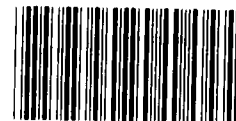
BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Improvements Made, Some Still Needed In Management Of Radio Free Europe/Radio Liberty

GAO recommended in 1976 the consolidation of two separate organizations, Radio Free Europe and Radio Liberty. Since then the parent corporations have merged, a number of dual operations were combined, and other recommendations for improving the economy and efficiency were acted upon.



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Radio Free Europe /Radio Liberty is funded through the Board for International Broadcasting. The relationship between the Board and Radio Free Europe/Radio Liberty has been difficult but regulations issued by the Board in 1980 should enhance their cooperation.

GAO believes that further consolidation is possible and that there is a need for improved guidance for broadcast analysis. Plans to increase broadcast geographical coverage and keep up with technological changes may require large amounts of money. The Congress should ask the executive branch to prepare a study helpful to formulating plans for U.S. international broadcasting in the 1980s.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-173239

To the President of the Senate and the
Speaker of the House of Representatives

This report describes the efforts being made at Radio Free Europe/
Radio Liberty to achieve effectiveness and economies in fulfilling their
mission.

Suggestions are made to further improve the operations of the radios.
In addition, we recommend that the Congress request from the executive
branch a comprehensive study of U.S. international broadcasting activities.
We believe such a study is important in assisting the Congress in its delib-
erations on the radios.

We are sending copies of this report to the Director, Office of Manage-
ment and Budget; and the Chairman, Board for International Broadcasting.

A handwritten signature in black ink, reading "James B. Steele".

Comptroller General
of the United States

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D I G E S T

The labor unrest in Poland and the Soviet Union's invasion of Afghanistan illustrate the need to provide uncensored news to citizens in closed societies. Eastern European and Soviet Union news media gave only limited coverage to these events, but listeners received full coverage through international broadcasting.

The U.S. Government, through the Voice of America and Radio Free Europe/Radio Liberty, is the largest Western international broadcaster to Eastern Europe and the Soviet Union.

RFE/RL, Incorporated, a private, Government-financed organization, enables citizens of Eastern Europe and the Soviet Union to hear of developments in the world at large and in their own countries.

The Government is now faced with decisions about improving RFE/RL's capabilities to commence a "second generation" of broadcast during the 1980s. The Board for International Broadcasting, an independent Government agency, receives appropriated funds and allocates them to RFE/RL, Incorporated. It also has certain other responsibilities with respect to use of the funds. (See p. 2.)

BROADCASTS APPEAR TO
COMPLY WITH ESTABLISHED
POLICY GUIDANCE

The Board and RFE/RL have each provided written guidance for the broadcasts. These were prepared in consultation with the Department of State and are designed to promote an accurate, objective broadcast service which avoids emotionalism, vindictiveness, gratuitous value judgment, sweeping

generalization, and so on. RFE/RL broadcasts 365 days a year in 21 languages to an estimated 32 million weekly listeners in Eastern Europe and 7.6 million in the Soviet Union. Ensuring compliance with broadcast policy is a major management responsibility. (See p. 5.)

Officials of the Department of State, the Board, and others believe the programs meet the policies established for them.

RFE/RL's Broadcast Analysis Department reviews programs for compliance with policy guidance. It identifies "suspected" violations which are subsequently reviewed by management to determine if in fact they were contrary to policy guidance. For this and other reasons, GAO concluded that management should provide precise written guidance on the Department's authority and responsibilities, and should formulate criteria suitable for analysts and programmers to use to improve the Department's evaluative work. (See pp. 11 and 12.)

IMPROVEMENTS MADE IN BROADCAST OPERATIONS

In a 1976 report GAO made several recommendations, including consolidating the previously separate Radio Free Europe and Radio Liberty operations into one. At that time the two broadcast in 25 languages but had no priorities for this combined operation. (See ch. 3.)

A comparison of the relative importance of the languages, as assessed by the Department of State with the then-current programming practice, revealed certain disparities in resource allocation among the languages. Subsequently, the Board established language priorities and RFE/RL dropped four broadcast languages which the Department of State had assessed as being of marginal usefulness to U.S. interests. (See p. 15.)

GAO also recommended in 1976 that consolidation of like functions be considered, i.e., programing, area and audience research, and news. In addition, GAO recommended the streamlining of the monitoring of foreign broadcasts. (See p. 16.)

In programing and area and audience research, nothing consequential has been done. Management believes it unwise to seek consolidations because of operational differences, language differences, and other reasons. It has consolidated news operations and this move has worked well. The monitoring of foreign broadcasts has been removed from the news division and is now managed and financed by individual language services as suggested by GAO. (See pp. 16 to 19.)

TROUBLESOME RELATIONSHIP

The independence of RFE/RL and the oversight responsibility of the Board have clashed over the years. In 1976 GAO recommended that the Board issue regulations governing its relationship with RFE/RL as authorized by the legislation which created the Board. Regulations took effect early in calendar year 1980, but management still seems uncomfortable with the changes. (See pp. 20 to 25.)

THE QUESTION OF RELOCATING MOST OF THE STAFF FROM MUNICH TO THE UNITED STATES

GAO pointed out in 1976 savings available by relocating most of the Munich operations to the United States, but GAO was unable to assess the significance of certain political and psychological factors. The Congress subsequently called on the Board for a study on relocation. The Board's study recommended a modest relocation, about 45 to 60 positions. Funds for a transfer of about 39 positions have been included in the fiscal year 1981 appropriation. (See pp. 25 to 28.)

CONTINUING PROGRESS IN CONSOLIDATING
ADMINISTRATIVE ACTIVITIES AND IN
FINANCIAL MANAGEMENT

Management has made significant strides in consolidating administrative activities. A division was established to consolidate financial management, budget, personnel, security, general services, and computer operations. Management has reduced the number of compensation programs and unified policies on working hours, termination notices and severance pay, and other such areas. (See pp. 29 and 30.)

Officials acknowledge that consolidation efforts still have a way to go, but they say progress is impeded by the difficulty of negotiating with a number of employee groups. (See p. 30.)

Management has taken steps to establish uniform housing policies in Munich. However, it continues to provide company-leased housing or a housing allowance to eligible employees. In addition, it continues to furnish housing for "homeless refugee" employees who have obtained German citizenship. GAO believes that eliminating company-furnished housing and going to an all allowance system would produce savings. (See pp. 30 to 34.)

GAO also presents data on the post allowance provided to employees in Munich and comments on the need to complete a policy and procedures manual. (See pp. 34 to 40.)

In 1976 GAO recommended the adoption of uniform practices and procedures for accounting, procurement, internal control, and inventory valuation and control. These and other actions have been taken. (See pp. 41 and 42.)

The 1976 report suggested that the Congress authorize a contingency fund, to be managed by the Office of Management and Budget, which would be available to provide financial stability to the RFE/RL operation during periods of foreign currency fluctuations. This proposal was adopted in 1977. (See pp. 42 to 45.)

NEED FOR A LONG-RANGE U.S.
INTERNATIONAL BROADCASTING POLICY

A long-range U.S. international broadcasting policy would provide the essential framework for the Board and RFE/RL to develop plans for future modernization of technical facilities and expansion of broadcasts. In view of plans for increasing coverage and improving technical facilities, all at substantial costs, a basis for long-range planning is needed. (See ch. 6.)

RECOMMENDATIONS

GAO recommends that the Chairman of the Board for International Broadcasting work with the top management of RFE/RL, Incorporated, to strengthen the policy assessment and program evaluation functions of the Broadcast Analysis Department. Some areas that should be addressed include defining the Department's authority and responsibilities, providing some autonomy for the Department, establishing accepted criteria and standards for assessments and evaluations, communicating and responding to the results of the assessments and evaluation, and staffing. (See p. 14.)

To help promote staff development, GAO recommends that the Chairman of the Board request from management a plan to (1) complete the policy and procedures manual to include expanded administrative and programming sections; (2) devote greater attention to employee orientation by developing a new orientation program containing pertinent organization materials; and (3) examine recruitment practices and projected staff needs over the next 10 years with an eye toward developing a major staff rejuvenation and recruitment program plan. (See pp. 40 and 41.)

To provide a framework for future modernization and expansion of broadcasts, GAO recommends that the Congress have the executive branch conduct a comprehensive review of U.S. international broadcasting activities. The study should, among other things,

address satellite broadcasting and other technological advances, sharing of technical facilities, merging of separate U.S. international broadcast organizations, and the relationship between the Board and RFE/RL, Incorporated. (See p. 55.)

AGENCY COMMENTS

The Board and RFE/RL management provided comments on this report. Where appropriate, the comments have been incorporated.

Management does not believe written guidance for the Broadcast Analysis Department is needed. It believes the problems discussed in this report stem from a lack of adequate communication to the analysts when information is given to program supervisors. GAO believes additional reasons account for many of the problems and believes written guidance should be provided. (See pp. 11 and 12.)

Management offered comment on some of the problems in recruiting personnel but neither agreed nor disagreed with the recommendation to help promote staff development. (See p. 39.)

The Board agrees with GAO on the usefulness of a comprehensive study of U.S. international broadcasting. (See p. 55.)

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ABBREVIATIONS

BIB	Board for International Broadcasting
GAO	General Accounting Office
FRG	Federal Republic of Germany
RFE/RL	Radio Free Europe/Radio Liberty
VOA	Voice of America

CHAPTER 1

INTRODUCTION

Events such as the labor unrest in Poland and the Soviet Union's invasion of Afghanistan serve to illustrate the need to provide uncensored news to citizens in a closed society. These events were reported in Eastern European and Soviet Union news media on a limited basis. Listeners received full coverage of these events through international broadcasting. The U.S. Government is the largest Western international broadcaster to Eastern Europe and the Soviet Union. Its principal means are the Voice of America and Radio Free Europe/Radio Liberty (RFE/RL).

This report is about RFE/RL, the private, independent, Government-financed organization which enables citizens of Eastern Europe and the Soviet Union to enhance their knowledge of developments in the world at large and in their own countries. At this crucial period in the dialogue between the East and West, the Government is faced with decisions in improving RFE/RL's capabilities to commence a "second generation" of broadcast during the 1980s.

EVOLUTION OF RFE/RL

Radio Free Europe and Radio Liberty began in the 1950s, when, at the request of the U.S. Government, the radios were organized in response to the Soviet Union influence in Eastern Europe. From this beginning to June 1971 the Central Intelligence Agency funded both separately.

During a transition period of approximately 3 years, while the future of RFE and RL was being debated in the Congress, funding for both was provided through the Department of State. During this time, we issued a report 1/ which included an analysis of public funds previously spent by RFE and RL, and suggested consolidation of certain administrative and technical functions.

About the same time, a Presidential Study Commission on International Radio Broadcasting, under the Chairmanship of Dr. Milton S. Eisenhower, evaluated the need and examined various alternatives for funding and providing oversight of

1/"U.S. Government Monies Provided to Radio Free Europe and Radio Liberty" (P-173239, May 25, 1972).

Radio Free Europe and Radio Liberty. Based in part on the Commission's recommendations, the Congress enacted the Board for International Broadcasting Act of 1973 (Public Law 93-129) which created the Board for International Broadcasting (BIB) as a means of continuing Government funding of RFE/RL.

The BIB was established as an independent Government agency to receive appropriated funds and to allocate them to RFE/RL. The act authorized the BIB to, among other things, (1) make grants to RFE/RL, (2) review and evaluate the mission and operations of RFE/RL to ensure proper accountability of public funds, (3) develop and apply evaluative procedures to assure that grants are applied in a manner not inconsistent with the broad foreign policy objectives of the United States, and (4) develop regulations to carry out its functions.

In October 1976, the parent corporations of Radio Free Europe and Radio Liberty were merged into a single new corporation, RFE/RL, Incorporated, with a single board of directors. RFE/RL's headquarters are in Munich, Germany, the site of its large programming operation. RFE/RL maintains an office in Washington, D.C., where various management and special programming functions are performed. RFE/RL also has a small programming center in New York City. RFE/RL has transmitter sites in Spain, Portugal, and Germany and news bureaus in various European cities.

From 1949 through fiscal year 1980, U.S. Government funding totaled about \$1 billion. For fiscal year 1980, the Congress appropriated \$84.5 million for RFE/RL and BIB.

