

April 1995

INTERNATIONAL BROADCASTING

Downsizing and Relocating Radio Free Europe/Radio Liberty



**National Security and
International Affairs Division**

B-258686

April 5, 1995

The Honorable Harold Rogers
Chairman
The Honorable Alan Mollohan
Ranking Minority Member
Subcommittee on Commerce, Justice,
State, and Judiciary
Committee on Appropriations
House of Representatives

In response to your request, we reviewed issues related to Radio Free Europe/Radio Liberty's (RFE/RL) downsizing and its planned relocation from Munich, Germany, to Prague in the Czech Republic. In particular, we focused on (1) RFE/RL's ability to meet congressionally mandated funding ceilings and successfully operate in Prague, (2) the most pressing management problems RFE/RL faces in Prague, and (3) RFE/RL's view of its role and mission in the 21st century.

Background

In the 1950s, the U.S. government established RFE/RL as a private nonprofit company to provide surrogate radio programming to and about Eastern Europe and the former Soviet Union. Surrogate broadcasting takes the place of free, uncensored local media and provides news about political, social, and economic developments within the countries. This differs from the role of the other major U.S. international broadcaster—the Voice of America—which has a broader purpose to deliver news overseas about the United States, U.S. policy, and the world. RFE/RL receives its grants and policy direction from the Board for International Broadcasting (BIB), a federal entity created to fund and oversee the operations of RFE/RL. During the past several years, RFE/RL has received annual grants of more than \$200 million.

With the demise of the Cold War, the executive branch began questioning the role and management of international broadcasting. President Clinton called for the consolidation of all U.S. international broadcasting to better address changing broadcasting requirements, and to meet his deficit reduction goals. Executive branch officials believed that a new management structure would reduce costs by promoting more rational programming decisions and sharing engineering and other administrative resources. The Office of Management and Budget (OMB) determined that a consolidation could save \$400 million during a 5-year period.

On April 30, 1994, the President signed into law the United States International Broadcasting Act (Title III, P.L. 103-236), which consolidated all nonmilitary, U.S.-funded international broadcasting activities under the International Broadcasting Bureau within the United States Information Agency (USIA). The legislation also authorized the establishment of a Broadcasting Board of Governors (BBG) to oversee the Broadcasting Bureau; establish and maintain broadcasting standards; and assess the quality, effectiveness, and professional integrity of all activities. BIB, which currently oversees RFE/RL, is to be dissolved by October 1995. Additionally, the act expressed the sense of Congress that the private sector should assume all funding for the radios not later than the end of fiscal year 1999.

The authorizing legislation placed certain funding limits on RFE/RL and restricted what it could do. It specified that grants to RFE/RL could not exceed \$75 million for any fiscal year after 1995 and limited salaries to those paid to comparable personnel in the federal government overseas. Additionally, the legislation specified that no fiscal years 1994 and 1995 funds could be used to relocate the radios from Germany unless (1) Congress specifically approved a relocation in an appropriation or pursuant to a reprogramming request and (2) BBG authorized a relocation and submitted to Congress and the Comptroller General a detailed plan for such relocation, or prior to the establishment of BBG, the President certified that a significant national interest required a relocation.

On July 12, 1994, the President certified that significant national interest required relocating the operations of RFE/RL from Munich, Germany, to Prague in the Czech Republic before confirming a new BBG. Following a review of the relocation plan, on August 20, 1994, Congress approved the reprogramming request for the relocation.

Results in Brief

Current and planned sources of revenue are insufficient to cover RFE/RL downsizing and relocation costs and meet mission requirements through 1999. BIB estimates that the overall funding shortfall could reach as high as \$28 million. This shortfall is occurring in part because the cost of downsizing and relocating the organization will greatly exceed the amount OMB has budgeted for these purposes. Original estimates to consolidate international broadcasting activities did not, for example, identify the need for RFE/RL to pay millions of dollars in corporate liabilities for pensions and post retirement medical benefits and understated the costs to terminate the employment of staff in Germany. Furthermore, total revenue will be less than envisioned: RFE/RL has not received the level of appropriations it

anticipated, and rather than realizing gains from exchange rate fluctuations, it may now experience significant losses.

The move and operations in Prague may not occur as easily as RFE/RL has anticipated. Some RFE/RL managers are concerned about their ability to recruit the most qualified staff from within and outside the company. Additionally, the move is already behind schedule, and any deviation from the plans to refurbish the new headquarters in Prague could increase costs.

