



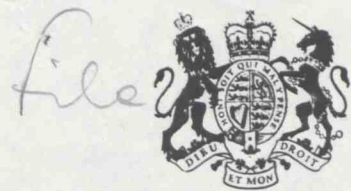
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LONDON SW1A 2AA

From the Private Secretary

28 September 1988

Dear Philip,

BROADCASTING

The Prime Minister has now had a chance to consider the Home Secretary's minute of 14 September and the attached full draft of the White Paper, together with the Home Secretary's earlier minute of 19 August on subscription and his letter to the Secretary of State for Trade and Industry of 13 September on local services and transmission. The Prime Minister has also seen the comments on this correspondence from other colleagues.

I should be grateful if you and copy recipients would ensure that this letter is circulated on a restricted basis.

Having now considered the package as a whole, the Prime Minister has a number of concerns about its overall balance.

First, she thinks that further thought needs to be given to the future arrangements for news services on Channel 3. She regards it as essential to ensure the existence of a high quality news service in competition with the BBC. This might be achieved by retaining in a modified form the provision of the 1981 Broadcasting Act imposing a duty on the ITC to ensure there is at least one body effectively equipped and financed to provide news on Channel 3, with a requirement to show national and international news and current affairs. There might also be a requirement for the ITV contractors to hold a minority, though not a majority, of the shares in the company providing the news service.

Second, the Prime Minister is concerned about the proposal that the BBC should retain the use of night hours on both its channels. She thinks that the BBC should retain the night hours on just one of its channels, with the night hours on the other channel being assigned to the ITC. In presenting this decision, it would be important to emphasise that the BBC should use its night hours channel as fully as possible to develop subscription services. The Prime Minister also thinks the White Paper should express more strongly the Government's

058

overall objective progressively to replace the BBC licence fee by subscription; the more specific the period for this changeover the better.

Third, the Prime Minister believes that the present proposals for transmission need to be considered further. She thinks it important for there to be scope for effective competition and new entrants into transmission services. As a minimum, therefore, the BBC should be asked to contract out the operation and service of its transmission system to the private sector. She also questions whether it is appropriate for the ITC, as a regulatory body, to own private sector transmitters.

On Channel 4, the Prime Minister recognises the difficulty in expressing a clear view in the White Paper on the best way forward. Against this background, she thinks the White Paper will need to set out a number of options. But she regards it as essential that the final arrangement keeps the pressure on C4 to maximise the efficiency of its operations, and does not allow C4 to rely on subventions from the other ITV contractors.

The Prime Minister would be grateful if the Home Secretary, in consultation as appropriate with colleagues, could consider these aspects further and come forward with a revised package and draft White Paper for MISC 128 - together with the Foreign Secretary and Secretary of State for Education and Science - to consider at a meeting in the second-half of October.

I am copying this letter to the Private Secretaries to members of MISC 128 to and Sir Robin Butler.

Yan,
Pd

PAUL GRAY

Philip Mawer, Esq.,
Home Office.