RFE/RL broadcasts 1,017 hours weekly in 21 languages of Eastern Europe and the Soviet Union. ^{1/} It has a staff of about 1,700 and a typical daily audience of 14 million listeners. RFE broadcasts are beamed to Poland, Romania, Czechoslovakia, Hungary, and Bulgaria. RL broadcasts are directed to the Soviet Union in 15 different languages. RFE/RL broadcasts by shortwave to an aggregate population of more than 335 million people. Each week these broadcasts reach over 32 million East Europeans and about 7.6 million Soviet citizens.

^{1/}East European languages include Bulgarian, Czech/Slovak, Hungarian, Polish, and Romanian. Soviet languages include Russian, Armenian, Azeri, Belorussian, Estonian, Georgian, Kirghiz, Kazak, Latvian, Lithuanian, Tajik, Tatar-Bashkir, Turkmen, Ukrainian, and Uzbek.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review included:

- A followup on our report on "Suggestions to Improve Management of Radio Free Europe/Radio Liberty" (ID-76-55, dated June 25, 1976) which contained recommendations to improve the relationship between RFE/RL and the Government oversight agency, reorganize and relocate RFE/RL, improve personnel compensation and benefits practices, promote additional economies and stabilize RFE/RL's approved program level during periods of wide fluctuation in foreign exchange rates.
- A test of RFE/RL and BIB controls over program content to ensure compliance with the "Mission of Radio Free Europe and Radio Liberty Broadcasts" and "RFE/RL Program Policy Guidelines."
- An examination of specific questions requested in a letter to us dated December 20, 1979, from the Chairwoman of the Subcommittee on Immigration, Refugees, and International Law, House Committee on the Judiciary, concerning the relationship of BIB and RFE/RL.
- An examination in detail of the relative costs of employee housing allowances and company-leased housing, and an analysis of the cost-of-living adjustments currently provided by RFE/RL as compared to the allowances provided by the State Department and other U.S. Government agencies in Western Europe. This work was based on language in the report of the House Committee on Appropriations on Departments of State, Justice, and Commerce, The Judiciary, and Related Agencies Appropriation Bill, Fiscal Year 1981, which requested that we prepare a detailed analysis of the two areas.

Our detailed work was performed at the RFE/RL's offices in Munich, New York, and Washington, and BIB's office in Washington. Work at these locations consisted of interviewing RFE/RL and BIB officials and reviewing records pertaining to financial and administrative management, program development and evaluation, and technical modernization.

We reviewed reports by and held discussions with the certified public accounting firm representatives commissioned by BIB to perform financial audits and various management studies

of RFE/RL. We also reviewed various program evaluations commissioned by BIE.

We held talks with Department of State officials in Washington and Munich regarding such areas as relocation, the Department's assessment of RFE/RL broadcasts, political problems that come about as the result of RFE/RL broadcasts, and policy guidance provided to BIE.

Our detailed audit work covered the period from 1976 to the present. Our primary interest dealt with existing conditions and the prospects for the future.

AGENCY COMMENTS

The BIE and RFE/RL provided comments on this report. Many of them were clarifying and amplifying remarks. Where appropriate, the comments of BIE and RFE/RL have been incorporated.

CHAPTER 2

BROADCAST CONTROLS

RFE/RL broadcasts 146 hours a day with original programming of 54 hours a day. It is the responsibility of both RFE/RL management and the Board for International Broadcasting to ensure that the broadcasts are consistent with RFE/RL's mission.

The responsibilities for broadcast controls can be found in the Board for International Broadcasting Act of 1973, as amended, which established the Board in order to continue U.S. Government funding of RFE/RL. In its preamble the act states that:

"* * * the continuation of RFE/RL, Incorporated, as an independent broadcast media, operating in a manner not inconsistent with the broad foreign policy objectives of the United States and in accordance with high professional standards, is in the national interest * * *."

The act authorizes the BIB:

"* * * * to review and evaluate the mission and operation of RFE/RL, Incorporated, and to assess the quality, effectiveness and professional integrity of its broadcasting within the context of the broad foreign policy objectives of the United States.

"* * * to develop and apply such evaluative procedures as the Board may determine are necessary to assure that grants are applied in a manner not inconsistent with broad foreign policy objectives of the United States Government * * *."

In this chapter we highlight the written broadcast policy documents, refer to the daily process through which decisions are made on how to handle the day's news stories, and discuss some of the methods used by RFE/RL and BIB to ensure compliance with broadcast policy.

PROGRAM POLICY

The two basic documents that provide guidance for broadcasts are the RFE/RL Mission Statement prepared by BIB and the Program Policy Guidelines prepared by RFE/RL. Both documents were prepared in 1976 in consultation with the Department of State. These documents are used by all parties as the basis for program guidance and evaluation.

Mission statement

In addition to clarifying the mission of RFE/RL and defining language priorities, the mission statement requires objective and accurate reporting, emphasizes the integrity of the broadcasts, and states that RFE/RL should operate in a manner not inconsistent with broad U.S. foreign policy objectives.

The mission statement also includes:

"Detailed program-policy guidelines, including appropriate restraints, should assure the fulfillment of these objectives. Radio management is fully responsible for the day-to-day supervision of program content in accordance with such guidelines. * * *"

Policy guidelines

Here are some relevant excerpts from RFE/RL's program policy guidelines:

- "* * * principal criterion for selection of broadcast materials is the relevance of the information to the needs and interest of the audience [and its contribution] to the listener's knowledge of significant developments and trends in and affecting his own area."
- "Accuracy and objectivity are essential * * *."
- "In reporting on open societies, RFE and RL programs should reflect their problems and setbacks as well as achievements. * * *"
- "Programming on the [target country] domestic affairs * * * concentrates on keeping listeners informed of important developments * * * which are unpublicized, distorted or inadequately discussed by [the target country] official media. * * * Comments on domestic affairs should be constructive, calm and reasoned and deal with important issues, directed toward clarification of specific problems. Critical comment on governmental policies or practices in the area should be based on solid knowledge of the facts involved and expressed in responsible fashion. * * *"
- "* * * Historical events should be approached in a critical as well as tolerant spirit, avoiding chauvinistic or sectarian bias. Historical and cultural programs should be chosen for their relevance to the

present concerns of the audience. Discourse and description, rather than lecturing, offer the appropriate format for such programs."

--"RFE's and RL's newscasts are * * * important components * * * [and] must be accurate, objective, timely, interesting and relevant to the concerns of the listeners. * * * Confirmation by two independent sources is required when facts appear to be in doubt; clear attribution to the source is required when the information clearly constitutes opinion or can be considered partial or self-serving."

In addition to these editorial policies, the guidelines provide specific restraints for the tone, language, and manner of presentation such as avoiding emotionalism, vindictiveness, sweeping generalization, propagandistic argumentation, gratuitous value judgments, unsupported criticism of the Communist system, and programs based on rumors or unsubstantiated information. The essence of the program policy guidelines is to provide for an objective, reliable, and respectable alternative news source.

The guidelines are periodically reviewed by EIB and RFE/RL. Only one major alteration has taken place. In 1978, in connection with the renewal of RFE/RL's operating license to broadcast from transmitters in the Federal Republic of Germany (FRG), the following paragraph was added to the guidelines so that they would be in conformity with FRG law governing all broadcasts from Germany.

"Editorial opinions, whether by RFE/RL staff, in press reviews, or originating in samizdat documents or exile organizational statements, shall be clearly distinguished from news and news analysis and the source of the opinion identified." (Literally translated samizdat refers to authors in the Soviet Union and Eastern Europe self-publishing and distributing material to avoid official censorship.)

The daily policy process

The broadcast day--Monday through Friday--formally begins with the programming meeting of the Executive Vice President for Program and Policy. The purpose of this meeting--started in 1978--is to discuss what should or should not be aired that day and how specific stories should be addressed.

This meeting is attended by senior executives representing RFE and RL Divisions and the News and Broadcast Analysis Departments. From this meeting, the RFE Division in consultation with other programming and program support elements, including RL and News, develops recommended lists issued each morning and afternoon which assign articles distributed by the News Department to the following categories:

- | | |
|-----------------------------|--|
| Especially useful | --Article must be used for broadcast. |
| Useful | --Article is recommended for use but is not mandatory. |
| Clear attribution only | --Material considered not fully confirmed or reliable so that source must be identified. |
| Press review only | --Editorial opinions or analytical views sometimes expressed in an extreme or exaggerated manner so as to be suitable for press review only when balanced with other material. |
| Background information only | --Not for broadcast use. Material unconfirmed, inaccurate, or contrary to policy guidelines. |
| Noteworthy | --Should be noted for intrinsic importance but does not represent a recommendation for or against use. |

Although designated as an "RFE" list, it is circulated to RFE and RL programmers for their use. In addition, RL's Russian and nationalities services develop recommended lists which are not as definitive or distributed as widely as the RFE list.

The Vice President's meeting is the first of five key daily meetings--RFE/RL policy and programs coordination, RL Russian news feature-planning, RFE policy/research, RFE policy, and RL nationalities--which top managers utilize to convey the day's policy decisions.

Numerous preparatory and implementing meetings precede and follow the key meetings. They last from 10 to 30 minutes and major news items are the primary elements of discussion. Generally these meetings are not held on weekends and holidays unless the press of developments necessitates. Weekend programming contains many shows approved during the preceding

week through the normal process, repeats, fresh news, and some fresh topical programing.

BROADCAST ANALYSIS DEPARTMENT'S
EVALUATION ROLE

The Broadcast Analysis Department is responsible for reviewing programs for compliance with the broad mission statement and policy guidelines. It reports to the Executive Vice President for Program and Policy. It was repeatedly emphasized to us that the Broadcast Analysis Department is a service of management, and, as such, does not make policy. Therefore, when the Department identifies a particular broadcast or segment thereof as a possible violation of policy guidelines, program management decides, if, in fact, the finding is a policy violation.

The Department mission is to assist in the assessment of RFE/RL programing on a pre- and/or post-broadcast basis as to quality and policy adherence, to provide regular narrative and statistical reports on the content of RFE/RL programing, and to undertake special studies and analyses of various aspects of programing as directed. In addition, the Department translates programs on an on-going basis and specifically as required and translates other materials related to programing as appropriate in order to assist RFE/RL program and policy executives and managers in improving the programing of the services.

The Department routinely prepares two reports--a quarterly statistics and daily broadcast analysis. The quarterly statistical report provides data on first-run (original) airtime, for each of the 21 languages, in numerous categories--show format, substantive content, geographic focus, recency, production location, news feature usage, and research paper usage. The daily broadcast analysis report is a summary of individual feature broadcasts by each language service (one to 20 lines per broadcast). Analysts read the scripts and/or listen to tapes or live programs to construct the daily summary. The report does not provide any critical analysis.

In the course of reviewing programs, analysts note program deficiencies and potential policy violations. Communicating problems--from the analyst through a supervisor to the division director or language service chief and the Executive Vice President--is often an informal process. Oral contacts and routing slips are frequently used in an attempt to minimize the impact on programers; memoranda are reserved for the more serious infractions.

RFE/RL management rationalizes this informal process as necessary because of the hundreds of judgments that must be made daily concerning editorial decisions in the 21 language services. Management points out that any potentially serious finding becomes a matter for consideration and discussion. Furthermore, program managers are expected to respond to the findings.

In 1979, Broadcast Analysis recorded the following "written reservations" about particular RFE/RL programs.

	<u>RFE</u>	<u>RL</u>		<u>Total</u>
		<u>Russian</u>	<u>Nation- alities</u>	
BIO violations	16	5	7	28
CAO violations	17	25	10	52
Misinterpretation or incorrect information	20	41	8	69
Exaggerated or inappropriate programing	15	37	9	61
Other	<u>24</u>	<u>80</u>	<u>21</u>	<u>125</u>
Total	<u>92</u>	<u>188</u>	<u>55</u>	<u>335</u>

BIO - background information only
 CAO - clear attribution only

A senior official of Broadcast Analysis noted that written infractions represent only a small portion of total identified problems and estimated that for every written note in the Russian service, five or six are resolved orally. The above statistics are not regularly produced. RFE/RL management commented that Broadcast Analysis staff assists the Russian service by screening a number of programs on a pre-broadcast basis. When problems are detected in this process, remedies are discussed and the programs are changed prior to being broadcast.