In looking to the future, RFE/RL officials see an enduring, although changing mission. They believe their broadcasts will continue to be needed to provide accurate, objective news in support of democratic institutions and to present journalistic standards that in-country media could emulate. RFE/RL is also crafting a role for itself to directly assist in the democratic development of the former Eastern bloc countries. Additionally, to prepare for the eventual termination of U.S. financial support at the end of 1999, RFE/RL is contemplating new services and activities, such as English language print news reports, which are potentially marketable and competitive with other private sector media organizations. It is too early to tell if these activities would fall within the mission guidelines that Congress authorized for RFE/RL. However, Congress clearly intended that the new BBG approve any changes or additions to RFE/RL's mission through fiscal year 1999 and that U.S. assistance to emerging democracies be coordinated among all U.S. agencies performing similar activities.

Downsizing Plan Calls for Significant Reductions in RFE/RL

Since the consolidation was first proposed in 1993, savings were expected to occur by merging some RFE/RL and Voice of America resources, eliminating duplicative language broadcasts, reducing staff, and decreasing RFE/RL's salary and compensation package.

In essence, the legislation required RFE/RL to completely reinvent itself. Some administrative functions would be transferred to the Voice of America, and all engineering and transmission activities would be merged with the Voice of America's engineering program. The legislation required that the private sector assume responsibility for funding the Research

Institute as soon as possible¹ and that RFE/RL reduce its salaries and benefits to match those of comparable federal employees overseas. We had found, for example, that salary and selected benefits, such as housing allowances, for RFE/RL staff exceeded those of comparable Voice of America federal employees in Germany by \$13,000 a year at the lower grades and \$44,000 a year at the upper-management level.

As a result of the downsizing, RFE/RL's annual fiscal year budget will be cut from its fiscal year 1994 level of \$143 million to \$75 million for fiscal years 1996 through 1999. Its staff ceiling will be reduced from more than 1,000 to 419. The budget and staffing figures cited for fiscal year 1994 exclude the amount for the Research Institute and engineering.

Radios May Not Have Sufficient Funds to Liquidate Liabilities and Operate in Prague

RFE/RL believed it could operate within the \$75 million annual cap Congress set for fiscal years 1996 to 1999 as long as it had sufficient funding in fiscal year 1995 to cover its downsizing and relocation costs. Fiscal year 1995 is a pivotal transition year because RFE/RL will terminate staff, shut down operations in Munich, and move to Prague. In 1993, OMB estimated that \$105 million would be needed in fiscal year 1995 to cover all downsizing costs, and that approximately \$152 million would cover operations in 1995, for a total funding requirement of about \$257 million.

Liabilities Higher Than Anticipated

In September 1993, we reported that OMB had locked into an estimate of \$105 million for downsizing costs despite many unknowns. We noted that there was no plan detailing which activities, sites, or staff would be terminated. Furthermore, we pointed out that at the time it was not possible to accurately calculate how much RFE/RL would have to pay its terminated employees.² Of particular importance, German labor law requires companies to compensate terminated staff for their job loss. In addition to severance pay based on length of service, employees are entitled to receive a "social compensation package" payment. The amount of this payment is not based on a specific formula but rather is determined through management and union negotiations and varies by individual

¹RFE/RL's Research Institute has been comprised of four elements: analytic research, archives, publication, and a media and opinion research section. Its archives was recognized as a source of information about the East during the Cold War. In the summer of 1994, RFE/RL and the Open Society Institute signed agreements creating the Open Media Research Institute in Prague to replace the Research Institute. RFE/RL will fund first year start-up costs but thereafter pay only for specific services it requires.

²International Broadcasting (GAO/NSIAD-93-302R, Sept. 17, 1993).

according to factors such as marital status and number of dependents. Only recently have all of these costs been determined.

In 1993, neither OMB nor BIB had foreseen that the radios would be moving and incurring \$19 million in relocation costs or that the sense of Congress to secure private sector funding by the end of fiscal year 1999 would have a financial impact on RFE/RL. Now RFE/RL estimates that to clear all debts by that time, it will need to fund \$34 million in post retirement medical benefits and more than \$30 million in the pension account.

