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QUEEN ANNE'S GATE LONDON SW1H 9AT

14 June 1990

*Le Nick*

REGULATION OF BBC TRANSMISSION ACTIVITIES

I am writing following Eric Forth's letter of ~~10~~<sup>14</sup> May in response to mine of 30 April about the permissible extent of BBC transmission-related activities. You will have seen Peter Lilley's letter of ~~14~~ May.

I am glad that we have been able to agree on the proposals for permissible BBC activities in the paper circulated with my letter of 30 April. As Eric's reply recognises, we now need to resolve quickly the four outstanding questions identified in my letter. This is necessary in order to prevent further delays over the BBC Telecommunications Act licence and also to enable urgent work to proceed on preparation of the business plan for the privatised transmission company.

The key considerations in relation to transmission of the two MF radio channels to be reallocated from BBC use are technical feasibility and cost. The BBC have argued that the necessary isolation of their existing transmitters would involve excessive re-engineering and other opportunity costs. I think this is a subject which our officials will need to discuss further with the BBC.

On reflection, I accept that allowing the BBC to maintain other broadcasters' equipment on BBC sites would effectively amount to conducting a new transmission service. This would not be fully consistent with last year's MISC decision, and I would not wish to press the point further.

I have greater reservations about excluding the BBC from making use of the downtime of its existing staff to carry out project management for other broadcasters (an exclusion which could only be backed up by specifying Ministerial expectation). I also think that it would be difficult to justify excluding the BBC from competing at home, whilst permitting it to do so abroad, as Eric's letter suggests. However, I agree that it would be useful for officials to explore further with the BBC the nature and demand for the services involved.

On the provision of those Channel 5 sites where there is a choice between the BBC and the IBA, I recognise colleagues' reservations about the possibility of genuine competition while the BBC remains in the public sector.

The Rt Hon Nicholas Ridley, MP.  
Secretary of State for Trade & Industry  
1-19 Victoria Street  
LONDON, S.W.1.

/over...





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Separate accounting and the establishment of the BBC's strategic business unit should help, but I accept that, in itself, this may not necessarily guarantee fair competition. I also recognise the possible effect on the privatisation proceeds of allowing the BBC to compete. However, the volume of business is likely to be small and - in the absence of such competition - further economic regulation of the privatised company would be required. New transmission operators would be denied the advantage of a choice of sites, thus weakening their position. Nonetheless, if in the light of these considerations, and those in my letter of 30 April, colleagues still strongly favour excluding the BBC from competing for this business, I should not wish to hold out on this point.

One additional issue which has been raised by the IBA concerns competition for research and development contracts (which has a bearing on the prospects for selling the IBA's Experimental and Development Department as a viable part of the privatised transmission company). The point was not considered explicitly by MISC last summer, but allowing the BBC to compete for commercial research projects would plainly represent new transmission-related business and would materially affect the privatisation. There is no indication that the BBC expect to enter this area and, subject to colleagues' views, I think that they should be excluded.

I think the immediate priority is for our officials to discuss the main framework of permissible and other transmission-related activities with BBC staff with a view to making a formal announcement as soon as possible. The basic structure was set out in the paper circulated with my letter of 30 April. For the reasons above, I would be prepared to include in the list of non-permissible activities maintenance of non-BBC broadcasting equipment on BBC sites, and competition for the provision of Channel 5 sites (where there is a choice). As regards transmission of MF INR stations and project management for other broadcasters, I suggest that our officials seek further information from the BBC before we take a final decision.

I am copying this letter as before.



SUBJECT MATTER

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MEETING RECORDED



a. pps/moratorium

10 DOWNING STREET cc BG

LONDON SW1A 2AA

*From the Principal Private Secretary*

14 June 1990

**BROADCASTING BILL: MORATORIUM ON TAKEOVERS**

The Home Secretary had a brief talk with the Prime Minister before Cabinet. He said that in the Commons, Mr. Mellor had succeeded in resisting demands for a moratorium on takeovers but at Second Reading in the Lords this was one of the few issues which had been contested. Lord Ferrers believed that if the Government made no move an amendment would be put down for a three-year moratorium and the Government might be defeated. There was substantial support for a moratorium including from Government peers such as Lord Whitelaw. The Home Secretary recommended that the Government should pre-emptively table an amendment for a one-year moratorium. Lord Whitelaw and Mr. George Russell believed that this could secure a consensus.

The Prime Minister expressed concern about making a concession which would undercut the position successfully defended in the Commons. (The Home Secretary assured her that Mr. Mellor agreed with his recommendation.) There was little merit in the proposal which stemmed simply from the wish of the existing franchise holders to enjoy a quiet life. She agreed, however, that a one-year moratorium should be offered but only if the Government could be sure that this would take the trick. One year was the maximum that should be conceded.

I am copying this letter to Martin Stanley (Department of Trade and Industry).

(ANDREW TURNBULL)

Colin Walters, Esq.,  
Home Office.

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