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From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

John Douglas

29 October 1986

GREEN PAPER ON RADIO POLICY

I have seen your minute of 14 October to the Prime Minister and the outline summary of the proposed Green Paper.

I am still concerned about your proposals for the deregulation of independent radio, including community radio. We agreed in H Committee in June that you should reconsider your proposals for community radio in the light of points made in discussion and that the complex issues raised should be presented for public discussion in the Green Paper. I am not sure that your proposed approach reflects what was agreed. What is now proposed appears not to differ in any material respect from what we considered in June. I am no more convinced about the adequacy of the 'light regulatory touch' than I was before, and I think it would be unwise to commit ourselves to this approach without further consideration. *

The other matter of particular interest to me is how your proposals for the BBC might affect Radio Wales and Radio Cymru. As I understand the position these services would be unaffected by the proposed reassignment of BBC national frequencies and I take it that there is no reason to suppose that they would be imperilled indirectly. Provided that you envisage them continuing unchanged as part of the public services broadcasting services provided by the Corporation, I would be content.

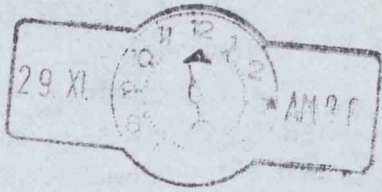
Subject to these points, I am otherwise generally content with what you propose. I think, however, that failure to address the longer term financing of the BBC radio services may be seen as a weakness. I well understand the difficulties, but this is something on which the Government might reasonably be expected to have views. It could be made clear that, in stating those views, the Government was reserving its final position until it had seen the other reactions to the Green Paper.

/ I am copying this to members of MISC 128 and to Sir Robert Armstrong.

John Douglas
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The Rt Hon Douglas Hurd Esq MP
Home Secretary

* The Committee which I am chairing for the Prime Minister will be putting forward views on this issue, chiefly with regard to TV. It may well also include radio N.



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ITEM 3. GREEN PAPER ON RADIO POLICY
MINUTE BY THE HOME SECRETARY OF 14 OCTOBER

CONCLUSIONS AND DECISIONS

1. In his minute the Home Secretary seeks agreement for the outline approach of a Green Paper that he wants to publish before the Peacock Report is debated at the end of November. You will wish to ensure that the meeting decides whether he should go ahead on this timetable, and reaches conclusions on the main policy issues, which are as follows.

(i) Breaking the BBC's monopoly of national radio by withdrawing two frequencies and making them available for new national commercial services.

(ii) Independent radio at national, local and community levels to be subject to a lighter regulatory regime than the current requirements for independent local radio.

(iii) The new regime to be administered by the Cable Authority.

BACKGROUND

2. The BBC presently operates four national radio service (and four regional services in Wales, Scotland and Northern Ireland) and about thirty local radio stations. Independent local radio (ILR) consists of about fifty local services run



by companies under contract from the IBA. BBC Radio 1 accounts for about 27% of total radio listening. In areas where both services are available, Radio 1 and ILR have similar listening figures.

3. Below the level of local radio (which broadly takes a town as its unit size) there is the possibility of community radio. This could either be aimed at a small geographical neighbourhood or at a specialised common interest group. Community radio is quite lively in some other countries and there are vocal pressure groups for its introduction here. In 1985 Mr Brittan announced his intention to set up a 2-year experiment, involving 21 community stations, with a Green Paper to stimulate discussion of the issues that surfaced as a result. When Mr Hurd brought his proposed list of stations to H Committee on 26 June 1986, however, the Committee were alarmed at the prospect and refused to agree. The main point that troubled H was that no proper regulatory regime was in place and members were particularly troubled at the possibility of politicising by local authorities, trades unions and ethnic minority groups. Mr Hurd announced that the Green Paper would take the form of a wide review of radio policy, going beyond community radio.

4. The Peacock Report appeared the following month. All the Committee recommended that IBA regulation of radio should be on a looser regime and that the BBC should have the option of privatising Radios 1 and 2. Five members of the committee went further and recommended that Radios 1 and 2 should be privatised and financed by advertising.

MAIN ISSUES

5. These proposals would involve fairly substantial legislation to change the structure of broadcasting control. They also assume that the BBC should continue with its full responsibility for public service broadcasting, presumably still financed exclusively by the TV licence fee. If subscription financing for the BBC proved feasible, however, some radically new arrangement would be needed to finance the BBC radio services, which might need to be completely split off from the TV services.

