

PM

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 April 1990

Dear Colin,

BROADCASTING BILL: NATIONAL COMMERCIAL RADIO

The Prime Minister was grateful for the Home Secretary's minute of 2 April and agrees that the Broadcasting Bill should be amended in the way he proposes.

I am copying this letter to the Private Secretaries to members of MISC 128, to Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Jim Gallagher (Scottish Office), Stephen Leach (Northern Ireland Office) and Sonia Phippard (Cabinet Office).

*Yan,
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PAUL GRAY

Colin Walters, Esq.,
Home Office.

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Pine Minute

This now formally proposes the idea that Brian Griffiths cleared with you following his talk with Alun Chalfont. Brian ~~is~~ has no further comments. Content for the amendment to be added at report stage.

Prime Minister

BROADCASTING BILL: NATIONAL COMMERCIAL RADIO

This minute proposes that the Broadcasting Bill should require the new national commercial radio channels not just to cater, in each case, for a variety of tastes and interests, but also to be different from each other.

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Yes not

Background

Our radio Green Paper (February 1987) was well received; and the radio provisions in the Bill have generally been less contentious than their television counterparts. David Mellor has successfully resisted Opposition attempts to import subjective quality criteria into the radio licensing procedures. The proposal that the national licences should be allocated by competitive tender has not been seriously challenged.

The one point of real difficulty in Committee has been the programming remit for the three national channels. The Bill would require each of them to provide a diverse programme service appealing to a variety of tastes and interests.

As you know, Alun Chalfont strongly holds the view - which is shared by some Government supporters - that the economics of radio will mean that the result of competitive tender, on the basis of the Bill as drafted, will be three

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national pop music channels with the minimum necessary diversity. He makes the points that there is already plenty of pop music available on radio, and that the overheads of a worthwhile news and information service or well-balanced arts or classical music service are much greater than those of a pop service, while a pop service is likely to generate more advertising revenue. Alun Chalfont has discussed his concerns with Brian Griffiths. I see much force in them.

Proposal

I share Alun Chalfont's view that the right answer would not be to build up the "internal" diversity requirement for each channel. This would depress tender proceeds, be unpopular with advertisers and would-be new entrants, and would make it more difficult for national commercial radio as a whole to provide effective competition to the BBC. There was strong pressure in Committee for the Bill to include a requirement that the three national services should be different from each other. This is the solution which Alun Chalfont favours, and which I recommend.

While this proposal would go some way towards meeting Alun Chalfont's concerns, he considers that a further change is needed. His proposal is that the Radio Authority should be able to specify the character of service which was being advertised for tender in each case. The problem is that this would take us back in the direction of regulatory prescription. But the proposal does try to address an important issue. This is that, even if tendering of the second and third licences were staggered (as seems sensible, and also inevitable for frequency availability reasons), bidders would otherwise be in the dark as to the basis for

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their business plans and bids, bearing in mind that there will be no equivalent of a Channel 3-type quality threshold. The argument is that entrepreneurs would be deterred from constructing a bid for, say, a news and information service to compete with Radio 4 if they knew in advance that a rival bidder for, say, an easy listening service (who would have lower overheads and greater revenue potential) was also likely to satisfy the requirement to be different from the service offered by the winner of the first tender.

7. ^{must} It should be possible to solve this problem without re-introducing regulatory discretion or subjective quality requirements. This could be done by providing in the Bill that:

- (i) the three national commercial radio stations should be different from each other; and
- (ii) one of the stations must be substantially speech-based and another must include a substantial proportion of music other than popular music.

The legislation would not allow the Authority, when advertising the service, to make programme quality stipulations or otherwise go beyond the legislative requirements envisaged in (ii). The effect of these proposals should be to make the competitive tender procedure more transparent and less uncertain. They should also ensure that the new national services taken as a whole were genuinely diverse and provided competition to the BBC on a number of fronts rather than just to Radio 1. That is the main justification for the

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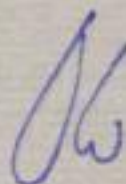
particular legislative requirements proposed in (ii). There is a good prospect that they would command a consensus in Parliament and the industry. For these reasons I recommend these changes.

We are certain to be pressed on these matters on Report. The proposed changes would in my judgement significantly enhance the popularity of our radio proposals and help us with the handling of the Bill as a whole.

Conclusion

I accordingly propose that the Bill should be amended in the way outlined in paragraph 7; and that the necessary amendments should be tabled for Report. In view of this timing it would be helpful to have an early response.

I am copying this minute to Members of MISC 128, to Kenneth Baker, Malcolm Rifkind, Peter Brooke and Peter Walker, and to Sir Robin Butler.



2 April 1990