According to Broadcast Analysis officials, "in 1979 there were no ascertained instances which could be reasonably construed as violations of the MS/PPG [Mission Statement/Program Policy Guidelines]." However, a review of the Broadcast Analysis files portrays a different picture. The files contained some of the following comments.

--"There is a pervasive overtone of incitement about this program. It should never have been allowed to go on the air."

--"The litany [MS/PPG] reads 'Avoidance of any programming that could be construed as encouraging defections.' In my estimation the attached program * * * could be so construed."

--"The program * * * is clearly in error in not clearly attributing the assertions [cited in the article]. They appear to be the editorial opinion of the author and/or the * * * Service. As such they would constitute a violation of the canon forbidding the use of rumor or unsubstantiated information * * *."

--"* * * Passages in the script broadcast * * * would appear to have required prior consultation on form and content with the Director of RL, (PPG: Restraints, No. 10) [Avoidance of any material which could be characterized as petty gossip, slander, etc.]"

In addition to the above examples of potential policy violations, one of the more serious "policy violations" was a broadcast by the Romanian service in April and May 1979 of an interview with an alleged Nazi war criminal. This potential violation came to the attention of BIB when an outside news agency reported it in May 1979. This particular violation was the subject of a full scale investigation by BIB and a congressional hearing held by the Subcommittee on International Operations, House Committee on Foreign Affairs.

These examples of problems may well result from the absence of more detailed, implementing guidelines or instructions, or mutually agreed-upon standards for specific programs. Based on discussions with a number of program personnel, it appears there is a breakdown in programers knowing what is--and what is not--expected of them. We believe that the Broadcast Analysis Department's effectiveness is limited by a narrow charter, broad criteria, and insufficient staffing.

After many discussions with officials and staff of RFE/RL programming elements, the Broadcast Analysis Department, and BIB, we concluded that the Department's role is the key to program policy review. However, its authority and responsibilities have not been clearly defined to serve as an independent, objective evaluator. Its mission has been broadly defined and in such a manner as to keep the impact of the Broadcast Analysis Department minimal on programming.

Secondly, the Department has minimal criteria against which to measure the objectives of individual broadcasts. As previously noted, some very broad criteria exist. Beyond these, analysts must rely on their experience and perceptions of good broadcast standards. We were advised by some program officials and analysts that more clearly defined programming guidelines and agreements--whether for specific programs, for certain broadcasting standards/techniques, or for some combination of the two--would facilitate the evaluative function as well as provide individual programmers with guidelines for fulfilling their own responsibilities.

RFE/RL management in response to the question of criteria noted that intelligent analysis of programs depends upon a combination of factors including judgment, experience, knowledge, criteria, and common sense. They believed that detailed guidelines would constrain creativity. RFE/RL officials further believed that, while the present system of supplementing existing broad written guidelines with oral communication is effective, they have determined that at times communications to program supervisors are inadequately conveyed to the analysts. RFE/RL management is taking steps to remedy the situation.

Thirdly, the Department's effectiveness is constrained by its staffing levels. There are four vacant positions for analysts of RFE and RL programs. Department officials believe that the three RL services which make up a large share of RL programming--Russian, Belorussian, and Ukrainian--receive adequate coverage. The remaining 12 RL language services suffer from lack of adequate coverage: the Department has no language capability for four languages (Estonian, Armenian, Georgian, and Tajik); one analyst has responsibility for six languages (Uzbek, Kazak, Kirghiz, Turkmen, Azeri, and Tatar); and one analyst has responsibility for two languages (Latvian and Lithuanian). For these 12 languages, the daily summaries are prepared by the individual services.

RFE/RL has set a goal to assure that the Broadcast Analysis Department has adequate capabilities in all languages. However, the attainment of the goal has been delayed by higher budgetary priorities and the unavailability of qualified personnel.

BIB'S EVALUATION

The BIB depends heavily on outside assistance in assessing RFE/RL's broadcasts for quality, effectiveness, and professionalism. BIB's assessment of the broadcasts also depends heavily on the material produced by the Broadcast Analysis

Department (the daily program summaries, selected translations, and statistical reports) and RFE/RL's audience research material. The BIB program officer reviews daily broadcast analyses (or program summaries) provided by RFE/RL of feature programs on all 21 language services, as well as selected translations furnished semi-monthly.

The BIB staff periodically performs evaluations. BIB has since 1978 also engaged academic consultants to review selected programs. To facilitate these reviews and evaluations, RFE/RL furnishes the BIB with tapes and scripts of programs, broadcast schedules, and other materials required by the consultants. Within the last couple of years, BIB has commissioned outside evaluations for at least seven RL and two RFE language services.

BIB also relies on the Department of State to provide an independent source of feedback on program quality. This is done primarily through the U.S. missions located in the targeted countries. The missions are supposed to provide semi-annual reports to State and BIB on their assessment of the RFE/RL broadcasts. Most of the mission reports are thorough.

Our review of the reports from the missions showed that for the most part the broadcasts were acceptable. Most of the comments were constructive and, in some cases, merely designed to clarify events taking place in the target country.

Department officials advised us that on special occasions such as a crisis or rapidly breaking news event, if RFE/RL broadcasts are off target or take a particularly strong position not in line with U.S. objectives, the mission will immediately contact Department officials in Bonn and/or Munich and ask that RFE/RL be notified of the mission's concerns. We were advised that this is a rarity and that in such instances RFE/RL has been responsive.

BIB noted in its Sixth Annual Report that much improvement has been made in RFE/RL programming such as consolidating news, strengthening broadcast analysis, and improving area research. However, it believes that future improvements are needed in both daily supervision and long-range planning aimed at the "quantitative and qualitative strengthening of American program management and program support in areas such as research and broadcast analysis."

The Board investigates, by obtaining scripts and tapes, all complaints about the broadcasts, whether originating from RFE/RL employees, the governments of the audience area, other agencies of the U.S. Government, host governments, news media

or community organizations. BIB is satisfied that the overwhelming majority of programs are consistent with U.S. foreign policy objectives, the mission statement, and the policy guidelines.

BIB does not receive information resulting from the critical work of the Broadcast Analysis Department. BIB should, according to regulations, receive information from RFE/RL on violations of broadcast policy as determined by RFE/RL management. While the information from the Department would be highly useful to BIB in meeting its responsibilities in respect to programs, BIB believes that its efforts to obtain such information would further inhibit the Department.

CONCLUSION

Officials of the Department of State, BIB, and others who should know believe that the programs broadcast by RFE/RL meet the policies established for them. In view of the large number of broadcast hours and difficult languages used, it would not have been practical for us to attempt to judge the conformity of programs with policy guidance independently.

We believe that the Broadcast Analysis Department is the key element in providing timely assurance that RFE/RL's programs meet the established program policy. Therefore the Department should be provided written guidance that clearly defines the Department's authority and responsibilities. In addition, and insofar as is practical, RFE/RL management should formulate criteria suitable for analysts and the programmers to use to improve the Department's evaluative work. Finally, RFE/RL management should continue to work to see that the Department is adequately staffed.

RECOMMENDATION

We recommend that the Chairman of the Board for International Broadcasting work with the top management of RFE/RL, Incorporated, to strengthen the policy assessment and program evaluation functions of the Broadcast Analysis Department. Some of the areas that should be addressed include defining the Department's authority and responsibilities, providing some autonomy for the Department, establishing accepted criteria and standards for assessments and evaluations, communicating and responding to the results of the assessments and evaluations, and providing adequate staff.

CHAPTER 3

BROADCAST OPERATIONS:

ITEMS REPORTED IN 1976

In 1976, we recommended several actions in the broadcast area. These, along with actions subsequently taken, are discussed in this chapter.

ESTABLISH PRIORITIES FOR LANGUAGES

In 1976, RFE/RL broadcast in 25 languages. No priorities for the languages had been established for the combined RFE/RL operation. A comparison of the relative importance of the languages as assessed by the Department of State, at the request of the BIB, with the then-current programming practice revealed certain disparities in resource allocation among the languages.

We therefore concluded that BIB should ensure that RFE/RL establish priorities for languages.

In September 1976, BIB issued a statement on the "Mission of Radio Free Europe and Radio Liberty Broadcasts" which included priorities for all broadcast languages. Four languages have been dropped. These four languages were assessed by the Department of State as being of marginal usefulness to U.S. interests.

RFE/RL holds meetings four times a year to review frequency allocation and broadcast schedules. Using available audience research findings and other factors, frequency allocations and schedules are reviewed and revised as necessary.

According to RFE/RL's top management the ability to switch broadcast time from one of the major language services to one of the minor services, such as increasing the broadcast time to the Central Asian audiences during the Soviet Union's invasion of Afghanistan, is limited by the special language skills required of both managers and programmers and for technical reasons. In addition, almost all transmitters are fully used during prime airtime. While in the short run a greater load can be borne with existing resources and through the use of freelance personnel, RFE/RL officials stated that staff additions in editing, programming, and managing are required to meet changes in priorities for the minor languages.

MOVE TOWARD A SINGLE OPERATIONAL UNIT

We reported in 1976 that RFE/RL had consolidated some of the administrative and technical support functions of what previously had been two organizations, RFE and RL. These steps had been recommended by us in 1972 and by the Eisenhower Commission in 1973. The BIB reported in 1976 that these changes resulted in annual savings of about \$6 million.

We recommended additional consolidations primarily in some remaining functional departments; for example, programing, area and audience research, and news. In addition, we recommended the streamlining of the monitoring of foreign broadcasts. The essential idea was to move toward a single operational unit.

Program consolidation

RFE/RL management believes that program consolidation has evolved as far as it can. It appears that consolidation has occurred to the extent that the position of the Executive Vice President, Programs and Policy, has been created, and a schedule of daily meetings has been devised to coordinate and promote communication between the two broadcast divisions. RFE/RL officials noted that while additional consolidation has not taken place there has been improvement in cooperation. These improvements include exchanging scripts, interviewing language personnel on services other than their own concerning topics of special interest, and holding "country meetings" at which current developments are reviewed and which all programers are welcome to attend. With these exceptions, RFE and RL have maintained their separate programing identities.

RFE/RL officials acknowledge there may be a need to promote additional communication, but they oppose any further efforts which would combine the separate programing activities into a single operating unit. In their view, there is a need to separately retain the RFE and RL programing identities because of differences between and special reporting requirements for each of the target audiences. They believe that a homogenous approach to broadcasting--under one programing division or, for example, with the adoption of central scripting--would undermine the trust and credibility enjoyed by each service. RFE/RL officials emphasize that they must be able to report internal developments within each target area; they believe this can only be accomplished by maintaining the existing structure and by performing the current functions. Even if the divisions were further amalgamated into one unit

on paper, officials believe this would be principally cosmetic.

BIB officials commented on a central news-feature service in their Sixth Annual Report as follows:

" * * * The intent of such a service was not to impose central scripting by American journalists on East European and Soviet themes; obviously, area research experts and language-service specialists are better qualified to tailor treatment of such themes to the understanding and interests of the various local audiences. Rather, the principal aim of a central feature service must be to free specialized language-service staff to concentrate their unique expertise on crucial 'local' or broadcast-area themes by centrally providing the various language services with professional, broadcast-length reports and analyses on events and trends outside the audience area. Clearly, it is both inefficient and journalistically somewhat risky to expect individual editors on 21 different language services to produce high-quality original treatments of such themes as Cambodian relief, Basque autonomy, negotiations over Rhodesia, Chinese wallposters, Iranian student movements and 'liberation' theology in Latin America. Yet these and other non-area related themes constitute some 40 percent of RFE/RL feature programming. * * *"

Another reason offered against further consolidation of the program units is a fundamental management difference between RFE and RL. RFE language service directors enjoy a high degree of autonomy, authority, and responsibility for their broadcasts. Their counterparts in RL receive more supervision from American management.

Recognizing that changes are needed, top management officials have identified some options which may help to bring about more unity. These include:

- Continuing and, perhaps, expanding English language training classes to provide at least a reading knowledge of English for all employees.
- Increasing the size of RL program staff and improving its infrastructure, especially for the nationalities services.
- Conducting only postbroadcast reviews for RL as is now done for RFE.

