



QUEEN ANNE'S GATE LONDON SW1H 9AT

21 November 1990

Dear Secretary of State

BROADCASTING OWNERSHIP

Thank you for your letter of 7 November. I have also seen Richard Ryder's letter of 13 November; David Hunt's letter of 12 November and Malcolm Rifkind's letter of 15 November.

I note the differing views expressed about the number of Channel 3 licence areas which should be designated large. While I take the point that in economic terms there is benefit in retaining the flexibility for the maximum possible combinations of ownership, I really do think that in political terms we would find it very hard to sustain abandoning the contiguity rule without also increasing the number of areas to be designated as large. The possibility of, say, Central owning HTV or Anglia or indeed Scottish would I think produce a strong political reaction. Since the ownership order is subject to affirmative resolution we could face serious embarrassment if a significant regional lobby were to spring up against it.

I believe in any case, as I argued in my earlier letter, that in terms of the policy already agreed amongst us, an increase in the number of licence areas designated as large is a necessary quid pro quo for dropping a separate contiguity rule. Our earlier decision was that it should be permissible for a single body to own two Channel 3 licence areas provided that they were not both large or contiguous. Although we did not at that stage indicate the number of licence areas which would be designated as large (because at that point the Channel 3 map had not been determined) we recognised that if the Channel 3 map remained as the ITV map is now - and the shadow ITC has confirmed that that will be the case - then we would expect roughly the top third of the licence areas to be designated as large.

Throughout the Parliamentary passage of the Bill David Mellor and Robin Ferrers gave assurances about future ownership restrictions based on the Misc 128 decision. These proposals were widely welcomed as being necessary to prevent combinations of ownership whereby an unacceptably large area of Channel 3 coverage would be controlled by one company. I really do think that if we abandoned the contiguity rule at this stage without compensating for this by increasing the number of areas to be designated as large, we would be rightly accused of going back on earlier commitments.

The Rt Hon Peter Lilley MP
Department of Trade and Industry
1-19 Victoria Street
London SW1

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I noted Malcolm Rifkind's concern about contiguity. I think we do need some kind of compromise here. I hope he would accept that if Scottish were designated a large area, that would go some way to allaying his fears, I take his point about the Gaelic Television fund, but I do not think that just because two licence areas were co-owned that would necessarily prevent effective competition between them for the revenue to make Gaelic programmes. This would in any case not be an adequate justification for maintaining a contiguity rule which would obviously have to be of general application.

I hope, upon reflection, that you, and colleagues, will agree with my proposal to drop the contiguity rule but to designate the top nine areas as large. This, I believe, better achieves the original Misc 128 objective; of preventing unacceptably large areas from falling into common ownership, while allowing for perfectly proper economies of scale to be achieved in other cases. The only real alternative in my view is to designate the top six areas as large but to retain a contiguity rule. That would be less satisfactory because of the real objections to the contiguity rule which I set out in my earlier letter. I am quite clear that designating only six areas without an accompanying contiguity rule is not an option.

The Order prescribing the supplementary ownership rules needs to be made before Christmas. To allow for some period of consultation, I propose to announce the content of the rules by way of an arranged Parliamentary Question, which I hope to table before the end of this week. I attach a copy of the arranged PQ on which I should be grateful for any comments by Thursday 22 November.

I am copying this letter to the Prime Minister, other members of Misc 128 and to Sir Robin Butler.

Yours sincerely,

Hester Wilkinson

Approved by the Home Secretary
and signed in his absence

PQ FOR WRITTEN ANSWER ON []

Mr (): To ask the Secretary of State for the Home Department if he is in a position to announce the supplementary ownership rules which he proposes to implement by Order under Schedule 2 of the Broadcasting Act 1990.

DRAFT REPLY

The ownership rules will contain the following provisions:

- a) it will be permissible for one body to hold a controlling interest in two regional Channel 3 licences as long as they are not both large. Of the 15 regional Channel 3 areas, we shall designate the top nine (in terms of NAR share) as large, and the bottom six as small.
- b) in relation to regional Channel 3, national Channel 3 and Channel 5 licences, where a person owns two licences (in the case of regional Channel 3) or one licence (in the case of national Channel 3 or Channel 5) he will be permitted to have a maximum of a 20% stake in one further such licence, and a maximum stake of 5% in any further licences.
- c) where a person has no controlling interest in any licence, he will nevertheless be permitted to have more than a 20% interest in two regional or one national licence, a maximum of a 20% interest in one further such licence and a maximum of a 5% interest in any further licences.

- d) national newspaper proprietors will not be permitted to have more than a 20% interest in any local radio licence. No national or local newspaper proprietor will be permitted to have more than a 20% interest in a domestic satellite service licence.

- e) no public telecommunications operator will be permitted to have a controlling interest in any Channel 3, Channel 5, national radio or domestic satellite licence.

- f) there will be a points scheme to indicate the maximum ownership permitted of local radio stations. All stations (with their associated channels) will be awarded points on the basis of their audience reach. It will be permissible to own stations which correspond to a maximum of 15% of the total number of points in the system.

I have placed a more detailed set of proposals in the library.
I hope to place an Order before the House in December.

