

SW2ALS

PA

PRIME MINISTER

BROADCASTING

Following your recent discussion with the Home Secretary, we have now rearranged the MISC 128 meeting for 20 October, and envisage the Broadcasting White Paper coming to Cabinet for endorsement on 27 October.

Pending the 20 October meeting, you will however wish to consider the latest exchanges. Papers attached are:

✓ Flag A - The letter I circulated to all members of MISC 128 summarising your major comments on Mr. Hurd's earlier package. (I let the Home Office, but not other departments, have separately a full record of your meeting with Mr. Hurd.)

✓ Flag B The further minute Mr. Hurd has now circulated setting out his revised proposals designed to meet your comments.

Flag C Lord Young's letter of 3 October, circulated after he had seen my letter recording your main comments, but before he had seen Mr. Hurd's revised proposals.

Flag D The letter from the Chancellor circulated after Mr. Hurd's revised package.

Flag E Brian Griffiths' comments on the latest Hurd proposals.

Flag F A further note by Brian Griffiths providing, as you requested, his views on the comments Jeffrey Sterling gave to Nigel Wicks.

Flag G (For ease of reference) Nigel's record of his talk with Jeffrey Sterling.

I suggest you focus on Brian Griffith's commentary at Flag E. You will want to consider whether, in the light of the comments by Brian and others, you want to register any further points in advance of the MISC 128 meeting, or simply now leave things until that meeting.

The key outstanding issues are:

Channel Three News

The Chancellor (Flag D) is unhappy about the new approach, which he characterises as entrenching the position of ITN. His reaction comes as no surprise. But all the other key players are now signed up to the revised approach and, if necessary, you will simply need to argue the point out with the Chancellor at MISC 128.

Brian has one remaining worry on the revised Hurd proposals. Mr. Hurd has sought to qualify the position reached at your last meeting about the C3 companies holding only a minority of the shares in the news company. He suggests that initially they may still need to hold a majority. Brian argues that they should only have a minority from the outset.

Night hours/Subscription

There is strong support from the Chancellor and Lord Young for a more radical approach designed to move as quickly as possible towards subscription. Mr. Hurd continues to embrace this idea very cautiously. Brian recommends that you support Lord Young's proposal that the night hours subscription channel should be directed towards programmes for mass audiences, so maximising subscription revenue.

Channel 4

As agreed at your meeting, Mr. Hurd's revised material sets out a number of different options for Channel 4 without a firm recommendation. But it is clear Mr. Hurd is still hankering

after a non-profit approach. The Chancellor, on the other hand, strongly supports a need for a solution that maximises efficiency.

Brian picks up the point raised by Jeffrey Sterling about the danger of the BBC and C3 creating a powerful duopoly, and suggests that the White Paper should also include as a possible option the creation of a Third Force via a private company which incorporates both C4 and C5.

Transmission

Mr. Hurd has responded only tentatively to your wish for more competitive arrangements in transmission. Both Lord Young and Brian argue a strong push should be given to privatising transmission.

Conclusion

Are you content now to leave matters until the MISC 128 discussion?

Or *We must decide which point we want to pursue. I think (iii) as an option*

Do you want me to minute out your views that *and (ii) supported by the Chancellor - Lord Young.*

- (i) the C3 news company should, from the outset, have only a minority shareholding by the C3 licensees? *I would leave*
- (ii) the BBC should maximise subscription revenue from the night hours? *the other*
- (iii) the further option of a "Third Force" combining C4 and C5 should be included in the options for C4? *for the time being.*
- (iv) the option of privatising transmission should be advocated? *no*

PCG.
(PAUL GRAY)
7 October 1988