

PRIME MINISTER

Prime Minister!
Would you be content for the Office Ministers
to put forward this "extended diversity" test?

23 March 1990

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Yes
not

BROADCASTING BILL: DIVERSITY IN RADIO

Lord Chalfont, who is Chairman of the Radio Authority came to see me about one aspect of the radio of the Bill, which he and a number of others feel strongly.

The Problem

The Broadcasting Bill sets out the framework within which applications for franchises for new national independent radio stations will be considered by a new Radio Authority.

The franchise for each station will be awarded to the highest cash bidder who has passed the "internal diversity" test - summarised in Clause 92(3)(b) as "providing a service which consists of a diversity of programmes calculated to appeal to a variety of tastes and interests".

An "internal diversity" requirement means that there has to be a limited degree of variety within stations. The result of this could be that the three new radio stations due to be established in 1991 might all broadcast very similar programmes.

If that were to happen - and since each franchise will be awarded separately, there would be nothing to stop that happening - it would mean that the increase in competition as a result of the Bill was limited: if all three stations were, for example, offering pop music, there would be a great deal of competition with Radio 1, but none with Radio 2, 3 or 4.

The Way Forward

Any system of allocating franchises must clearly be open and fair and realise the full commercial worth of a very valuable resource. But it must also increase competition and choice. The "internal diversity" test alone will not deliver this.

The proposal from Lord Chalfont is that in addition to the internal diversity test we should require variety between the three new stations - an external diversity test.

One way of achieving this would be to stagger the award of the three franchises and make each different. Each franchise would still be awarded on the basis of the conditions contained in the Broadcasting Bill. The only difference would be that if, for example, the winner of the first franchise were a pop station, then the second franchise would have to be for something different; and so on.

The advantages of this approach would be:

- the return to the Treasury would be maximised. Applicants for each station would still have to bid as much as they could afford: and there would be three different audiences to appeal to;
- competition would be extended - existing radio services would be challenged on a number of fronts;
- the Government could demonstrate that it was increasing choice and attracting new listeners to radio.

I have talked to the Home Office about Lord Chalfont's proposals and apparently the Home Secretary and David Mellor are strongly supportive and have been planning to minute you on this matter.

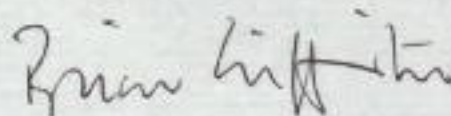
Conclusion

If we wish to guarantee greater choice in radio programmes as a result of the Broadcasting Bill then we need an external diversity test as well as an internal diversity test.

But such a test does not seek to judge the quality of either individual stations or programmes. It simply ensures diversity.

Recommendation

I believe there is considerable merit in this proposal - which unlike some others from the Home Office would not increase the powers of the regulatory bureaucracy.



BRIAN GRIFFITHS