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David Iard

REGULATION OF BBC TRANSMISSION ACTIVITIES

In Nicholas Ridley's absence ^{top} abroad I am replying to your letter to him of 30 April about the extent of transmission - related activity that we should allow the BBC to undertake.

Your letter highlights four areas of activity for which the arguments for and against allowing the BBC to compete are finely balanced. As you know, our aim is to avoid, wherever possible, public sector bodies competing with the private sector since, however well the public body is regulated, its status and guaranteed source of income will always ensure that it enjoys a competitive advantage. I recognise that there is a case for allowing the BBC to offer its services where it has a genuine national resource which is scarce or even unavailable elsewhere or where its involvement genuinely increases the choice to the customer, although we have to keep in mind the need to encourage new private sector entrants to the market. There is also the MISC 128 decision and public announcement that the BBC should not be allowed to compete for "new transmission business".

Turning to the particular, each of your proposals causes me some difficulty and taken as a whole they would significantly increase the activities the BBC can undertake, in many cases with little effective regulation. I fully accept the need to ensure that the equipment currently used by the BBC to broadcast two of its MF stations should be made available for

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broadcasting the two MF national commercial radio stations. I do question, however, why this should necessarily imply that the BBC has to undertake its operation and maintenance. There seems to be a parallel between these MF sites and the VHF TV sites where the IBA and BBC each operate and maintain their own transmitters but often share a common aerial. Whilst I appreciate that the MF sites were not built with separate operation in mind, I should need to be convinced that satisfactory isolation between the transmitters does not already exist or could not be achieved by installing some comparatively simple electronics. As you mention, a number of MF frequencies currently used by the BBC for local radio will be used for independent radio. This may lead to BBC - owned sites having more independent than BBC radio transmitters on them. Such a result only increases the case for insisting that the BBC allows other operators to maintain these transmitters.

The problem I have with your second proposal is one of definition. You propose that the BBC should be allowed to maintain other broadcasters' equipment on BBC sites. In practice this would apply largely to local radio stations, since TV and national radio will tend to have full transmission contracts with Transcom or another transmission company. For local radio, there is, however, little, if any, difference between maintenance and a "full transmission" service since, once installed the transmitter can be left to run unattended until it requires repair or maintenance. I suspect, therefore, that by allowing the BBC to enter this area we would, in practice, enable them to offer a transmission service to the new local radio stations and others, counter to the MISC 128 policy.

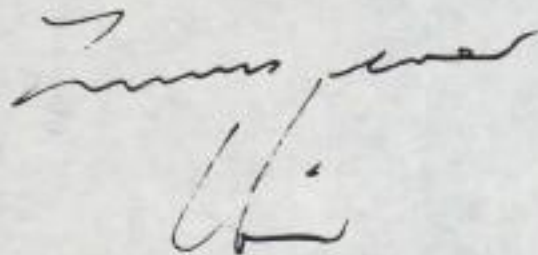
Project management is an area where we need to strike the right balance between preventing the BBC closing out any competition and allowing the BBC to provide services for which there is a genuine demand and which cannot easily be obtained elsewhere. Perhaps the BBC could be pressed on what exactly might fall into this category. I understand that the BBC's spectrum planning computer database is particularly strong in the area of UHF TV but that the IBA and others can provide similar services to that from the BBC in respect of radio where I expect much of the business will fall. My inclination would be to exclude the BBC from providing project management services but to encourage them to exploit their database at a fair price to others providing such a service. I would accept, however, that we should probably not prevent the BBC from offering such a service to overseas customers.

Allowing the BBC to compete with Transcom to provide certain sites for Channel 5 and VHF, could, as you say, be seen as giving the new channels extra choice. The benefit of that choice to the franchisees would however be limited. In terms of coverage the "alternative" BBC and Transcom sites are only

alternatives because similar coverage can be achieved from each. Competition should however, keep down the site rental charged to the franchisees. However, one has to wonder whether it would be genuine competition where one player is a public sector corporation. I am therefore not convinced that this is sufficient justification to allow the BBC to compete for sites beyond those which are the only ones suitable.

Apart from these four areas, I can confirm my agreement to the other proposals in the paper attached to your letter. I hope that we can soon take a final view on the extent of the BBC's activities so that discussions with the BBC over their Telecommunications Act licence can continue.

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

A handwritten signature in black ink, appearing to read 'Eric Forth', written in a cursive style.

ERIC FORTH

BROADCASTING

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