



me from  
all

10 DOWNING STREET  
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*From the Private Secretary*

21 December 1988

The Prime Minister has seen the Home Secretary's letter of 19 December to the Secretary of State for Trade and Industry about privatisation of the transmission system. She has no comments on the proposed terms of reference for the study, and is content for it to proceed.

I am copying this letter to the Private Secretaries to other members of MISC 128, Stephen Wall (Foreign and Commonwealth Office) and Trevor Woolley (Cabinet Office).

P. A. Bearpark

Miss Catherine Bannister,  
Home Office.

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GCPH



QUEEN ANNE'S GATE LONDON SW1H 9AT

19 December 1988

Prime Minister<sup>2</sup>

Dear David,

PRIVATISATION OF THE TRANSMISSION SYSTEM

I am writing to ask for your agreement, and that of other colleagues, to the setting up of a quick study to advise us on the best way of taking forward the objective, stated in the Broadcasting White Paper, of privatising the television and radio transmission system.

You will recall that the White Paper said that our objective was to move towards a privatised, regionally based transmission system designed to promote competition. Given the entwinement of the IBA and BBC systems, this objective could be fully realised only when the BBC loses its transmission responsibility - either when the Charter expires at the end of 1996, or sooner, if the BBC agrees to divest itself of its responsibilities before then. In the meantime the White Paper proposed that the ITC should take over the IBA's transmission infrastructure but arrange for the system to be operated by private sector contractors; and that the BBC should be encouraged to contract out.

We need to reach firm, detailed decisions about the arrangements for the interim period by June of next year, in order to enable the necessary provisions for next session's legislation to be prepared. But I do not think we can sensibly take decisions about the interim period until we have a clearer idea of what a privatised transmission system would look like. Otherwise we run the risk of reaching decisions about the short term which could make it harder to achieve the best long term arrangements.

The work done by officials on privatisation since the publication of the White Paper has indicated the need for expert engineering and economic advice before we can take well founded decisions. The present transmission system is highly effective. We must ensure that the arrangements which we eventually decide upon for privatising it retain its present effectiveness, while also meeting the objectives set out in the White Paper and making commercial sense. Not all the expertise needed is readily available within Whitehall, and I therefore propose that we should commission consultants to undertake a rapid study. I attach terms of reference for the proposed study, which I understand have been agreed at official level. The study would start next month and be completed by around the beginning of April. I also attach a press notice which would be issued when the invitations to tender were sent out.

The Rt Hon Lord Young of Graffham

/over....

The White Paper did not specifically mention the transmission of the BBC's external services. Although privatisation of this part of the BBC's transmission system would raise particular issues which would need to be carefully considered, I think it would be useful if the consultants looked at the possibilities here too. I therefore propose, if Geoffrey Howe agrees, that the terms of reference for the study should explicitly refer to the external services.

We can consider when the study is complete whether all or part of it should be published. If we do decide on publication, it will save time and expense if the report is prepared initially in a form suitable for publication; and the terms of reference are framed accordingly.

In order to meet the timetable I have sketched out I should be grateful for agreement to the study and to the proposed terms of reference by 23 December at the latest.

I am copying this letter to the Prime Minister, to the Foreign & Commonwealth Secretary, other members of MISC 128 and to Sir Robin Butler.

Yours,

Douglas.

## TERMS OF REFERENCE FOR A STUDY CONTRACT

### The Privatisation of the IBA and BBC television and radio transmission networks

The study should describe the main features of the television and radio transmission networks presently owned and operated by the BBC and the IBA (including the BBC's external services network); identify and examine options for privatising these networks; and recommend a favoured option or options, including a timescale for implementation. If appropriate, different options may be recommended for different networks.

2. The recommendations should accord with the following criteria:

- a. they should be consistent with the Government's objectives as outlined in Chapter 9 of the Broadcasting White Paper ('Broadcasting in the 90s: Competition, choice and quality'). In particular, the options recommended should:
  - i. if feasible, allow for separate operators in different regions (though any additional costs which would be involved in a regional structure should be identified);
  - ii. minimise any monopolistic elements, and allow scope for competition at as many levels as possible; and
  - iii. maximise the private sector content.
- b. they should be technically viable. In particular, the options recommended should:

i. enable existing services to achieve the same degree of coverage as at present, and enable Channel 5 (and 6 if it is authorised) to achieve as much coverage as reasonably practicable;

ii. allow the quality of the signals presently transmitted to be maintained;

iii. not require the mass acquisition of new reception equipment; and

iv. be feasible in radio regulatory and frequency planning terms.

c. they should be commercially viable;

d. they should enable the maximum use to be made of the existing transmission infrastructure for broadcasting and other purposes, while minimising disruption to other users of the sites; and

e. they should maximise the yield from the sale of the assets, consistent with (a)-(d) above.

4. To the extent that the recommended options do not provide scope for competition the study should recommend what form of regulation, if any, is needed to avoid abuses. Any mechanism recommended should be the minimum consistent with effective regulation. The study should also recommend whether any technical regulation is necessary, taking account of paragraph 3(b) above.

5. The study should identify any differences in cost in providing a transmission service to different parts of the country under the recommended option(s).

6. The study should identify the consequences of the BBC continuing to own and operate its network until the end of 1996 on the timing, technical and commercial viability and cost of any recommended options; and the scope for interim measures in these circumstances.

7. The study should take account of the other proposals in the White Paper, in particular those relating to Channel 5 (and Channel 6 if the Government decides to authorise it), local services and radio. It should also take into account any lessons from other privatisations, and the organisation of TV and radio transmission in other countries.

8. The study should be completed within ten weeks. The report should, as far as possible, be prepared in a form suitable for publication.

9. The following bodies should be <sup>among those</sup> consulted: the BBC, the IBA, Home Office, DTI, FCO, OFTEL, ITVA, AIRC and BT.

Home Office  
December 1988

·wk>J/Nt/Tms/Ref/Sdy/Ctct

DRAFT PRESS NOTICE

STUDY ON PRIVATISATION OF BROADCASTING TRANSMISSION SYSTEM

The Home Office and the Department of Trade and Industry announced today ([ ] January 1989) that the Government had decided to commission a study into the options for privatising the television and radio transmission networks currently owned and operated by the BBC and the IBA. The study follows the recent White Paper on broadcasting ('Broadcasting in the '90s: Competition, Choice and Quality') which said that the Government's objective was to move the transmission system progressively into the private sector. The purpose of the study will be to identify options for privatising the transmission system which will ensure that high technical standards are maintained, and introduce greater competition into the transmission sector.

Notes to Editors

1. The White Paper (paragraph 9.2) said that the Government believed that the best arrangement in due course would be a regionally based, privatised transmission system designed to promote competition, while containing certain common carrier obligations. It noted that the route towards this objective was complicated by the way in which the IBA's system is entwined with that of the BBC, and by the fact that the BBC's transmission responsibilities are rooted in its Charter which lasts until the end of 1996. It proposed different arrangements for the transitional period before a privatised system was in place. The study will look ahead to the point when privatisation of the system can be implemented.

2. Several consultancy organisations have been invited to submit proposals for the study. It is expected to start later this month and to take about ten weeks.

<wk>J/Dr/Pss/Ntce/Sdy/Pvtn/Bg/Tsmn/Stm