In August 1994, BIB calculated that downsizing and relocation would cost more than \$200 million. To compensate for the difference between what had been budgeted for these costs and actual costs, BIB determined RFE/RL would have to use some of the funds originally budgeted for its operations for the next 5 years. Rather than having \$75 million available each year for operations, RFE/RL would have only slightly more than \$60 million each year. Table 1 shows the RFE/RL budget that BIB developed for fiscal years 1995 through 1999.

Table 1: Actual Fiscal Year 1994 and Projected Operating Budget in Prague as of August 4, 1994

Dollars in millions

	Operating budget by fiscal year					
	Actual	Estimated				
	1994	1995	1996	1997	1998	1999
Operating base	\$175.8	\$134.3	\$61.5	\$61.6	\$62.4	\$62.6
Severance	24.6	36.9	0	0	0	0
Pension	0	10.2	6.3	6.3	5.5	5.3
Post retirement medical insurance	0	6.0	7.2	7.1	7.1	7.1
Litigation, etc.	2.5	10.2	0	0	0	0
Engineering ^a	0	12.7	0	0	0	0
Social plan	5.0	25.2	0	0	0	0
Relocation	0.2	19.3	0	0	0	0
Subtotal	\$208.1	\$254.8	\$75.0	\$75.0	\$75.0	\$75.0
Bureau for International Broadcasting	1.9	1.9	0	0	0	0
Total	\$210.0	\$256.7	\$75.0	\$75.0	\$75.0	\$75.0

^aThis is RFE/RL's contribution to the costs of consolidating RFE/RL and Voice of America engineering and technical services.

Reduced Fiscal Year 1995 Appropriations and Currency Losses

In December 1994, RFE/RL determined that it would not be able to pay off its debts or have about \$60 million available for operations as the budget above indicates because it would not be receiving the revenue it anticipated. First, Congress cut the fiscal year 1995 request of \$256.7 million to \$229.7 million. Furthermore, in December 1994, BIB projected that in fiscal year 1995 RFE/RL will not realize more than \$12 million in exchange rate currency gains it had anticipated. BIB had assumed there would be currency gains believing that the dollar would buy more German marks than originally estimated. BIB now believes that RFE/RL could be faced with currency exchange rate losses of up to \$10 million in fiscal year 1995 because the value of the dollar against the German mark has been declining. At this time, however, it appears that RFE/RL will have available \$5 million in unused construction funds and \$3.6 million in fiscal year 1994 currency exchange rate gains.

Congress has tried to ease RFE/RL's financial burden. Technical amendments to the legislation that consolidated international broadcasting authorized the use of proceeds from the sale of the RFE/RL headquarters in Munich for the one-time costs of consolidating broadcast operations and relocating RFE/RL to Prague. Proceeds from the sale of the site are expected to be approximately \$13.5 million after structural repairs are made to the property. Overall, BIB does not believe that this infusion of funds will be sufficient to cover the current funding shortfall, which it estimates could reach as high as \$28 million.

BIB Believes Further Deferrals May Not Be Possible

To respond to the rising levels of liabilities and reduced income in fiscal year 1995, BIB and RFE/RL are contemplating deferring the payment of some liabilities. For example, they are studying the feasibility of delaying some severance payments beyond fiscal year 1995. However, they are concerned that they may be unable to do this for two reasons. First, they are unsure if German labor law will permit them to postpone payments to terminated staff. Second, even if this were legally permissible, BIB believes that such a move would drastically hurt RFE/RL's ability to meet mission requirements because RFE/RL would have to pay these costs out of its fiscal years 1996 through 1999 operating budgets. BIB officials believe that RFE/RL could not withstand additional cuts in its operating budget. They believe that the approximately \$62 million annual budget developed in August 1994 is RFE/RL's bottom-line requirement and already well below the annual \$75 million RFE/RL had expected for operations.

Moving and Operating in Prague May Prove More Difficult Than Anticipated

President Clinton determined that relocating the stations to Prague would offer significant advantages of economy and efficiency and bring an added political benefit. Politically, Prague offers a location of great symbolic value as the city becomes a crossroads of communication and culture for the West and what was formerly considered the Eastern bloc countries.

RFE/RL's plans to relocate and operate in Prague assume a new, innovative, and cost-conscious management approach. Our review indicates that RFE/RL has cost estimates to support its construction plans, but deviation from them could cause costs to rise.

