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PRIME MINISTER

## MINISTERIAL GROUP ON BROADCASTING SERVICES

## ADDITIONAL PROGRAMME SERVICES: CORRESPONDENCE BETWEEN THE HOME SECRETARY AND THE TRADE AND INDUSTRY SECRETARY

Since I submitted the main Cabinet Office brief to you on 31 March the Home Secretary and the Trade and Industry Secretary have exchanged letters (12 and 15 April) about possible new local television services and the implications that these would have for telecommunications policy.

2. As your main brief points out, the justification for a system of so-called "technology neutral" local franchises lies in telecommunications policy considerations, rather than anything to do with broadcasting as such. It will not be possible to produce a comprehensive telecommunications policy until after the British Telecom/Mercury duopoly can be reviewed post-1990, and it is politically essential that the Home Secretary is not put in the position next year of introducing broadcasting legislation that cannot be justified within its own frame of reference.

3. The Trade and Industry Secretary is confident that "technology neutral" local television services could indeed be justified without getting drawn into issues that demand a more worked-out telecommunications policy. The Home Secretary is somewhat more sceptical. He believes that there are more telecommunications issues lurking behind "technology neutrality" than can be resolved in time for a White Paper on broadcasting before the summer recess, and he suggests that the question of local television services might therefore be decoupled from the rest of the White Paper and dealt with by a Green Paper on a rather slower tempo this year.

4. These problems will not arise if the Group should decide that there is no need to take provision for further local television services in the 1990s. If the Group does decide in favour of such services, however, then there is much to be said for separating this issue from the rest of the White Paper, as the Home Secretary suggests, and you may wish to invite the Trade and Industry Secretary and the Home Secretary to instruct their officials to put in hand the work for a Green Paper on local television services later in the year. (This work will need to consider wider telecommunications issues than the question of local television and the Official Group on Telecommunications Policy, MISC 131, chaired by Mr Wilson of the Cabinet Office is likely to have a larger role than the Official Group on Broadcasting Services, MISC 129, chaired by Mr Hyde of the Home Office. But you will probably not wish to be drawn into those details.)

5. Although the Home Secretary's suggestion of a separate Green Paper on local television services does seem to be the best way of managing a possible overlap between two policy areas at this time, you will nevertheless wish to be satisfied that the Government is not being prematurely drawn into a major review of telecommunications policy through the, relatively minor, issue of local television. You may, therefore, wish to make it clear that a decision in favour of a separate Green Paper on local television services is provisional at this stage. It will need to be reviewed before the broadcasting White Paper is published in the summer, in the light of the progress made on the telecommunications issues at official level by that time.

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A J LANGDON

20 April 1988

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20th April 1988

MISC 128: Additional Services

Tomorrow's presentation on the technical possibilities for extra television channels forms the basis of some very important decisions which must be taken by MISC 128 on broadcasting policy soon.

Technical Feasibility for Extra Channels

The presentation is likely to show that the following is feasible:

<u>Terrestrial</u>	<u>Channels</u>	<u>Start</u>	<u>Coverage</u>	<u>Cost per Household</u>
UHF 5th Channel	1	1992	70%	£30
UHF 6th Channel	1	1991/2	40%	£30
VHF 5th/6th "	1	1992	40%	£100
(MVDS	6	1992	local	£250
(or MVDS	12	1990	local	£350-500
<b>Satellite</b>				
DBS	2	1994	100%	£350-500

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The following points need to be noted:

- (a) in all a minimum of 16 extra channels will be available by early to mid-90s;
- (b) MVDS can have either 6 or 12 channels depending on which part of the radio frequency is chosen;
- (c) the IBA has allocated 3 out of the 5 DBS channels to BSB - leaving 2 to be allocated after 1992;
- (d) the extra channels may be financed by advertising or subscription.

#### Issues for Policy

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The allocation of these extra channels raise two issues:

- (1) how much further protection, if any, should be given to BSB (e.g. by delaying the start of other new channels and restricting their method of finance)
- (2) should the government grant MVDS franchises which specify that companies can use only MVDS ("technology specific") or should it allow them to choose between MVDS and cable ("technology neutral")?

#### (1) Protection for BSB

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BSB is a consortium which has been granted the licence to operate three satellite channels and intends to start broadcasting from 1992. Members of the consortium and their initial capital are given in Appendix A. They are a powerful and articulate lobby and are arguing that:

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- (a) government should not licence any new operators until 1995;
- (b) Channel 5 (which they see as a major political competitor) should
- (i) be subject to the requirements of public sector broadcasting, and,
- (ii) be financed by advertising rather than subscription.

The reasons they advance to support these claims are that without such restrictions, competition could become so intense that:

- there might be failure and confusion (e.g. Yorkshire TV could suddenly go out of business);
- BSB itself could collapse before the launch.

It is clear from the Home Secretary's paper that the Home Office are very sympathetic to BSB; DTI are more sceptical; and the Treasury most sceptical of all.

#### Recommendation

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BSB are without doubt overstating their case. You need to get ministers to produce hard numbers of the likely effects of competition before agreeing to blanket protectionism.

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(2) Allocation of MVDS Channels

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The second issue is whether the allocation of the MVDS channels should be

- technology-specific, i.e. franchises would be granted for the delivery of programme services solely by MVDS in specific areas; or
- technology-neutral, so that Government concerned itself with the services which were offered locally or regionally, and did not concern itself with the choice of technology (MVDS or cable) which was used.

The Communications Steering Group advocates a technology-neutral approach in principle. MVDS however may not be attractive unless it can be complemented by cable.

If a technology-neutral approach were followed, the guiding principles of policy should be:

- i) scope for competition as great as possible - involving the separation of delivery from programme provision and, if possible, from retailing;
- ii) flexibility to allow for different patterns in different parts of the country - depending on the feasibility of insisting on full competition throughout the country;
- iii) encourage technical experimentation;
- iv) the approach should be consistent with telecommunications policy as it is currently.

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Recommendation

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Douglas Hurd suggests in para 18 that the official group might work up proposals along these lines. Alistair MacDonald would very much favour this and would do an excellent job.

It is worth accepting the Home Secretary's offer.

Brian Griffiths

BRIAN GRIFFITHS

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Appendix A.

Anglia Television Group Plc	-	£ 11.5 m
Bond Corporation Holdings Limited	-	£ 50.0 m
Chargeurs S.A.	-	£ 24.0 m
The Granada Group Plc	-	£ 35.0 m
Invest International Holdings S.A.	-	£ 5.0 m
London Merchant Securities	-	£ 10.0 m
Next Plc	-	£ 10.0 m
Pearson Plc	-	£ 30.0 m
Reed International Plc	-	£ 20.0 m
Trinity International Holdings Plc	-	£ 2.0 m
Virgin Group Plc	-	£ 25.0 m