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Dear David

BROADCASTING OWNERSHIP

WITH BA?

Thank you for your letter of 21 November.

I am afraid that I am still opposed to increasing the number of Channel 3 licence areas designated as large. It seems to me wrong in principle that we should restrict the market in this way. Our aim in this case is to provide regional diversity in broadcasting. In my view this should be achieved by placing strict limits on the nature of the service in different regions and the way in which it is provided but not on who happens to own the licensee. As you said in your previous letter, the regional requirements of the Broadcasting Act are now much stronger than they were in the Bill stage. We should not go further than this and interfere in the market's view as to how best these and other requirements can be met.

You refer to the advantage in economic terms of retaining flexibility of ownership. In fact the advantages go wider than this. Terrestrial broadcasting is just one means of providing television services. We are seeing the emergence of cable television companies and satellite as alternatives. The television market will become increasingly competitive in future. By placing constraints on ownership, we make it that much more difficult for the terrestrial broadcasters to compete. This in turn undermines their ability to provide a service, including the regional services to which you and other colleagues attach importance.



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You refer to the political pressure that arose during passage of the Broadcasting Bill for ownership restrictions. In my view the Sky/BSB announcement together with the strengthened regional requirements in the Act justify our taking a fresh view of the issues. I believe this would be understood by many of those who attach importance to regional diversity. The Parliamentary Question you are proposing to answer before making the Order provides an ideal opportunity to test the position.

I would therefore propose that, in answer to the Parliamentary Question, you should announce that only six of the Channel 3 areas will be designated as large. If this leads to significant pressure for a stronger line then I would be prepared to reconsider the issue. I do not, however, think we should start by announcing tighter restrictions than are desirable.

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

Yours ever

Peter



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