For example, RFE/RL plans to utilize existing space in a building that housed the former Communist Parliament in Prague essentially as is and spend as little money as possible to convert it for RFE/RL uses. Although RFE/RL officials had originally budgeted \$245,000 to remodel office space, buy new furniture, and replace carpeting, they subsequently decided not to do so. The planned construction of studios will neither meet the aesthetics nor broadcasting standards that the Voice of America uses, but will meet U.S. commercial broadcasting standards and cost several hundred thousand dollars less. RFE/RL will not replace the aluminum electrical wiring. Rather, it will only install copper wiring to support increased electrical demand for studios and computer networks.

To reduce personnel costs, RFE/RL plans to redesign how it conducts its business. For example, it plans to introduce digital production equipment to reduce the number of people required to do a job. In addition, rather than maintaining full-time staff for maintenance and other housekeeping activities, RFE/RL plans to contract out for these services. RFE/RL said they will also institute higher productivity standards for their staff because they will not initially be under union-imposed management constraints as they had been in Munich. Finally, to conform with U.S. legislation, RFE/RL has designed a new pay and benefits package that will more closely parallel those of federal employees in similar positions. We did not determine what impact these plans would have on savings: however the move is behind schedule and RFE/RL may find it difficult to recruit experienced staff for Prague.

Move Is Behind Schedule

RFE/RL developed ambitious time frames to shut down operations in Munich, ready the new headquarters building and move staff to Prague. Original plans called for relocating some staff by early December 1994. However, as of February 1995, RFE/RL did not know the employees who

would be moving to Prague since the German courts were still reviewing whether RFE/RL has followed German labor law requirements in terminating employees and offering positions in Prague. Until RFE/RL knows who will move, it cannot finalize its staffing pattern or develop a plan to find new staff.

The refurbishment of the building in Prague is also behind schedule. Most nonelectrical construction was to have been completed by December 31, 1994. However, the lease on the building was not signed until December 20, 1994. As of February 1995, RFE/RL was still evaluating bids for projects such as studio construction and electrical wiring.

The RFE/RL president has recognized that RFE/RL does not have managers experienced in logistically relocating an organization. However, we were informed that RFE/RL has recently developed a moving and management plan and an assessment of technology or equipment needs.

Ability to Recruit and Train Necessary Staff May Be Difficult

There are indications that RFE/RL may face problems in obtaining the experienced, talented RFE/RL staff it wants to move to Prague. RFE/RL plans to recruit primarily from within the RFE/RL ranks from its third country, or U.S. employees. The American staff members are concentrated in the top positions and would fill the management ranks. Non-Americans are predominately broadcasters. RFE/RL does not assume that any Germans will be willing to make the move.

According to the RFE/RL president, almost all of the language service directors as well as many of their most valued employees have indicated they would accept a position in Prague. However, some BIB and RFE/RL officials are skeptical that RFE/RL can recruit the people it wants because (1) a number of the top U.S. managers appear unwilling to relocate and (2) RFE/RL will not have the freedom to select only the best candidates from among its non-U.S. staff. We were informed that RFE/RL attorneys concluded that the company must follow German labor law procedures in making employment offers. This requires RFE/RL to consider conditions such as an employee's seniority, marital status, number of dependents, and disabilities rather than just performance.

Furthermore, one official predicted that among the lower grades, the best staff are also the least likely to accept an offer because they would have good employment prospects in Germany. According to some RFE/RL and BIB

officials, a number of factors would inhibit top staff from accepting an offer. For example:

- The compensation and benefits will be considerably less in Prague than they were in Munich, and, therefore, potentially less attractive to current employees.
- Non-Germans who leave the country relinquish their German residency status, their ability to return to live in the country, and all claim to government of Germany benefits such as unemployment compensation which accrue to residents.
- The future of RFE/RL in Prague is uncertain beyond fiscal year 1999.

RFE/RL's president believes, however, that if RFE/RL staff is unwilling to move to Prague he can fill open positions with well-qualified broadcasters from outside the organization. He cited the positive experience of the new Open Media Research Institute, the former RFE/RL Research Institute. The Institute advertised in two U.S. newspapers and one higher education magazine for 50 job vacancies in the editing and analysis area. According to the RFE/RL president, these ads attracted more than 500 applicants.