RFE/RL management points to improvements made in programming over the last 3 to 4 years, especially in hiring new personnel to support the nationalities services. These personnel include additional American program managers, programmers, analysts in the Broadcast Analysis Department, and analysts for the RL research unit.

Area and audience research consolidation

RFE/RL's position has been that consolidating the four separate area and audience research departments may reduce rather than increase effectiveness without producing any savings. Consolidation of area research departments appears to be constrained by (1) distinct geographical, political, and cultural areas which require different language and area specialities and (2) the inability of research personnel to utilize the other's research library--the RFE's library is in English and the RL's library is in Russian. Management officials believe any merger would only be cosmetic. They point to existing procedures such as joint participation in policy meetings and joint preparation of research papers as evidence of active communication and coordination.

Similarly, most RFE/RL officials do not view consolidation of the two audience research departments as feasible, primarily because of differences in target populations, political environments, and statistical sampling methodologies. In their view, even if consolidation occurred, the basic functions and methodologies would continue to be different.

We believe that some questions remain relating to the adequacy of coordination and support provided by the area and audience research departments. Officials suggested that coordination is an area where improvements can be made. We recognize that the consolidation of these departments should not be made with the idea of creating a neat organizational chart. The issue is whether improved coordination and support can be provided to both programming divisions by consolidating the research departments. RFE/RL officials have indicated they would be willing to reexamine the consolidation questions.

News consolidation

The news operations were consolidated into a central newsroom in 1976. This move has been generally well received. The creation of the Central News Division has improved RFE/RL

management and the evaluation capabilities of its entire news operation. Both RFE and RL news desks and programers now have the benefit of receiving all news and features from one location and are able to utilize all resources available to RFE/RL.

Officials identified one problem with the use of materials generated by Central News. In some cases, particularly in the RL nationalities services, when a story comes through in German or English, for example, it must first be translated into Russian for RL's use. While this in and of itself is not troubling, in some cases the story must be further translated into another language because of the inability of some RL programers to use Russian or English. This causes delays in broadcasting, particularly for news features and updating news events. In some cases the delays can result in news broadcasts being 24 to 48 hours old. Officials recognize the difficulties but suggest that these are longstanding and will be resolved with new personnel or as a result of the English language training program.

Monitoring foreign broadcasts

The monitoring functions have been removed from the news division and are now managed and financed by the individual language services as suggested in our 1976 report. Since 1976 the number of monitors has been reduced. Since then officials have indicated a desire to augment RFE/RL monitoring of Soviets radios, particularly those provincial stations in non-Russian languages. Monitoring is viewed as an important part of the operations because it provides a way of identifying what the governments are--and are not--broadcasting to listeners in the target countries. This enables programers to focus RFE/RL broadcasts to fill the informational gaps.

CHAPTER 4

RELATIONSHIP AND RELOCATION: ISSUES OF CONTINUING

CONCERN TO THE BIB AND RFE/RL

No two single issues have been of any more importance, nor have consumed as much time and attention of both BIB and RFE/RL board members and staff, than the development of regulations governing the relationship between the two entities and the question of relocating RFE/RL from Munich to the United States. Following our June 1976 report, a set of regulations, agreed to by both BIB and RFE/RL management, has been developed and several relocation alternatives have been studied.

RELATIONSHIP

In 1976, we recommended that the Chairman of the BIB develop (1) a definitive, basic agreement defining the role of Board members and staff and the RFE/RL corporate board and management in carrying out the purposes of the Board for International Broadcasting Act of 1973, and (2) regulations to govern the implementation of Board functions.

In making these recommendations, we believed that the legislation and the congressional intent were sufficiently clear to provide that BIB was to be an active oversight agency with power to review, evaluate, and implement (by direction) changes to promote economy and efficiency in RFE/RL operations, while RFE/RL management was responsible for the day-to-day operation.

We believed that the BIB should develop policy, procedures, and regulations to assure that public funds were properly accounted for and applied "in a manner not inconsistent with the broad foreign policy objectives of the United States Government." We believed that the formalizing of the grantor-grantee process would eliminate friction, engender predictability, and provide stability to the relationship between BIB and RFE/RL.

In a letter of December 20, 1979, to us, Chairwoman Elizabeth Holtzman, Subcommittee on Immigration, Refugees, and International Law, House Committee on the Judiciary, expressed her concern about the relationship between RFE/RL and BIB. Specifically, she expressed concern whether the BIB legislative mandate was sufficiently explicit to enable BIB to properly oversee RFE/RL. Among her questions to us was one dealing with regulations governing relations. Regulations and other matters to ease the relationship problem are discussed in the following sections.

Actions to ease the awkward organizational arrangement

Actions have been taken to simplify the organizational arrangement and improve communication. These include the following:

- On October 1, 1976, Radio Free Europe and Radio Liberty were merged into RFE/RL, Incorporated. With this action, a single corporate board was established.
- On October 11, 1977, RFE/RL, Incorporated, amended its corporate bylaws to provide for the appointment of the Chairman of BIB as an ex officio member of its board, executive committee, and nominating committee. Furthermore, the Chairman was made a voting member of the nominating committee. Any action by the nominating committee requires a unanimous vote.
- The Board for International Broadcasting Act of 1973 provided that the chief executive officer of RFE/RL would be an ex officio member of BIB. The act was amended in October 1978 to provide that chairman of the RFE/RL corporate board would also be an ex officio member.

Establishing regulations

In response to our recommendation, the BIB adopted a resolution calling for implementation of the section of the law authorizing the issuance of regulations; however, a number of considerations delayed further action. These included

- changes in the organization and management of RFE/RL,
- the physical movement of top management from Washington to Munich, and
- changes in the RFE/RL corporate bylaws.

It was not until January 1979 that new efforts were made to draft regulations. In a report to the corporate board of directors, the President of RFE/RL stated that in his view:

"* * * there is a pressing need for the creation of a definitive set of B.I.B. guidelines which stipulate the respective responsibilities of the B.I.B. and RFE/RL. The concept of 'oversight' lacks specificity

and in the absence of U.S. Government precedent involving a comparable public-private arrangement, the distinction between 'operations' and the important 'oversight' function needs to be delineated."

On September 17, 1979, the Chairman of the BIB issued a document outlining the principal areas to be covered by regulations, the basis for regulations governing the relationship, and the specific roles and responsibilities for the two organizations. Six substantive areas were identified where differences had frequently arisen between RFE/RL and BIB: (1) the independence of RFE/RL, (2) financial oversight, (3) budget development and execution, (4) program evaluation, (5) government relations, and (6) reorganization of RFE/RL operations.

After numerous proposals and counter-proposals, BIB and RFE/RL agreed to a set of regulations on February 21, 1980. This action established in Title 22 of the Code of Federal Regulations a new chapter XIII, Board for International Broadcasting. These regulations prescribe the manner in which BIB will encourage efficient and economical utilization of resources by RFE/RL; assess the quality, effectiveness and professional integrity of RFE/RL broadcasting; assure that grants provided to RFE/RL are applied in a manner not inconsistent with the broad foreign policy objectives of the United States; and assure that grants of public monies to RFE/RL are applied for purposes intended.

Limitations and problems

RFE/RL management indicated that it fully supported our recommendation that regulations be developed. Senior RFE/RL officials expressed hope that the adopted regulations would serve as a guide and framework for a better relationship, delineate the respective roles, and address the fundamental issue of the distinction between RFE/RL management responsibilities and BIB oversight. While these officials would like to see the adopted regulations work, most see them only as a first step. According to RFE/RL officials, the regulations addressed areas where traditionally RFE/RL and BIB have experienced many difficulties and codified practices which have been longstanding. They believe that development of a set of regulations governing the relationship in these areas will be of benefit to both organizations. However, in their view, the regulations, while providing a basis for guidelines and operational procedures in some areas, are still inadequate because they fail to address the basic question of oversight and do not provide a context to resolve unanticipated operational problems.

- Establishing consolidated procedures for procurement and financial approval authority.
- Adopting uniform inventory valuation and control procedures.
- Consolidating insurance programs. This action eliminated insurances that were no longer needed after the merger and resulted in an annual savings of about \$10,000.
- Establishing a set of travel regulations and per diem rates for the Munich headquarters.

Before consolidation there were 35 staff positions on the RFE and RL budget and accounting sections. After consolidation, and over the course of the last 3 years, the number of positions has been reduced to 26.

There are areas where improvements have not been completed.

- Significant differences still exist between Washington, Munich, Spain, and Portugal in terms of stages of book-keeping automation. These differences are expected to be resolved when, and if, a new computer system is installed in Munich.
- As stated above RFE/RL has developed uniform travel regulations for Munich headquarters. Travel regulations have also been developed for U.S.-based employees. Employees based in any of the European bureaus or in Spain or Portugal, however, are covered under other regulations. Comprehensive travel regulations, therefore, do not exist.

Foreign currency purchases

With about 80 percent of RFE/RL's expenditures made in German marks, the dollar devaluation trend in international money markets has made it difficult for RFE/RL to carry out its program at the approved budget level.

In addressing this problem in 1976, we suggested to the Congress a proposal for a \$5 million contingency fund, to be managed by the Office of Management and Budget, which would be available to provide financial stability to RFE/RL. We made this proposal because we believed it would be difficult and impractical for BIB to anticipate the foreign currency rates during the last 6 months of a fiscal year in order to request a supplemental appropriation. Another problem was the time-consuming process sometimes required to secure a supplemental.

We recognize that the BIB and RFE/RL relationship is a unique one which requires from both sides a maximum degree of understanding, cooperation, and accommodation. These qualities must be present as both parties interpret the BIB Act of 1973 and undertake to carry out the practical aspects of their relationship together.

CONCLUSIONS

Following the expressed desire on the part of RFE/RL management to have regulations adopted, the BIB drafted regulations and entered into discussions with RFE/RL management to hammer them out as best they could. They have now been adopted. The regulations codified past practices and introduced new ones. Also as one would expect, their adoption did not immediately overcome all the problems of the past.

We believe the regulations are a positive step toward minimizing the friction that has occurred in the past as a result of these two bodies seeking to meet their responsibilities as they each saw them. At the same time, and because we believe the regulations should be given a chance to work, we had proposed additional steps to facilitate the application of them. These included:

- Establishing a committee of representatives of the two boards and BIB and RFE/RL staffs to monitor the implementation of the regulations.
- Developing written procedures to establish clear administrative channels to formalize interaction in order to provide for a smoother communication flow between the two organizations.

Both BIB and RFE/RL questioned the necessity of establishing an additional joint committee to monitor implementation of the regulations. They believed that the current arrangement whereby the Chairman of BIB is an ex officio member of the corporate RFE/RL board and its executive committee and the chairman of the corporate board and the president of RFE/RL are ex officio members of BIB provides an avenue for such monitoring. RFE/RL proposed that rather than create an additional body, it might be more effective and less time consuming to have the implementation of the regulations made an agenda item of each board at its regular meetings.

We agree with the position of BIB and RFE/RL provided the existing arrangement gives particular attention to monitoring the impact of the regulations in improving the relationship between the two organizations.

RELOCATION

In 1976, we raised the possibility of relocating a major part of the RFE/RL operation in Munich to the United States. We recommended that the BIE study the pros and cons for relocation, with an eye toward achieving financial savings and greater economies and efficiencies. In examining the benefits and drawbacks of such a relocation, we recognized that the issue would be highly emotional, with a number of political and psychological factors to be weighed against the potential financial savings. However, we concluded that there were no major technical obstacles to relocation and estimated that a \$3.3 million yearly savings could be realized with a one-time net relocation cost of \$14.2 million. In addition, we believed a relocation would provide a unique opportunity to rejuvenate an aging staff as well as to restructure the organization.

Subsequent studies of relocation alternatives

In response to our recommendation, the BIE commissioned Arthur Andersen and Company, a public accounting firm, to prepare a study to assist BIE in its deliberations regarding the possible relocation of RFE/RL. The firm also reviewed the relocation studies performed internally by RFE/RL and our findings.

