PRIME MINISTER

PRIVATISATION OF THE BROADCASTING TRANSMISSION SYSTEM

In July Douglas Hurd wrote round seeking agreement to aim to privatise the IBA's transmission system at the earliest possible date, January 1991, notwithstanding the risk that this could adversely affect the proceeds as compared with delaying until, say, 1993. That earlier letter is at Flag A.

Brian Griffiths recommended that you should agree to the proposal. You were however reluctant to aim to privatise at the earlier date given the risks for proceeds. I minuted out accordingly.

Earlier this month Peter Lilley joined the correspondence (Flag B) and supported Douglas Hurd's recommendation of aiming for 1991 privatisation. He argued that the risk to the level of proceeds was overstated; and that there were other reasons to favour an early sale e.g. to give one of the first tangible signs that the new broadcasting regime was being put in place.

The Home Office have now written in again (Flag C). The Home Secretary proposes that:

- In view of the Financial Secretary's comments his original proposal of aiming for early privatisation should be adopted, though without any firm public commitment to a specific date at this stage.

- In order to be able to achieve privatisation in 1991 financial advisers should now be appointed to consider the possible methods of sale.

- The terms of reference for the financial advisers should be that privatisation is to take the form of a private sale (with a public flotation ruled out). Proposals for a management buy-out should be considered

but not on the basis of an inside track; they should compete equally with would-be trade buyers.

- The advisers should also be asked to look in parallel at the options for privatising the IBA's Experimental and Development Department, including the possibility of a joint sale alongside the transmission system.

Content now to agree the Home Secretary's proposals?

RRCG.

Paul Gray
20 September 1989

Yes

a:broadcasting MJ