

PRIME MINISTER

15 September 1988

MISC 128: TRANSMISSION

The proposals on future transmission arrangements which you have received from the Home Secretary are quite inadequate, largely because they are excessively cautious and wholly unimaginative.

The activities of any traditional broadcasting organisation can be broken down into the

- (i) production of programmes
- (ii) scheduling of the channel,
- (iii) transmission of programmes to viewers.

Because of the historic duopoly in British broadcasting part of the present transmission system is owned by the BBC and part by the IBA. It is however operated jointly through a series of agreements. The BBC's transmitters are a valuable asset, worth several hundred million pounds and paid for by the licence fees of past licence holders. The IBA not the ITV companies owns the remainder of the transmitters.

The Current Proposals

The major proposals made are:

- i. no major change can be made to the BBC's role until

the end of 1996, when their present Charter runs out; however the BBC could be encouraged to contract out this function to the private sector (if it proved more cost-effective) and in return be allowed to provide transmission facilities on commercial terms for local delivery operations.

- ii. ownership of the IBA transmitters should be transferred to the ITC, which should also be responsible for all national non-BBC services (ie transmission on Channels 3, 4, 5 and 6).
- iii. the ITC should discharge these functions (ie frequency planning and operating the transmission network) through the use of private contractors
- iv. the uplink for DBS services should be through BSB rather than the ITC
- v. local delivery operations (MVDS, Cable, low powered satellite) will be responsible for making their own transmission arrangements.

Competition in the Transmission System

The present system is a cosy arrangement and one suspects far from efficient. The commercial solution would be to have a number of competing transmission companies which owned transmitters and which were rented used by broadcasting companies for a fee. In such a situation one function of the ITC would be to ensure that no individual company was able to exploit any monopoly power it might have acquired.

Weaknesses of the Present Proposal

a) It is not true to say that change cannot be effected with the BBC until the present Charter expires.

- In the past 20 years five supplemental Royal Charters have been granted to the BBC (1969, 1974, 1976, 1979, 1983). If we wished to segment transmission and put it in a separate company with a majority of private equity, might not this be a route?
- I am reliably informed that although the public pronouncements of the Corporation are reasonably cautious on future transmission arrangements, they are open to alternative suggestions.
- The weakness with the existing proposal is that it could result in the BBC setting up a wholly owned subsidiary for transmission, testing the private sector and finding that BBC costs are far cheaper, and then being given the freedom to provide local delivery services to new companies.

Once again this proposal would increase, not diminish, the power of the BBC.

b) Another weakness of this present proposal is that it is not necessary for the ITC to itself own the transmitters, yet the present proposals suggest a continuation of the present system. The existing system of IBA ownership has been criticised by the ITV companies for being a Rolls-Royce service when something more modest would be perfectly adequate. It is this which competition would provide.

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- c) It is further proposed that because the IBA is entwined into the BBC it is impractical to contemplate privatisation of the infrastructure until 1996. This is not so. Sites and masts have a market value and can be traded. Their services can also be sold to the BBC and vice versa. It is quite practical to go this route and there are many potential buyers.

Conclusion

These current proposals are ill thought out. The IBA transmitters could easily be privatised and the BBC made to accept a joint venture or even privatisation of its transmission facilities.

Recommendation

It is essential that another option should be set out in the White Paper involving:

- separating transmission from production and scheduling at the BBC
- either privatising this entity or selling part of it to the private sector
- putting the IBA transmitter and sites up for sale.

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