Agreeing with the thrust of our recommendation, Arthur Andersen reported in March 1977 that, at the exchange rate of 2.60 marks to the dollar (rate used by us) annual cost savings would be \$3.5 million, while one-time relocation costs would total \$17.1 million. At a rate of 2 marks to the dollar, the annual savings were estimated at \$4.7 million, while the one-time costs would be \$19.6 million. (Currently the exchange rate is around 2 marks to the dollar.)

After a review of the three studies and consideration of the Department of State advice on the consequences of relocation, the BIE concluded that the anticipated financial benefits would not outweigh the possible negative implications.

The sharp decrease in the value of the dollar in 1978 and 1979 brought revived congressional interest in the relocation question. For fiscal year 1980 it was projected that about 89 percent of the \$81 million budget would be spent overseas. Therefore, the Board for International Broadcasting Authorization Act, Fiscal Years 1980 and 1981 (Public Law 96-60) mandated that EIB prepare and transmit to the Congress a study of alternative plans for the transfer to the United States of 10, 25, and 50 percent, respectively,

of the total personnel of RFE/RL. For each alternative plan, it was directed that the report should include:

- "(1) proposals for the timing of such transfer and the recommended location in the United States of such personnel;
- (2) estimates of the costs and amortization period for such plan;
- (3) a consideration of the impact of such plan on the operating efficiency of RFE/RL, Incorporated, and on the effectiveness of RFE/RL, Incorporated, in achieving its program objectives; and
- (4) any other significant anticipated consequences of such a relocation."

The BIB submitted its report to the Congress on November 27, 1979, recommending against large-scale relocation based on arbitrary percentages. BIB proposed a fourth alternative. The BIB noted that in its judgment:

"* * * financial savings could be realized, and RFE/RL programming enriched, by a program-oriented reallocation of resources that would transfer 45-60 Munich-based positions to the United States, and another 15-20 to West European field offices. Such a reallocation would restore the balance between Munich, West European and U.S. programming that prevailed at RFE and RL prior to 1972-76 staff reductions. Annual savings of \$1.7-\$2 million could be generated at a one-time cost of \$3.2-\$3.5 million. The Board believes that such a programmatic reallocation would improve the quality and diversity of RFE/RL programming."

This proposal was included in the BIB's budget submission for fiscal year 1981. The budget requested \$4.5 million to cover the one-time costs of selective transfers of RFE/RL positions from Munich to the United States and was made with the aim of reducing RFE/RL personnel costs by \$3 million for fiscal year 1982.

The Office of Management and Budget advised BIB that \$2.4 million had been earmarked from 1981 appropriations for relocation. According to BIB this will allow the transfer of 37 Munich-based positions to the United States and 2 to another European office. It is estimated that this will result in annual savings of \$1 million.

Management believed that even a partial relocation would adversely impact on programming by retarding consolidation efforts and by reducing staff flexibility. It is interesting to note that during fiscal year 1980 while the relocation question was being considered that RFE/RL reduced its staffing from 1,730 to 1,664. This can be primarily attributed to the increasing cost of doing business in Germany.

The BIB's position for its recommendation for "program enhancement" was presented in its Sixth Annual Report which stated that:

"* * * in the United States, both the Administration and the Congress have been committed to reducing the Federal deficit and bringing the budget in balance by limiting expenditure.

"In this overall context, the Board believes that selective transfers of a few dozen Munich positions to Washington, New York and lower-cost European program centers are preferable to such alternatives as reducing RFE/RL broadcast hours and languages while constantly seeking new staff reductions in Munich at ever higher termination costs. However, we have recommended strongly--and will continue to recommend--against any large-scale relocation which would impair the quality of RFE/RL programs or diminish their effectiveness."

CONCLUSION

We believe that the proposal to transfer 45 to 60 Munich based positions to the United States and 15 to 20 positions to other European locations is a positive step toward achieving financial savings. This proposal warrants careful consideration by RFE/RL management. While the proposal is a positive step, we believe that such opportunities to transfer positions to reduce cost and attract new talent should become a continuing part of the budget review process.

The overall issue of relocation has been sufficiently studied and a number of alternatives offered. There are financial benefits available through relocation. There is common agreement on that. And there are no known technological barriers. However, there are counterarguments and the significance of them is subject to judgment. The BIB and RFE/RL management believe the counterarguments to large-scale relocation to be persuasive and neither supports any large-scale relocation. The GAO concurs in this view.

We do not plan to further pursue the matter of relocation at this time. Moreover, we do not believe that any additional large-scale studies are necessary except in connection with the larger issue of the future of U.S. international broadcasting discussed in chapter 6.

CHAPTER 5

CONTINUING PROGRESS IN CONSOLIDATING ADMINISTRATIVE ACTIVITIES AND IN FINANCIAL MANAGEMENT

RFE/RL was initially two organizations, each with its own corporate board. In our June 1976 report, we recommended the establishment of a single corporation for both radios in order to achieve the efficiency and effectiveness that would ensue. In October 1976, a new corporation absorbed both organizations and a single board of directors was established. Since then, RFE/RL has moved in a number of areas to promote consolidation and to improve operations.

ADMINISTRATIVE CONSOLIDATION

In addition to merging the two entities into one, RFE/RL has:

- Established an annual budget review which provides for wide participation by RFE/RL staff.
- Reduced the number of compensation programs, excluding the programs in Portugal and Spain, from seven wage scales to four.
- Changed the practice of converting employee salaries from dollars to marks at a fixed rate of exchange to the rate prevailing at the time of exchange.
- Introduced a mutual agreement termination program as an incentive to facilitate the early terminations of marginally productive employees. Since its inception in fiscal year 1978, 39 employees have accepted the program and 27 positions have been eliminated. RFE/RL officials have estimated a total savings of over \$2 million. The program was discontinued after fiscal year 1980 because of the high cost and the belief that employees would consider the program an entitlement.
- Created an Administration Division that is responsible for financial management, budget, personnel, security, general services, and computer operations. The restructuring was designed to centralize the reporting channel to the President of RFE/RL.
- Consolidated a number of employee benefits under one joint Mantle Tariff Contract (Working Conditions Contract). These included annual and sick leave,

health insurance, termination notice and severance pay, and anniversary and Christmas bonuses.

Policies pertaining to working hours; overtime; Sunday, holiday, and night work; and meal allowances have been unified for all employees and regulated according to union contract.

Eligibility for housing is based on the position in RFE/RL as well as the point of hire, and uniform housing allowances have been adopted. Additionally, two basic plans--one German, the other U.S.--now exist for employees both in insurance coverage and retirement.

RFE/RL officials acknowledged that consolidation efforts still have a way to go. Progress has been slowed by (1) the special difficulties associated with negotiating with three labor unions and the employee works council and (2) the increased cost forcing RFE/RL, like others, to do more with less. The works council represents employees and assists management in social and personnel matters to avoid strife, conflicting interests, and the loss of morale. However, it often contests management personnel decisions in court to maintain seniority rules.

Areas that still must be negotiated with the unions and works council include: uniform position classifications and job descriptions, work-time regulations, semi-automatic promotions, provisions for arbitration board, rules on employee conduct, grievance procedure, professional training, moving expenses, employee-held copyrights, and housing policy.

Housing

We reported in 1976 that we believed that RFE/RL's reasons for providing housing appeared outmoded. Therefore, we believed the housing practices needed to be reconsidered.

Since 1976, RFE/RL has taken the following steps to establish uniform housing policy:

- (a) Housing eligibility is now based on the position as well as the point of hire.
- (b) Uniform housing allowances are in effect.
- (c) Uniform furniture and furnishing allowances have been adopted.

RFE/RL officials recognize that a need exists to negotiate a new consolidated agreement to eliminate the remaining differences in housing practices and to move away from providing its employees with complete and indefinite housing entitlements. Some proposals under consideration by management and the union/works council include: (1) placing a ceiling on costs of company-leased housing with the employee to pay any difference; (2) adopting a cost-sharing plan to cover costs of housing utilities (RFE/RL now pays them); (3) establishing a maximum period (2-5 years) that an employee may remain in company-leased housing before being placed on the allowance system; and (4) updating the current housing allowance scale to include a cost-of-living clause.

RFE/RL officials said there is a need to retain some leased housing since a change to an allowance system only would increase rather than decrease RFE/RL housing costs and there is

- a severe housing shortage in the Munich area;
- a reluctance on the part of German landlords to rent to foreigners;
- a belief that landlords would not transfer lease contracts to employees if RFE/RL ceased to be the contractor; and
- a desire to provide a new employee with housing to permit him/her to start work immediately without the problem of securing housing.

Nevertheless, RFE/RL told us in September 1979 that it intended to gradually change to an allowance system. This will require RFE/RL to negotiate the policy change with employee representatives. In addition, RFE/RL believes it may have to: (1) pay real estate agents' fees to locate units; (2) lend the employee money for the security deposit; (3) provide funds to purchase furniture and/or furnishings; (4) pay moving costs; (5) provide one-time carpenter, electric, and plumber assistance to ready the unit for occupancy; and (6) adjust allowances periodically to reflect inflationary changes.

In fiscal year 1980, RFE/RL spent about \$5.5 million for housing including rent and utilities for leased housing and housing allowances. The largest part of this was for housing in Munich.

A review of RFE/RL housing reports for February 1980 showed the following.

	<u>Leased housing</u>	<u>Housing allowance</u>
Number of employees	354	277
Average cost per year	\$10,803	\$ 6,216
Average number of dependents	2.4	2.7
Average employee income	\$37,759	\$36,730

A further review of the leased housing reports and the individual summary for each leased unit during fiscal year 1979 showed that:

- (1) A minimum cost of \$64,000 was incurred for units vacant during some period of the year.
- (2) Funds are advanced to landlords for heating.
- (3) Leased units are sub-leased to former employees.

Based on our review of the various housing and financial reports we are still of the opinion that RFE/RL could convert to a full allowance system which would result in a reduction of its housing costs. The average cost would suggest savings in housing costs. The savings would be increased by money paid on vacant units, staff years (four full-time employees) devoted to administering the leased-housing program and maintenance of the leased units. In addition other benefits would result from eliminating the accounting requirements necessitated by advancing funds for electricity, sub-leasing to former employees, and maintaining inventory of company-owned furniture used in a number of the units. Perhaps the biggest non-measurable benefit would result from making the housing equitable for all employees.

In August 1980, RFE/RL engaged a consulting firm to examine the housing policy. The firm concluded that the current program of offering both leased housing and housing allowances probably is the most economical way to approach the labor contract provision of giving housing support to certain categories of employees. The firm further stated that any actions by RFE/RL to move toward a greater percentage of housing allowances and the elimination of leased housing would be contingent upon increasing current housing allowance levels, which have not been changed since 1974 and which are more than 25 percent behind Munich norms. The firm estimated that to implement a full housing allowance system for all eligible employees would probably increase the overall RFE/RL housing costs.

We believe that based on the average cost developed from records provided by RFE/RL that a saving would occur even if, as suggested, the housing allowance was increased by 25 percent. The following example illustrates the projected cost to convert to a full allowance system.

Average cost of housing allowance	\$6,216
Increase in allowance of 25 percent	<u>1,554</u>
Projected average cost	\$7,770
Times number of employees eligible for housing	<u>x 631</u>

Projected cost for full allowance system	<u>\$4.9 million</u>
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We recognize that there may be some adjustments but the difference between the cost for 1980 of \$5.5 million and the projected cost of \$4.9 million should allow for adjustments and still realize a savings.

RFE/RL in response to the practice of advancing funds for heating stated that this is a normal practice in Germany. This would appear to be a further reason for changing to an allowance system.

We recognize that there may be a need to maintain a few leased units for new hires from the listening countries. We also recognize that the transition from company furnished quarters to an allowance system must be phased in over a period of time to minimize the disruption to RFE/RL's operations. A phased-in change to the allowance system would also allow time to deal with such matters as the shortage of housing, transfer of leases, and search for housing for new employees.

In reviewing its housing policy, we believe that RFE/RL should also address the question of furnishing housing indefinitely to "homeless refugee" employees who have obtained German citizenship. RFE/RL records show that in fiscal year 1980 about \$375,000 in housing expenses was incurred for 60 of these employees of whom 80 percent had been employed for over ten years.