Finally, training could also be a problem. Though RFE/RL will be dependent on the abilities of staff to utilize new technologically advanced equipment to cut costs, money for formal training is not included in the budget. Staff will have to learn on the job. Additionally, RFE/RL indicated that it may utilize contract services rather than hire personnel to fill some support positions, but no firm decisions on this had yet been made.

RFE/RL Seeks New Role in the 21st Century

The recent congressional and executive branch deliberations on the future of RFE/RL indicates the breadth of opinions on the value and merit of U.S.-funded surrogate broadcasting in the post-Cold War era. There were questions about whether surrogate broadcasting was still needed, as well as whether surrogate broadcasters should be completely independent from the U.S. government. In the legislation which consolidated all broadcasting, it was the sense of Congress to support surrogate broadcasting to the region but only through the end of fiscal year 1999.

In presentations to Congress, BIB recognized that changing conditions in the region required a rethinking of the purposes of the broadcasts. BIB determined that the radios' missions had evolved from a purely surrogate task of providing objective news and analysis on internal events where no such media were available, to compensating for the limitations of

domestic media and setting a standard by which an emerging free press could judge itself. Although the primary mission remains that of a broadcaster, as discussed below, RFE/RL managers appear to see their role in a broader context.

Potential Development Role

Current managers see RFE/RL's goals in a developmental context. RFE/RL officials said that RFE/RL has three primary missions:

- (1) To act as a traditional broadcaster by providing information and news on important issues such as democracy and political organization, the environment, and economic growth (their top priority).
- (2) To provide assistance to indigenous radio stations.
- (3) To train indigenous radio personnel and broadcasters.

The RFE/RL Director of Broadcasting described the mission as beyond that of supplying the news. He said that RFE, for example, attempts to negotiate agreements with host governments and media that not only meet RFE/RL needs but also address the goal of developing independent media and more democratic institutions.

The RFE/RL president informed us that RFE/RL has loaned equipment to local stations and sent its technicians to help these stations modernize their operations. RFE has included a developmental component in some of its programs. For example, RFE planned, coordinated, and conducted live debates prior to the first Latvian election after the collapse of the Soviet Union. RFE/RL discussed plans with each of the 23 candidates, the Foreign Ministry, and the Elections Commission and involved local media with the intent that similar debates could be held in the future. Additionally, RFE/RL has conducted exchanges with local media personnel.

Preparing for the Termination of U.S. Government Support

The president of RFE/RL believes that he must start positioning RFE/RL for the eventual termination of U.S. government support. He concluded that unless it builds a foundation of competitive goods and services now, RFE/RL will not be in a position to market its products to the private sector in the year 2000. He doubts that all of the broadcast services RFE/RL currently supplies will attract the level of private financial support that Congress envisions. For example, he believes it is unrealistic to expect private support for broadcasts in small former Soviet Union countries that are not

internationally important and where their private sectors are not strong. It is within this context that he is considering how to best utilize the strengths of his staff, the reputation of RFE/RL, and the new site in Prague.

The RFE/RL president told us he would like to completely recast the central news function so that reporters would write stories in both English and the language of the country from which they are reporting. The president believes that adding an English capability would both internally aid operations and help develop a product that private sources would be willing to buy. He believes that RFE/RL is the definitive source of information about events in the region to which private news and other organizations would be willing to subscribe.

Although no firm plans have been developed, the RFE/RL president envisions a new training program that will bring multilingual journalists to Prague for intensive instruction in Western-style news gathering and writing. They would then return to their home countries under contract to RFE/RL and form a network of reliable reporters who can report in both English and the host country language.

The RFE/RL president is looking for ways to utilize the new headquarters in Prague. The building has well-appointed meeting facilities and could host international conferences, seminars, and outreach programs. He believes the site can be used by both private and U.S. government entities and recently invited U.S. public affairs officers from USIA overseas missions to discuss the potential uses of the building. With such cosponsors, he believes the building could become an “internationally recognized symbol of democratic dialogue.”

Legislation Limits RFE/RL Mission and Requires Coordination of Democracy Building Activities

Notwithstanding the potential merits of any planned RFE/RL activity, Congress clearly intended to control RFE/RL activity and prevent unilateral decisions on changes in roles and missions through fiscal year 1999. The legislation consolidating all international broadcasting stipulated the following:

- No activities should in any manner duplicate the activities of private sector broadcasters.
- Funds are to be used only for the purpose of carrying out similar functions that RFE/RL carried out on the day before enactment of the act.
- Funds are to be used for activities that the new BBG determines are consistent with these functions.

