

CONFIDENTIAL

PRIME MINISTER

CROSS OWNERSHIP RESTRICTIONS IN THE MEDIA

There have been intermittent exchanges over the last six months, in the context of the Broadcasting Bill, about the cross-ownership restrictions between different parts of the media.

All this started with the concerns expressed about the promotion of Sky TV by newspapers in the Murdoch group. Because Sky is a non-DBS channel, it is not caught by cross-ownership rules; whereas BSB, which is a DBS channel, would be subject to a 20 per cent limit on newspaper shareholdings.

At one stage, Nicholas Ridley wanted to ease this position by liberalising the position on DBS channels. But it was decided this would not be appropriate. In the Standing Committee on the Broadcasting Bill, there were contrary pressures to try to limit newspaper interests in non-DBS satellite services like Sky. But David Mellor has been able to resist this. So, hopefully, the Sky issue has now been laid to rest.

The focus of the more recent Ministerial exchanges has shifted to another aspect, namely the 20 per cent limit on non-DBS satellite interests in Channel 3, Channel 5, National Commercial Radio and DBS. W.H. Smith are caught by this rule because they are both an Astra satellite promoter and hold 21 per cent of Yorkshire TV. Both Nicholas Ridley and Brian Griffiths have supported W.H. Smith's case for a relaxation of this cross-ownership rule.

When Nicholas Ridley last wrote round on this point, you indicated you would like to take an early meeting with those most concerned, to consider an assessment of the best way forward in the light of discussions in Committee.

The Home Secretary's letter at flag A responds to that remit. He would still prefer to do nothing about the W.H. Smith point, but it would seem he may be open to persuasion to make a modest amendment along the lines suggested earlier by Nicholas Ridley and the Chancellor. The Home Secretary says he is very happy to discuss all this.

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Meantime, another aspect of the complex set of cross-ownership rules cropped up at your lunch with the Newspaper Society on Wednesday. You agreed (see Bernard's note at flag B) to look at a detailed point they had raised about cross-ownership rules between newspapers and local radio stations in conurbations. You will want to consider how best to carry that point forward. One possibility would be to raise it in a wider meeting on cross-ownership restrictions, if you still want to have one.

If you do want to have a meeting, either about the W.H. Smith point or the conurbations point, you will need to consider who to invite; I would suggest the Home Secretary, Nicholas Ridley, a Treasury Minister and the Chief Whip.

- (i) do you want me to set up a small meeting with this cast list to take stock of all the cross-ownership issues and in particular to cover the W.H. Smith and conurbation points?

*Yes mt.*

OR

- (ii) prefer me to minute out saying you support the Major/Ridley compromise on W.H. Smith and to ask the Home Secretary to look at the conurbation issue?

*pe 16.*

PAUL GRAY

9 March 1990

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DUPLICATION: May 11