In respect to furnishing housing to employees with German citizenship, RFE/RL pointed out that the language staffs came from all over Europe when RFE/RL began operations. Many came from refugee camps in Germany. Company housing was provided for this category of employee. Housing became a part of the first union contracts and remains in effect today. Over the years some of these employees have been successful in obtaining full citizenship from various countries, including the

United States and West Germany; however, many still retain non-citizen documentation (travel documents, etc.). RFE/RL advised that according to union contract and work assignment, different treatment for housing purposes is not permissible. This issue nevertheless is among those being discussed currently with unions as RFE/RL management strives to effect a housing policy that will provide economies and more accurately reflect today's housing requirements.

Post allowances

The House Appropriations Committee's report on the Departments of State, Justice, and Commerce, The Judiciary and Related Agencies Appropriation Bill, Fiscal Year 1981, requested us to make an analysis of the cost-of-living adjustment provided by RFE/RL to its employees as compared with that paid to employees of U.S. Government agencies in Western Europe. The cost-of-living adjustment is referred to as a post allowance which is given to an employee at a foreign post where the cost of living, exclusive of quarters and education costs, is substantially higher than in Washington, D.C. The State Department is responsible for establishing regulations governing allowances to compensate U.S. Government American civilian employees for costs related to assignments abroad.

In fiscal year 1980, RFE/RL paid \$3.3 million in post allowance and conversion adjustments to American management employees covered by its general schedule pay scale and selected other employees stationed in Munich and other European locations.

In arriving at the amount of post allowance, the State Department first computes an index of the living cost at a post. From the index, it then determines the post class, a number representing a percent by which the living costs at the post exceeds those in Washington, D.C. This percent is applied to the average annual spendable income based on salary and family size. Spendable income is defined by the State Department as that portion of base salary available after typical deductions for Federal, state, and local income taxes; shelter and household utilities; retirement contributions; gifts to persons and organizations outside the family; life insurance premiums, and personal savings.

The State Department also computes indexes for use by American business firms and private organizations as a guide for them in establishing allowances for their American employees. Since the index used for U.S. Government employees takes into consideration the prices of goods imported to posts and price advantages available only to U.S. Government employees, the index for the private sector excludes these.

June 1980 State Department regulations designate Munich as a post class 10 for post allowances for U.S. Government employees. Therefore, a U.S. Government employee receives a post allowance of 10 percent of his spendable income. The Department regulations suggest that the percent to be applied to the spendable income for employees of private American businesses be between 60 and 70 percent.

RFE/RL uses the State Department criteria and allowance tables in paying post allowances. But it uses 100 percent as the rate for post allowances, i.e., 100 percent of the spendable income, rather than the 10 percent used for U.S. Government employees, or the 60 to 70 percent suggested for use of private American firms. It does so principally because of the decline of the dollar against the German currency over the past few years which has resulted in a loss in employee purchasing power on the German economy. RFE/RL employees are not entitled to use the U.S. commissaries and post exchanges to purchase food and clothing and obtain services such as medical, dental, and car repair.

Our review of an RFE/RL staff roster as of January 1980 revealed that 494 employees received an annual post allowance ranging up to \$20,400. In addition, 80 of the 494 employees received a conversion adjustment allowance as additional compensation to offset exchange losses when their salaries were converted into German currency. The amount paid to these employees at that time for both the post and conversion allowances ranged up to \$33,200. The conversion adjustment applies only to selected employees on the payroll on or before October 1, 1979. Employees hired after that date who are eligible receive a post allowance which is computed at 100 percent. There are few employees in this category. According to the January 1980 roster, the citizenship of those employees receiving the post and conversion allowances were as follows:

<u>Citizenship</u>	<u>Post</u>	<u>Conversion</u>
United States	251	72
Third Country National <u>1/</u>	156	8
German <u>2/</u>	72	0
Stateless	<u>15</u>	<u>0</u>
	494	80

1/Employees with citizenship other than United States or German.

2/These employees are presumed to be from Eastern Europe or the U.S.S.R. who have taken German citizenship.

The following table illustrates what an American employed by either a U.S. Government agency, private organization, or RFE/RL could receive as a post allowance in Munich depending on salary level and family size.

Annual Allowance Rate

<u>Salary Range</u>	<u>Employee Without Family</u>			<u>Employee With Two Family Members</u>		
	<u>Post Classification</u>					
	<u>10</u> <u>(State)</u>	<u>70</u> <u>(Private)</u>	<u>100</u> <u>(RFE/RL)</u>	<u>10</u> <u>(State)</u>	<u>70</u> <u>(Private)</u>	<u>100</u> <u>(RFE/RL)</u>
\$50,000 & over	\$1,390	\$9,730	\$13,900	\$1,740	\$12,180	\$17,400
38,000-39,999	1,220	8,540	12,200	1,530	10,710	15,300
26,000-27,999	970	6,790	9,700	1,210	8,470	12,100
20,000-21,999	820	5,740	8,200	1,030	7,210	10,300

RFE/RL offered the following rationale for the way the post allowance is calculated. Until October 1978, RFE/RL used the State Department post classification tables. Effective October 1, 1978, these tables were revised. RFE/RL was advised that it should use the 60 percent rate on these tables to determine the appropriate amount of post allowance. At the same time, the dollar/deutsche mark exchange rate for payroll purposes was changed from 2.44 marks to 2.11 marks. Supposedly, RFE/RL employees needed more deutsche marks than State Department employees in Germany to meet their everyday expenses. With that premise in mind, calculations were made based on eligible employees earnings in deutsche marks as of September 30, 1978. RFE/RL provided the following example to illustrate why it believed that the State Department's post allowance rate of 60 percent was not relevant to RFE/RL.

In September 1978, an employee with two dependents and a salary of \$20,085, would receive a post allowance of \$7,290 for a total of \$27,375. This total was converted at the 2.44 marks rate and equalled 66,795 marks. As of October 1, 1978, this employee's post allowance under the new table was \$6,180. The new compensation based on the new check cashing rate of 2.11 marks came to 55,419 marks. Therefore under this interpretation the employee's annual gross income when converted would have been reduced by 11,376 marks.

RFE/RL deemed the above approach infeasible. Therefore, RFE/RL adopted the 100 percent rate for post allowance purposes. RFE/RL pointed out that even in the case cited above,

the 100 percent rate (\$10,300) when added to salary at 2.11 marks was less than the employee's marks earnings as of September 30, 1978. In order that no employee should take a cut in pay as of October 1, 1978, a post allowance "adjustment factor" was implemented.

The RFE/RL rationale is based on the premise that all employees entitled to a post allowance convert their total salary to marks to meet their expenses. The State Department post allowance computation is based on the premise that a non-Government employee has to purchase food and certain other services on the local economy. Thus, it would appear that the suggested 60 percent factor provides the equalizer that RFE/RL has sought in using 100 percent with an additional adjustment factor.

Staff recruitment and development

During the course of our earlier review of RFE/RL and in our 1976 report on RFE/RL, reference was made to the idea that relocating RFE/RL to the United States would result in the loss of some older employees and this would in turn provide an opportunity to bring in younger staff. Although the issue of any large scale relocation may now be dormant, the matter of staff recruitment and development is no less urgent, particularly now that four more years have elapsed and RFE/RL management is presently considering the "second generation" of its operations. It has been some 30 years since the broadcasts first began.

RFE/RL has begun to identify the number of retirees it will have in the next few years. It enters the 1980s with a staff that has an average age of 48.3 years with an average of 15 years experience. A look at the key programming areas--RFE and RL Divisions, Central News Division, and program support units--shows that the staff in key positions, excluding administrative and clerical positions, has an average age of 51.8 years with an average of 19.1 years of experience. Of a total of 652 employees in RFE/RL's programming division, we found that 42 percent of them are 55 years old or older. No major plans or proposals have been developed to address questions related to staff rejuvenation.

RFE/RL management believes that the Mutual Agreement Termination Program enabled them to terminate marginal employees and recruit younger, talented people, particularly in the programming area. However, according to management, this and other planned programs to rejuvenate staff have been discontinued or never implemented because of budgetary priorities. Management feels that because of its commitment to

a proper level of operation that limited funds have necessitated a curbing of expenditures through such action as staff reduction. Management points out that invariably, because of German law and union contract provisions, younger staff members are lost. Furthermore, management believes that successful recruitment is prevented because this situation creates a picture of an insecure future in terms of career development.

In addition, little progress has been made in the areas of staff development, orientation for new employees, and recruitment. According to RFE/RL officials, the lack of resources and the need to respond to higher priorities have diverted attention from these areas.

Staff development consists of a small program for English language training and an occasional lecture from a visiting scholar. According to officials, funds have been cut back to the point where participation at conferences and seminars by RFE/RL officials is limited.

Orientation for new employees on the mission and policy of RFE/RL is minimal. We found that orientation largely occurs through on-the-job training. No orientation program or package of materials has been developed. Copies of RFE/RL's important Mission Statement and the Program Policy Guidelines are available only in English, Russian, and Turkish. Orientation to the Mission Statement and Program Policy Guidelines is accomplished by providing the new employee with a copy of BIB's annual report. Employees are not required to periodically re-review the statement or guidelines. The President of RFE/RL as a part of orientation holds small-group discussions periodically with new employees.

While most officials agreed on the importance and need for a more formal orientation program, they stated that limited funding and other priorities have precluded improvements. We were advised by RFE/RL that efforts are being made to consolidate briefing material and other information into one package to serve as a convenient reference for new employees.

RFE/RL has no formal recruitment program. RFE/RL management, in a clarification of its recruitment activities, stated that recruitment is coordinated at the senior executive level and reflects an internal allocation of positions by priority. Once the basic organizational priorities have been formulated and communicated, the recruitment is handled by individual

departments or services in coordination with the Personnel Department. Final hiring authority rests with the President and the Executive Vice President for Programs and Policy.

We were told that because of the special talent requirements to fill the important programming positions in each of the language services, it was necessary that recruitment be handled in each service, and not by the Personnel Department. When a staff need is identified by a service director, ads are placed in various professional journals, contacts are renewed with acquaintances in government and academia, and, on occasion, recruiting trips are undertaken to find suitable candidates. Finding and attracting individuals with the necessary linguistic and management skills is a very difficult task. In some cases, positions remain vacant because suitable candidates cannot be found. Another factor cited by RFE/RL management that inhibited recruitment is the emphasis placed on hiring only Americans to fill the higher level management positions and certain key positions in the Broadcast Analysis Department. According to RFE/RL management this has created some difficulties in that it further restricts an already limited talent pool.

Policy and procedures manual

Another area where improvement is needed to increase the efficiency of RFE/RL is the completion of the RFE/RL policy and procedures manual. A review of what constitutes the manual revealed a number of problems with respect to defining the roles of key officials and specific broadcast policies and procedures.

In addition the manual needs to serve as the primary source document for providing staff guidance on personnel matters such as promotion, allowances, and grievance procedures; assistance to the Administration Division in executing its various functions, e.g., procurement, security, support service; and quick reference for guidance in the absence of key officials. While some policy and procedures in these areas have been developed, they have not been provided to employees in written form and as a result there has been confusion about them among employees.

In response to the above, RFE/RL management noted that it views the policy and procedures manual primarily as an administrative handbook and an information and source guide for the senior staff. It has never been management's intention to provide copies of this management tool to the rank and file.

We believe it would be appropriate to provide distribution of the policy and procedures manual so all employees may have access to it. Whether each employee should have his own copy or whether copies should be readily available at central locations is less important. What is important is that all employees have access to official policies and procedures as they affect them.

CONCLUSIONS

RFE/RL has made big strides in consolidating the former two separate entities; however, much remains to be accomplished. In addition, areas such as staff rejuvenation, staff development, and employee orientation take on greater importance as RFE/RL moves into its "second generation" of broadcast operations. RFE/RL management, in view of limited funds, must review its priorities in order to address rejuvenation, staff development, etc.

We also believe that management needs to develop the organization's ability to look beyond its daily activities. RFE/RL's focus has been primarily on responding to the day-to-day exigencies of its operations with minimal attention devoted to longer-term considerations. As one official put it, "there is absolutely no time to sit down and assess where we are, what needs to be done, and to identify our priorities."

RFE/RL management acknowledges that long-range planning is a critical need. Management believes that there is a need to recruit a director of planning who could help RFE/RL concentrate more thoroughly on effective future planning. While this may be an alternative, it appears that with other problems faced in recruiting personnel that management should look internally to meet this need, i.e., form a special committee from RFE/RL staff, reassign staff functions, or form a committee of representatives of the corporate board and the senior management.

