



the department for Enterprise

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The Rt. Hon. Lord Young of Graffham
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BROADCASTING WHITE PAPER

I have seen a copy of the letter of 28 September ^{top enc.} from the Prime Minister's Private Secretary to yours. I would like to add one or two comments on the BBC's use of the night hours, and on transmission.

I welcome the prospect of moving the BBC progressively from licence fee to subscription funding; and allowing them to retain one set of their night hours will give them the necessary flexibility to make a "soft start" with subscription. But as I argued in my letter of 12 September, our objectives for subscription funding of the BBC will not be advanced by the use of the night hours for specialised business services (such as the medical service), as these will do nothing to accustom viewers at large to paying for services received over the BBC frequencies. In presenting our decisions to the BBC, therefore, I think it should be made clear that we expect them to concentrate on developing services likely to be of interest to viewers at large (albeit individual programmes might cater for niche markets) and that we would not expect to authorise subscription services which appeared to be directed wholly or mainly at business or professional interests.



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On transmission, I would naturally favour an outcome which allowed for the development of as effective competition as possible. On the question of ownership of transmission assets, it seems to me that the ideal solution would be to find a way of persuading the BBC to accept an amendment to their Charter which would allow us to make sensible arrangements to privatise the whole UHF network now. I appreciate that if the BBC were vehemently opposed to such a course of action our room for manoeuvre before 1996 might be limited, but we should at least put the proposition to them.

I also have a few comments on some other aspects of the draft White Paper, which it may be helpful to raise at this stage.

Open ended -v- fixed term licences

I remain convinced that the commercial licences should be open ended. I see no prospect of bidders raising funding on the basis of eight year fixed terms. While this difficulty might be reduced by setting a much longer fixed term, the serious problems of ensuring quality and efficiency in the closing years of the licence remain. I am not persuaded that open ended licences are incompatible with change to the independent system, provided the possibility of change is made clear in the prospectus when the licences are offered. I see no reason why, in a market-led system, changes to the geographical framework of channel 3 should not be made by agreement between the licensees concerned and the ITC. Similarly, it should be possible to make any changes to accommodate technical or international developments provided the terms of the original licence are carefully drawn. The objection that the initial price paid might not in practice reflect the full value of the licence can be met by a revenue levy, as already proposed. The balance of the arguments in paragraph 18 of Chapter VI should therefore be reversed, and the paragraph should express a strong presumption in favour of open-ended licences.

Transitional arrangements for local services

In your letter of 13 September you advocated restricting the right to "convert" a cable franchise to a technology neutral delivery franchise to cable operators actually awarded franchises by the date of the White Paper. The transitional arrangements are clearly going to be difficult and controversial, and it will not be feasible to finalise them until officials have been able to discuss the implications with the Cable Authority and the industry after the White Paper is published. We must accept that this part of the

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White Paper has particularly "green edges", and that in the light of comments we might conclude that arrangements rather different to those sketched out in the White Paper would be appropriate.

It is essential therefore that the White Paper leaves us ample room for manoeuvre. I also believe that we should seek to put a term on the inevitable period of uncertainty in the cable industry by committing ourselves clearly in the White Paper to publishing a further document, setting out firm proposals for local services, not more than, say, two months after the end of the consultation period.

Finally, I feel the draft gives insufficient weight to the potential impact of new technology, including High Definition Television, on the broadcasting scene in the 1990s. My officials will let yours have some suggestions on this.

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

Y. L.
David

BROADCASTING: BAC Finances
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