



the department for Enterprise

CONFIDENTIAL

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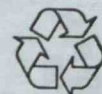
Dear David

**CROSS-OWNERSHIP RESTRICTIONS ON SATELLITE TV SERVICES NOT
USING UK FREQUENCIES**

Thank you for your letter of 25 January about the cross ownership rules on satellite television services not using UK frequencies. I have also seen John Major's letter of the same date.

Whilst you will no doubt wish to consider what was said on this subject in Committee, I feel that I should reply to some of the points you raise. First, as you say, the Home Affairs Committee referred to this question in their 1988 Report. They said that they regarded "it as imperative that ownership of extra-terrestrial channels... should be taken into account in the provisions regarding ownership of the United Kingdom - based channels." I consider that my proposals for mergers and takeovers, with the inclusion of an ITC discretion at allocation, are consistent with that approach.

Your letter goes on to say that WH Smith's arguments play down the fact that any European competitor who also controlled satellite channels intended for reception in the UK would similarly be caught by the 20% limit as currently proposed. Whilst this is true, I am swayed by WH Smith's argument that in imposing a blanket limit we would make it difficult for companies such as them, based in the UK, to build up a significant home market prior to tackling the wider European market. Other European competitors do not suffer such a restriction in their home markets and are thus not fettered in their development in the same way.



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I can therefore see some attraction in John Major's suggestion that the rule should be relaxed to allow one company to control a restricted number of satellite channels in addition to an ITC licence. This would allow companies to develop in both satellite and terrestrial broadcasting to a modest degree with little risk of undue dominance and may prove a workable compromise, particularly for the initial licensing stage. I have asked my officials to consider this further.

It may be helpful if we were to meet to discuss this, either as MISC 128 or in a smaller group of those with a particular interest, in due course when you have assessed the discussion in Committee.

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

A handwritten signature in black ink, which appears to be 'John Major', is written above the name 'Nicholas'.

Nicholas



BROADCASTING. Pouen tto