RECOMMENDATIONS

The Chairman of the Board for International Broadcasting should request from RFE/RL management a plan to:

- Complete the RFE/RL Policy and Procedures Manual. The manual should include an expansion in both the administrative and programing sections. We believe there is a need to fully address the roles and responsibilities of the major operating units within RFE/RL. This manual should be available in the three working languages-- German, Russian, and English.

- Devote greater attention to employee orientation by developing a new orientation program containing pertinent organization materials, including copies of the Mission Statement and Program Policy Guidelines in the native tongue of the employee (or as a minimum the three working languages).
- Examine the current recruitment practices and projected staff needs over the next 10 years with an eye toward developing a major staff rejuvenation and recruitment plan. Because of the anticipated large scale turnover to be incurred in the mid-1980s, we believe RFE/RL management must now begin to address this important issue. This plan should, at a minimum, identify programming and management needs by service, determine the linguistic and management skills required, project costs to the extent feasible, and develop alternative proposals to best meet these needs.

FINANCIAL MANAGEMENT

From the early 1970s, RFE/RL has been plagued with one financial crisis after another. These ranged from threatened cut-off of funds to cash flow problems created by persistent dollar devaluation on the international money market. These difficulties have made it hard for RFE/RL to institute sound financial planning.

Since 1976, EIB has had a positive influence in an effort to improve the financial management of RFE/RL. In addition, EIB has instituted a comprehensive budget review process to ensure that RFE/RL makes the most efficient and economical use of resources. EIB has also engaged a certified public accounting firm to provide for annual audit of funds granted to RFE/RL. Legislation was enacted in 1977 to further provide some financial stability against the fluctuating foreign currency.

Areas of improvement

With the encouragement of EIB, RFE/RL has instituted a number of changes to improve financial management. Some of the more important ones include:

- Implementing in 1977 a unified accounting and financial reporting system.
- Preparing annual budgets in accordance with a uniform chart of accounts and consolidated organizational units.

- Establishing consolidated procedures for procurement and financial approval authority.
- Adopting uniform inventory valuation and control procedures.
- Consolidating insurance programs. This action eliminated insurances that were no longer needed after the merger and resulted in an annual savings of about \$10,000.
- Establishing a set of travel regulations and per diem rates for the Munich headquarters.

Before consolidation there were 35 staff positions on the RFE and RL budget and accounting sections. After consolidation, and over the course of the last 3 years, the number of positions has been reduced to 26.

There are areas where improvements have not been completed.

- Significant differences still exist between Washington, Munich, Spain, and Portugal in terms of stages of book-keeping automation. These differences are expected to be resolved when, and if, a new computer system is installed in Munich.
- As stated above RFE/RL has developed uniform travel regulations for Munich headquarters. Travel regulations have also been developed for U.S.-based employees. Employees based in any of the European bureaus or in Spain or Portugal, however, are covered under other regulations. Comprehensive travel regulations, therefore, do not exist.

Foreign currency purchases

With about 80 percent of RFE/RL's expenditures made in German marks, the dollar devaluation trend in international money markets has made it difficult for RFE/RL to carry out its program at the approved budget level.

In addressing this problem in 1976, we suggested to the Congress a proposal for a \$5 million contingency fund, to be managed by the Office of Management and Budget, which would be available to provide financial stability to RFE/RL. We made this proposal because we believed it would be difficult and impractical for BIB to anticipate the foreign currency rates during the last 6 months of a fiscal year in order to request a supplemental appropriation. Another problem was the time-consuming process sometimes required to secure a supplemental.

This proposal was adopted in 1976 with an amendment to the BIB Act of 1973 authorizing a \$5 million contingency fund. The \$5 million ceiling was removed with the following language in the fiscal year 1980 authorizing legislation:

"In order to maintain the level of operations authorized * * * for RFE/RL, Incorporated, there are authorized to be appropriated such additional amounts as may be necessary for any fiscal year to offset adverse fluctuations in foreign currency exchange rates occurring after November 30 of the preceding fiscal year * * *." (Sec. 8(a)(2).)

The need for the latest amendment is illustrated by the following chart which shows the history of the foreign currency contingency fund for fiscal years 1977 through 1981 and the problems in forecasting the exchange rate.

<u>Fiscal year</u>	<u>Budget rate</u> (note a)	<u>Actual rate</u>	<u>Net loss</u> -----	<u>Contingency available</u> (000 Omitted)	<u>Fund balance</u> -----
1977	DM 2.5800	DM 2.3664	\$2,851	\$ 3,350	\$ 499
1978	2.4400	2.0711	5,930	5,500	69
1979	2.1075	1.8650	7,000	4,000	(2,931)
1980	1.9300	1.7806	4,924	8,250	395
1981	1.7400	b/ 1.7400		3,000	3,395

a/Rate established by the Office of Management and Budget.
b/Projected rate.

BIB's 1979 Fifth Annual Report provided the following summary of the continuing problem with the fund.

"* * * management continues to be impeded in addressing present and obvious future needs-- even in carrying out carefully designed plans for economy and greater efficiency--by the vagaries of currency fluctuation. Although in principle the currency reserve fund * * * should assure against cash shortages due to depressed exchange rates, in practice since 1977 the fund has not been large enough to meet its purposes without the many months delay

required for the Board, the Administration and the Congress to consider supplemental authorizing and appropriations legislation. During these long delays, RFE/RL has had to operate in a crisis atmosphere of belt-tightening which has curtailed vital activities (such as coverage of the Belgrade CSCE [Conference on Security and Cooperation in Europe] conference)."

The problems caused by the rapid use of contingency funds (caused by the falling exchange rate) are best demonstrated by what happened at the end of fiscal year 1979. RFE/RL found itself sustaining a \$7 million foreign currency loss for fiscal year 1979 with only \$4 million in the fund account to cover the loss. The RFE/RL's Board of Directors authorized the commercial borrowing of funds to meet September's operating costs. The loan of about \$3.8 million (\$2.9 million because of losses on exchanges) cost RFE/RL about \$30,000 in interest. The loan was repaid in early October 1979.

RFE/RL officials believe the existence of the contingency reserve has allowed RFE/RL to function within the levels of appropriated funds in any given fiscal year. Without the contingency reserve, cutbacks in programming operations would have been unavoidable. While RFE/RL officials think the contingency reserve process is adequate, they would like to have sufficient funds available at all times in the reserve to be drawn when needed, rather than waiting for replenishment through the current process. Under the current set-up, RFE/RL requests funds on a quarterly basis.

We were advised by BIB that they were considering the possibility of purchasing German marks, Spanish pesetas, Portugese escudos, and other European currency for RFE/RL through the Department of State's Regional Administrative Management Center in Paris. While RFE/RL, as a private organization, cannot make the purchases from the Center, BIB, as a Government agency, can arrange for purchases and have them transferred to RFE/RL. Based on a study, BIB estimated annual savings of at least \$155,000.

CONCLUSION

There has been continuing progress made in unifying and improving RFE/RL accounting practices and procedures. However, more needs to be done including the development of uniform travel regulations.

The establishment of a contingency fund to provide financial stability to RFE/RL as the dollar/mark exchange rate fluctuates was a positive development. The dramatic decline in the exchange rate against the dollar over the last few years nonetheless created financial problems for RFE/RL management. The exchange rate has been stable recently and expectations are that it will remain so, or reasonably so, in the future. If so, RFE/RL should enjoy some financial stability in the future.

CHAPTER 6

NEED FOR A LONG-RANGE U.S. INTERNATIONAL

BROADCASTING POLICY

A long-range U.S. international broadcasting policy would provide the essential framework for BIB and RFE/RL to develop plans for future modernization of the RFE/RL technical facilities and expansion of its broadcasts. In view of plans for increasing coverage and improving technical facilities, all suggesting substantial costs, a basis for long-range planning is needed.

RFE/RL AND VOA

In addition to providing funds to RFE/RL, the U.S. Government operates the Voice of America (VOA) through the U.S. International Communication Agency. It is difficult to discuss the future of RFE/RL without attention to VOA. Any long-range U.S. international broadcasting policy should embrace both.

RFE/RL broadcasts in 21 languages to five Communist nations in Eastern Europe and to the Soviet Union. Its fiscal year 1981 budget request amounted to \$103,835,000. VOA broadcasts in English and 38 foreign languages worldwide. Its fiscal year 1981 budget request amounted to \$96,101,000. These fiscal year 1981 dollar amounts are not precisely comparable because the amount for RFE/RL includes a contingency fund for foreign currency fluctuation which may or may not be needed, and the VOA figure does not include any costs incurred on its behalf by top management staffs of the U.S. International Communication Agency nor costs incurred for centralized servicing functions for the Agency as a whole. And there are other differences, but in round figures, we can say that each operation presently costs about \$100 million a year.

Missions

The mission of RFE/RL is to encourage a constructive dialogue with the people of the Soviet Union and Eastern Europe by enhancing their knowledge of developments in the world and in their countries. The mission is viewed as providing an uncensored domestic news service. The mission of VOA, as spelled out in its legislative charter, is to serve as a consistently reliable and authoritative source of news that is accurate, objective, and comprehensive; to represent the American society through a balanced and comprehensive projection of its thoughts and institutions; and to present the policies of the United States with responsible discussion and opinion on these policies.

In practice, both RFE/RL and VOA offer a full radio service, i.e., news, news analysis, features, music, and variety shows. RFE/RL employs a large number of nationals from the broadcast countries and its programming operations are located in West Germany. VOA programming operations are located in the United States with correspondents assigned to 15 foreign locations.

RFE/RL and VOA are also involved in activities with important benefits often overlooked. RFE/RL, in order to learn what information it might usefully broadcast, monitors the output of the news media in its broadcast countries. This provides useful information for other purposes. VOA provides recorded radio programs and scripts for placement on foreign stations. The point is that there is more to the two operations than is revealed in the foregoing.

Languages

VOA broadcasts in 15 of the 21 languages used by RFE/RL. The six languages used by RFE/RL which are not used by VOA are Belorussian, Kazak, Kirghiz, Tajik, Tatar-Bashkir, and Turkmen. RFE/RL broadcasts 146 hours daily (in all combined languages). These six languages account for 12 hours, or 8 percent.

Listenership

Listening population comparisons among a number of western broadcasters appear in the BIB's Sixth Annual Report (1980). For the 5 target countries of RFE, the RFE and VOA weekly data, with percentages based on population over 14 years, follow:

	Listeners			
	RFE		VOA	
	Millions	Percent	Millions	Percent
Romania	8.7	53	2.4	15
Poland	13.3	50	5.3	20
Hungary	4.1	49	1.7	20
Czechoslovakia	4.0	35	2.7	24
Bulgaria	2.2	32	1.4	21

For the Soviet Union, weekly data is presented for adult population. For RL, 7.6 million listeners per week (about

4 percent of the adult population); for VOA, 23.9 million listeners per week.

In the narrative accompanying the statistics in the BIB Annual Report, it is noted that "although some two-fifths of RL listeners in a typical week also listen to VOA, and a smaller number also tune in other Western stations, some 40 percent of RL listeners do not listen to any of the other stations."

CONTINUED MODERNIZATION OF TECHNICAL FACILITIES

In the past few years, RFE/RL has improved its signals and commenced replacing outdated transmitters and modernizing other technical support facilities. A new technical study on the extension of RL's broadcast signal further into the Soviet Union and the replacement of existing antiquated transmitters was completed.

Actions taken to modernize transmitter sites

BIB and RFE/RL participated in a study that was issued in March 1977 that undertook the task to establish minimum technical requirements for effective U.S. broadcasting directed to Eastern Europe and the Soviet Union. This study became known as the President's Report on International Broadcasting. It established minimum standards for signal level and recommended a standard for the number of simultaneous frequencies for both jammed and unjammed languages. The study recommended a total of 11 new 250-kilowatt transmitters to upgrade RFE/RL's capabilities to meet the minimal technical standards and improve penetration of jamming. Four of the transmitters were funded from fiscal year 1978 appropriations and seven from 1979 appropriations for a total cost of \$8.4 million.