Additionally, the legislation also designated BBG as the ultimate authority on all mission-related decisions. The initiatives RFE/RL is now contemplating appear to be those that BBG need to review and coordinate. As such, we question whether RFE/RL should make any changes or additions to its mission at this time without BIB's review or, when it is constituted, BBG.³

Furthermore, over the past year, Congress has indicated its concern over the proliferation and overlap of U.S. agencies and U.S.-funded organizations involved in democracy development activities. In an earlier report, we noted that a variety of U.S. agencies were involved in delivering democratic development assistance worldwide.⁴ This included activities such as media development and training and information exchanges of the type RFE/RL is now contemplating. Specifically, the Office of International Media Training in USIA trains foreign reporters, broadcasters, editors, managers, and technicians. In operation since 1983, its training mission is to provide practical training for foreign media personnel and support the development of independent media on a global scale. By its own account, the Office has trained more than 5,000 media personnel from over 130 countries and, since the end of the Cold War, has shifted its focus to East and Central Europe, the Baltics, Russia, and the Newly Independent States.

In light of the expansion of democratic development activities, Congress determined that it is in the government's interest to have a coordinated approach. The 1994-95 Foreign Relations Authorization Act⁵ requires the President to report to Congress on the extent, goals, objectives, and impact of U.S.-sponsored democracy programs.

Some of the activities RFE/RL is now undertaking, or contemplating initiating, appear to fall under this mandate.

Recommendation

Until the BBG is established, BIB is still responsible for supplying RFE/RL policy direction. As such, we recommend that the Chairman of the BIB review and evaluate any RFE/RL plans to change or add to its mission to

³As of February 1995, President Clinton had not yet named the members of the BBG.

⁴Promoting Democracy: Foreign Affairs and Defense Agencies Funds and Activities—1991 to 1993 (GAO/NSIAD-94-83, Jan. 4, 1994).

⁵P.L. 103-236, Sec. 534 (1994).

ensure that such plans are consistent with the legislation, do not duplicate or overlap existing programs, and are fully coordinated with other U.S.-funded organizations performing similar activities.

Agency Comments and Our Evaluation

In commenting on a draft of this report, BIB agreed with our recommendation and the areas of concern we identified. BIB emphasized that the move to Prague is very much a work in progress and that BIB has, and will continue to, provide the oversight necessary to address these issues. (See app. I.) BIB also supplied us oral comments that we incorporated as appropriate.

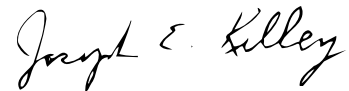
Scope and Methodology

To assess RFE/RL's ability to operate within congressional funding limits, we reviewed documents, including studies prepared by BIB and Arthur Andersen and Company, on the costs and issues associated with downsizing and relocating RFE/RL. Also, we interviewed agency officials concerning the move to Prague. We did not independently develop new termination cost estimates but used those estimates we, OMB, and BIB had developed in 1993 as a base from which we assessed the reasonableness of current estimates. We compared these and operational budgets developed by BIB, against known appropriations levels and other expected sources of revenue. To determine the most pressing management issues facing RFE/RL and plans for the future, we interviewed officials from BIB, USIA, and RFE/RL; reviewed internal planning documents; and reviewed legislative authority for activities. We interviewed officials and obtained documents in Washington, D.C., Munich, and Prague. While in Prague, we examined back-up data for cost estimates and visited RFE/RL's new headquarters.

We conducted this review from July 1994 to February 1995 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairman, Board for International Broadcasting; the Director, United States Information Agency; the Director, Office of Management and Budget; and appropriate congressional committees. We will also make copies available to others upon request.

Please call me at (202) 512-4128 if you or your staff have any questions concerning this report. The major contributors to this report were Charles Schuler, Joan Slowitsky, John Butcher, and Cherie Starck.

A handwritten signature in black ink that reads "Joseph E. Kelley". The signature is written in a cursive style with a large initial "J" and a long, sweeping underline.

Joseph E. Kelley
Director-in-Charge
International Affairs Issues

Comments From the Board for International Broadcasting



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February 8, 1995

Mr. Joseph E. Kelley
Director-in-Charge
International Affairs Issues
United States General Accounting Office
Washington, D.C.