6. Logically, therefore, there would be something to be said for holding up any action on the structure of radio services until the prospects on TV subscription are clearer, but Mr Hurd will be very reluctant to delay his Green Paper any further. You may wish simply to confirm that exposing a new radio policy now will not block off any options if, as you hope, TV subscription financing is shown to be practicable within a few years.

Independent National Radio

7. The Home Office have had a lot of trouble with Peacock's somewhat loose formulation of "privatising" Radios 1 and 2. As they say, these services are not separate going concerns in their own right and their frequencies belong to the Government, not the BBC. The one thing that is clear is that any notion of "privatising" them would involve some form of prohibiting the BBC from continuing to compete with mass appeal channels of this kind, and the Home Secretary is strongly opposed to this. Within the general requirements of the Charter it is up to the BBC how it arranges its services; it would create a constitutional storm to prevent the BBC from broadcasting material of any particular kind; and how could the prohibition of mass appeal material on the radio be squared with its continued existence on BBC TV? In

short, Peacock's assumption that the BBC should not compete in providing mass entertainment on the radio is a totally novel idea.

8. The Home Secretary proposes instead to break up the BBC's national radio monopoly by withdrawing two frequencies, to be made available for independent use, while leaving the BBC to decide how to use what they are left with. By reducing their present practice of simultaneous transmission on different frequencies ("simulcasting") they could probably maintain most of their present service, if they wished.

9. The Home Secretary will claim that his proposals avoid a constitutional row, increase consumer choice and bring pressure to bear against simulcasting, and that the Peacock Committee's ideas of "privatising" two specified channels fail on all these counts. These arguments are very powerful. If you agree with them, however, you will wish to ensure that they are presented as a positive development of Peacock's privatisation proposal, rather than any kind of rejection of it.

The Regulatory Regime

10. ILR is presently subject to the full "public service" requirements imposed on the IBA by the Broadcasting Act and Peacock found that this was a significant reason for the commercial problems of local radio. Peacock also found that the range of services was so great in the case of radio that public service requirements were hard to justify, and accordingly recommended that the regulatory regime be relaxed. There is a direct link here with the previous proposal: local commercial radio could certainly not compete directly with new national commercial services if it had to

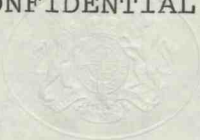
continue supporting the "public service" burdens of high general standards, time for information and education, proper balance and wide range. These requirements are even more clearly inappropriate for community radio.

11. The Home Secretary's proposal for a uniform, lightly regulated regime for independent radio at all three levels is fully in line with the Government's general approval towards deregulation, and has the advantage of being in line with Peacock too. As he says, the regime operated by the Cable Authority is probably the most appropriate precedent, and that, too is acknowledged by Peacock. The Group will, however, wish to be absolutely clear that this gives sufficient control over community radio, and does not risk the kind of problems that H foresaw. The key point here is the requirement currently applied to cable services that news should be presented impartially and accurately.

The Responsible Authority

12. The Home Secretary does not think that the IBA could easily operate a light radio regime alongside a traditional TV one, and proposes that the radio function should be taken away from them and given to the Cable Authority in order to avoid creating another quango. The IBA would object to this quite strongly: the Cable Authority's views are not stated.

13. There will be problems however the responsibilities are divided. The Home Secretary's apportionment by regulatory style is attractive, but grouping cable with radio may not necessarily please either industry. And antagonising the IBA on that point needs to be weighed against the, probably more important, ITV franchise issues that are heading up. You may want this part of the Green Paper to be especially green, so that you preserve your full



room for manoeuvre.

HANDLING

14. You will wish the HOME SECRETARY to speak to his minute. All members of the Group will have views on the handling of the Peacock recommendation to privatise Radios 1 and 2. The LORD PRESIDENT, the CHANCELLOR OF THE DUCHY and the SECRETARY OF STATE FOR WALES may wish to comment on the adequacy of the proposed regulatory regime. The LORD PRESIDENT and the SECRETARY OF STATE FOR TRADE AND INDUSTRY will have views on the proposed transfer of responsibility from the IBA to the Cable Authority.

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