With the addition of these transmitters, the last one to be operational by the end of 1981, RFE/RL will almost double its power output. More importantly, RFE/RL will raise the number of transmitters valid at 100 kilowatts or higher from 16 to 45. The 100-kilowatt transmitter is the minimum standard for effective shortwave broadcasting. The following table shows the upgrading of transmitters that has taken place since 1975.

<u>Location</u>	<u>Premodernization</u>		<u>Post Modernization</u>	
	<u>Transmitters</u>	<u>KW Size</u>	<u>Transmitters</u>	<u>KW Size</u>
Gloria, Portugal	4	250	11	250
	4	100	8	100
	8	50	-	--
	1	25	-	--
	<u>1</u>	<u>10</u>	<u>-</u>	<u>--</u>
	<u>18</u>	<u>1,835</u>	<u>19</u>	<u>3,550</u>
Pals, Spain	5	250	5	250
	<u>1</u>	<u>100</u>	<u>1</u>	<u>100</u>
	<u>6</u>	<u>1,350</u>	<u>6</u>	<u>1,350</u>
Lampertheim, Germany	6	50	7	100
	1	20	-	--
	<u>1</u>	<u>10</u>	<u>-</u>	<u>--</u>
	<u>8</u>	<u>330</u>	<u>7</u>	<u>700</u>
Biblis, Germany	3	50	9	100
	1	20	-	--
	<u>5</u>	<u>10</u>	<u>-</u>	<u>--</u>
	<u>9</u>	<u>220</u>	<u>9</u>	<u>900</u>
Holzkirchen, Germany	<u>4</u>	<u>10</u>	<u>4</u>	<u>250</u>
	<u>4</u>	<u>40</u>	<u>4</u>	<u>1,000</u>
Total	<u>45</u>	<u>3,775</u>	<u>45</u>	<u>7,500</u>

The first four transmitters were installed at Holzkirchen in fiscal year 1980. The other seven transmitters are to be installed at Gloria, Portugal, during fiscal year 1981 and will provide greater power for broadcasts to jammed areas in Eastern Europe and the Baltic States. All of the new transmitters are scheduled to be operational by November 1981.

Overcoming the jamming of the RFE/RL broadcast has always been the number one technical problem. The deliberate interference has continued relatively unchanged on all RL languages including Russian, and on all RFE languages with the exception of Romanian and Hungarian. In a published article, one RFE/RL official estimated that the Soviets have a \$250 million capital investment and annual operating costs of \$150 million for

jamming alone. Despite this effort and expenditure, the RFE/RL monitoring and research units report that all languages are heard in many areas and at various times.

Status of lease agreements and contingency planning

RFE/RL's transmission facilities are located in West Germany, Portugal, and Spain. The German land is leased on a year-to-year basis. A 15-year lease with Portugal--signed in February 1977 for an annual license fee of \$200,000--provides for interchangeability of transmission facilities.

The lease agreement with Spain expired in March 1976. However, RFE/RL continues to operate with the tacit approval of the Spanish authorities and pays an annual lease fee of \$285,000, as specified under the expired agreement.

Contingency plans do not exist for the possibility of loss of any of the transmission sites. In the 1974-75 (pre-consolidation) timeframe, some internal studies were conducted to address (1) emergency sharing of RFE and RL transmission facilities and (2) potential sharing of facilities with the VOA and other European broadcasters. These studies were not conclusive because the VOA did not agree to any such sharing because it reportedly had no excess transmitter capacity. Additionally, it was not known whether host countries would approve of RFE/RL use of VOA equipment.

Studio modernization and utilization

Funds were provided in fiscal year 1979 for a major modernization of the facilities. In addition to purchasing new tape recorders to replace units in regular use for nearly 30 years, RFE/RL developed a new operational concept to achieve greater efficiency in personnel utilization. 1/ RFE/RL has plans for eight producer consoles, five of which were installed in 1980. The remaining three consoles are to be installed as need develops. These consoles permit program producers to perform technical functions as well as their own functions, thereby reducing technical personnel requirements. According to RFE/RL

1/ During calendar year 1979, studio utilization ratios--a measure of studio technicians time compared to original airtime (weighted)--fluctuated between 2.84 and 3.32 to 1. The studio manager would like to achieve a ratio of 2.75 to 1. (The standard for commercial radio operation is a ratio of 1 to 1.)

this program and other improvements have made it possible to reduce the number of personnel in studio operations from 76 to 66, while increasing program output by 13 percent.

Automated switching equipment for master control has also been constructed to replace outmoded equipment. Upon completing this equipment installation, identical programable switching facilities will be available for both RFE and RL language services, rather than the two dissimilar systems now in use.

While significant strides have been made in consolidating studio operations, the job is not complete in one very important area--personnel resources. Management would like to use studio and master control engineers interchangeably, but cannot due to existing labor agreements which are not consistent between studio operations and master control.

MEETING FUTURE TECHNICAL NEEDS

Far different from the 1950s, RFE/RL now operates in an age of new technology. While RFE/RL has underway the second phase of a modernization program, RFE/RL officials believe they must continue to explore all available broadcast alternatives.

Escalating power costs and political instability in potential transmitter sites pose serious economic and strategic problems. Present operating budgets for sites in Spain and Portugal amount to \$9.6 million per year and are increasing at an estimated annual rate of 15 percent. Establishing new sites is expensive. For example, new installations to increase coverage of various Asian targets, as has been suggested, could--over the next 10 years--reach \$100 million. With costs increasing at an estimated rate of 10 to 15 percent per year, operating costs for these additional facilities are estimated to range from \$11 to \$18 million per year.

1979 technical study

Upon completion of the current modernization program, RL's signal should reach an area which encompasses 74 percent of the total Soviet Union population. Reception problems for the remaining 26 percent of the population east of the Ural Mountains were not addressed in the current modernization program. The people living in this area and speaking five of the broadcast languages--Uzbek, Kazak, Kirghiz, Tajik and Turkmen--are concentrated largely beyond the effective range of present transmitter coverage.

During 1979, BIB, with technical assistance from RFE/RL, prepared a report for the National Security Council on a "Technical Modernization Plan for the 1980's." The report addressed the extension of RL's broadcast signal further into the Soviet Union and the replacement of existing antiquated transmitters.

Recent executive branch interest in Central Asian affairs has reinforced the BIB's and RFE/RL's designation of this area as a high priority. BIB and RFE/RL management believe that the necessary funds to improve or expand Central Asian broadcasts should not be obtained at the expense of higher priority broadcasts to Russia and Eastern Europe.

With the first two stages of the modernization completed or near completion, the remaining six stages, according to the study, would cost an estimated \$87 to \$100 million.

In assessing future priorities, the study, completed before the Iranian and Afghanistan crises, identified three priority areas: Soviet Central Asia and Kazakhstan (with 15 percent of the Soviet population), Eastern Siberia and the Soviet Far East (6 percent) and Western Siberia (5 percent). Top priority was recommended for the first area, because of the rising national consciousness of the Central Asian Moslem peoples.

The second priority was assigned to Eastern Siberia, which is strategically sensitive and only partly covered by a 3-hour daily VOA broadcast from transmitters in the Philippines. Western Siberia was suggested as a third priority largely because improved coverage from Holzkirchen, as well as new coverage of Kazakhstan and Eastern Siberia, would also benefit Western Siberia to some extent.

Identifying additional transmitter locations to reach these areas was based strictly on technical merit; political implications--which cannot be ignored--were not assessed. Several technically feasible sites have been identified but current political instability prohibits their use. During 1980, the Department of State, with assistance from BIB representatives, has discussed possible transmitter arrangements with Middle Eastern governments. Any potential arrangements are still in the discussion stage.

Satellite broadcasting

Recognizing that shortwave broadcasting is the major internationally accepted method of communicating across

national borders, RFE/RL management wants to explore the feasibility of direct broadcasting via shortwaves from satellites. RFE/RL management believes that broadcasting from a satellite could

- provide immunity to sky-wave jamming;
- eliminate the need for expensive and hard-to-negotiate lease agreements for terrestrial transmitting stations and installations;
- reduce escalating energy costs for high power transmitters;
- eliminate competition of many of the other international broadcasts and, therefore, minimize interference from other transmitters and provide higher quality audio; and
- reduce operating costs which would probably be only a fraction of the cost of operating an equivalent terrestrial transmitting station.

Estimating the costs of satellite broadcasting with any degree of accuracy without the benefit of a special study is difficult. According to RFE/RL officials, a rough estimate of the launch costs may be in the neighborhood of \$38 to \$50 million.

RFE/RL feels that the technical feasibility of satellite broadcasting must be explored as an alternative broadcasting method.

BIB in commenting on satellite broadcasting stated that among those it consulted there was a general agreement that a practical operating satellite for broadcasting is still well beyond the state of the art. BIB does not oppose a feasibility study. However, BIB believed that the technical and political problems should be put into proper perspective, and the expenditure of funds for such a study must be weighed against other, more timely and important studies.

SOME CONSIDERATIONS FOR A U.S. INTERNATIONAL BROADCASTING POLICY

There are many variations for a future U.S. international broadcasting policy. They run from maintaining the status quo, i.e., the continuation of VOA and RFE/RL as at present, to a complete merger of the two which would virtually insure

the elimination of RFE/RL. In discussing the possibility of relocating RFE/RL programing and certain other personnel to the United States, the comment is often heard that that would lead eventually to an amalgamation of RFE/RL with VOA. Moreover any merger would probably end the private role of RFE/RL since VOA is an integral part of the U.S. Government.

The East European countries covered by RFE are all reached by VOA and most of the nationality services of RL are covered by VOA. Thus, it is reasonable to consider VOA coverage when one considers the future need for certain RFE/RL services. Even though the missions are different, it is feasible to consider the elimination of one RFE/RL language in view of the availability and coverage of that language by VOA if the continuation of the RFE/RL language was considered of limited value and if cost reductions in RFE/RL operations were of sufficient urgency.

With respect to facilities, the shared use of transmitters is always worth looking into. And if serious proposals were advanced for direct satellite broadcasting, the advantages of VOA and RFE/RL joint use would be a necessary part of any consideration of such a proposal, in our opinion.

In "The Right to Know," the report of the Presidential Study Commission on International Broadcasting (the Eisenhower Commission), February 5, 1973, the Commission's attention to a variety of organizational structures for RFE/RL is presented. The Commission explicitly rejected a merger of the stations with the Voice of America for two reasons which, in the judgment of the Commission, would have resulted in the defeat of the purposes of both. The reasons were:

--The purposes and functions of the two are different.

--It would be neither proper nor consistent with VOA's proper mission for it to concentrate on RFE/RL-type programing.

But times do change, and in our judgment, a U.S. policy springing from a consideration of the future of U.S. international broadcasting might usefully be based on something other than a complete and total separation of RFE/RL and the VOA. These could include the joint use of technical facilities, consolidated news collection, more efficient use of scarce language capabilities, and arrangements to coordinate broadcast time to the same audience.

CONCLUSION

The technical area is one of the functional areas where significant strides have been made since the 1976 consolidation.

We believe that the feasibility of satellite broadcasting warrants exploration. A study would address costs, advantages and disadvantages of different satellite modes, and political implications as well as technical feasibility. However, it should be only a part of a more broadly based study that deals with the entire U.S. Government-wide international broadcasting activities. We believe such a broad-based study is warranted based on the large capital investments in RFE/RL and VOA, the apparent need for additional large capital investments to make and keep them competitive using today's technologies, and the cost to operate them.

RECOMMENDATION TO THE CONGRESS

We had proposed that the Chairman of the Board for International Broadcasting seek to have the executive branch conduct a comprehensive review of U.S. international broadcasting. The objective would be to develop a comprehensive U.S. international broadcasting policy for the 1980s.

We were advised by BIB that they endorse such a study. However, BIB did not believe it was the proper agency to initiate a request for such a study.

Because the Congress may be requested to appropriate funds for large capital improvement projects of RFE/RL, and possibly VOA, we recommend that the Congress have the executive branch conduct a comprehensive review of U.S. international broadcasting activities. This study should among other things address satellite broadcasting and other technological advances, sharing of technical facilities, merging of separate broadcast organizations, and the relationship between the Board for International Broadcasting and RFE/RL, Incorporated.

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