Dear Mr. Kelley

I am responding to your draft report requested by the House Subcommittee on Commerce, Justice, and State, the Judiciary and Related Agencies in which you review the plans of Radio Free Europe/Radio Liberty, Inc. for their move from Munich, Germany to Prague in the Czech Republic.

Representatives of the General Accounting Office, Board for International Broadcasting, and RFE/RL, Inc. recently met to discuss the substance of this report. A few items have already been changed and/or clarified. The GAO staff have, as always, conducted this review with the utmost professionalism and fairness.

RFE/RL's move to Prague is very much a work in progress. When this review was initiated, the President and the Congress had not yet given the required permission for the Radio's to relocate. Since that time significant developments have occurred regarding the move to Prague. As in any project of this magnitude, the planning and execution are dynamic, changing as you learn new variables. Many plans have been altered since the Radio's gained total access to the Federal Parliament building there by learning much about its' structure, operating systems, and current capabilities. A variety of the technical plans surrounding studio construction, master control, computer systems, etc., have changed because RFE/RL has found cheaper and/or faster ways to accomplish the task. I will not go into the myriad of these small but important details in this response. I would however, like to point out that the move to Prague is under constant review by an interagency steering committee jointly chaired by the National Security Council and the Office of Management and Budget. Regular progress reports are given to this group by the management of RFE/RL through the BIB. This oversight process is also a dynamic one, with detailed questions and answers flowing in both directions.

**Appendix I
Comments From the Board for International
Broadcasting**

The RFE/RL management, the BIB and the Interagency Working Group all share the concerns you raise in your report, particularly about the factors impacting the timing of the move and readiness of the Federal Parliament Building. However, there is good news. Pending bids by Prague vendors for such major projects as studio construction and electrical distribution are either at or below estimates. Bids by U.S. and other Western vendors for electronic and other equipment, including Digital Audio systems, are also within estimates. The \$19 million budget for the move appears, at least at this time, to be adequate.

The BIB and the RFE/RL, Inc. management concur in your recommendation of continued oversight. Indeed, the BIB will continue to exercise its' statutory role until the new Broadcasting Board of Governors is confirmed by the Senate or until the end of the Fiscal Year 1995, as set forth in the International Broadcasting Act of 1994. The oversight process has actually been expanded during the broadcasting consolidation by the creation of the International Broadcasting Working Group and by the creation of a Steering Committee created under the terms and conditions of the Presidents approval of the Prague move. While the BIB, USIA, NSC, OMB, and the Department of State have all been engaged in discussions concerning the future of all public diplomacy, including broadcasting, no one involved in the process has suggested implementing a change in policy without following proper procedures. One of the most beneficial changes that has taken place is an increased dialogue between the managers of both broadcasting entities. The once unhealthy rivalry that existed has been replaced by a genuine spirit of cooperation. We recognize that we are all in this together and are trying to act accordingly.

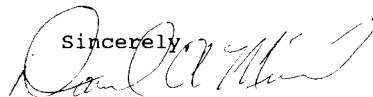
In addition to the readiness of the Federal Parliament Building in Prague, you have correctly identified recruitment of new personnel as the second major area of concern. RFE/RL has had to follow the notice periods and timetables set forth in German labor law. This has meant that the Radio management has not known exactly which current employees would accept positions offered to them in Prague. By the time this report is distributed, the management will be in the process of filling vacancies in both broadcasting and technical areas. In the broadcasting area there already exists a pool of known contractor and stringer talent from which to draw. Additionally, the RL Assistant Director and several service chiefs have already started a recruitment trip into the broadcast region. The VOA has also offered its assistance in this area as well as in a variety of the technical areas. The RFE/RL management is confident that an adequate number of multi-lingual, Western-oriented journalists from the region will be eager to work for the Radio's in Prague. While there may be some short

**Appendix I
Comments From the Board for International
Broadcasting**

term difficulties in recruitment and training, the long term benefit of reorganizing the broadcast divisions in Prague with smaller more efficient staffs and technology will be more than worth the pain of the move. The move to Prague will not be easy, but will be worth the effort.

The BIB welcomes the opportunity to respond to this draft report and looks forward to answering any questions the Congress might have on the move to Prague or any other issues relating to Radio Free Europe/Radio Liberty, Inc. and international broadcasting.

Sincerely,



Daniel A. Mica
Chairman

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