



HOME OFFICE
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LONDON SW1H 9AT

27 FEB 1990

*Nelson to me
stage.*

*FACE
w/r*

Dear Mr. Ridley,

REGULATION OF PRIVATISED IBA TRANSMISSION COMPANY:
DRAFT TELECOMMUNICATIONS ACT LICENCE

WITH PC

Thank you for your letter of ~~23~~ February enclosing a draft Telecommunication Act licence for the privatised IBA transmission company.

As you say, this is a substantial document and, with one exception, I should be happy to table the licence for the Committee as proposed. My sole reservation relates to the share ownership restrictions in Condition 17 of the licence and the proposal in your letter to commit the Government to a specific timetable for lifting and reviewing these.

There is no doubt that the privatisation of the BBC's transmission system will affect matters but I am not convinced that it will necessarily remove the basis for restricting the total interest of Channel 3 and Channel 5 licensees. It would certainly be worth reviewing at that point whether these restrictions were still necessary. However, I do not think it would be wise to commit ourselves at this early stage to lifting the restrictions upon the privatisation of the BBC system.

I have similar doubts about declaring an intention to review the ownership restriction three years after the IBA privatisation. The need for restrictions in the present market is plain and privatisation of the BBC's system is the only foreseeable event which is certain to affect the position significantly. The duopoly review may also do so; but that is an unknown factor as yet. Against that background a public commitment at this stage to a three year view seems

/unnecessary. We may

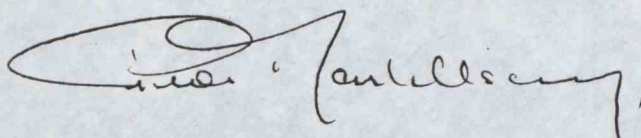
The Rt Hon Nicholas Ridley MP

unnecessary. We may in due course decide to hold a review of the three year period but that is something we would need to consider in the light of all the circumstances, including the outcome of the duopoly review.

The issue which you have raised is an important one and, in view of the tight timetable, I do not think we can resolve this before the draft licence is tabled. What I therefore suggest is that the draft should now be published, but with the relevant paragraphs left blank. (That is, of course, already the case for the various economic regulatory points). This will give us the opportunity to consider the ownership question more fully, after publication.

I am copying this letter to recipients of yours.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "David Mellor". The signature is fluid and cursive, with a large initial 'D'.

MR DAVID MELLOR

(approved by the Minister and
signed on his behalf).

