

SUBJECT CC MASTER



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 October 1989

Dear Sir,

PRIME MINISTER'S MEETING WITH MR. BRUCE GYNGELL

Mr. Bruce Gyngell of TV-AM came to see the Prime Minister this afternoon. He said that he strongly supported the bulk of the proposals in the Broadcasting White Paper. But there was one point that worried him about the proposed new tendering arrangements for Channel 3 franchises. Developments in Australian Television had showed that if there were insufficient quality tests which new entrants had to meet, there were dangers of inflated bids which could not in the end be sustained; the result was business failures and an unstable broadcasting scene.

Continuing, Mr. Gyngell said that while he recognised the proposed safeguards in the White Paper proposals with regard to quality, he felt these needed to be strengthened. His proposal was that those candidates who cleared the initial quality threshold should be ranked with the candidate judged to have the highest quality then being given the opportunity to match the financial offer made by the highest bidder. If the highest quality applicant did indeed then match the highest bid, that applicant should be awarded the licence.

The Prime Minister said the quality requirements in the White Paper proposals should not be underestimated, and were substantially greater than in the Australian system. She also saw difficulties with the process that would be involved in seeking to identify the applicant offering the highest quality. She was, however, grateful to Mr. Gyngell for putting forward the proposal, and would ensure that it was considered. Mr. Gyngell then handed over the enclosed summary of his proposal.

In further discussion, Mr. Gyngell said he had reservations about the proposed ownership rules whereby a company could hold two franchises, one large and one small - the so-called penny-farthing ownership position. He would prefer a rule where a company was limited to one franchise only. He was not persuaded

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by the argument that the small regional stations could not be profitable and had in effect to be subsidised by the ownership of a large regional franchise. This argument was based on the assumption that all regional television operations needed a large staff, but this was not the case; it was perfectly possible to run stations with a very small staff and heavy dependence on buying in independent productions. The Prime Minister noted Mr. Gynge's comments.

I am sending copies of this letter to John Gieve (HM Treasury), and Neil Thornton (Department of Trade and Industry).

Yon,
Paul

PAUL GRAY

Ms. Sara Dent,
Home Office.