



Foreign and Commonwealth Office

London SW1A 2AH

29 December 1988

CCFO

Abpm

Dear Catherine,

The Foreign Secretary has seen the Home Secretary's letter of ~~19~~ ¹⁷ December to the Secretary of State for Trade and Industry about privatisation of the broadcasting transmission system. He is content for the proposed terms of reference for the study to include specific reference to the BBC's external services and for the study to proceed as proposed.

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

Yours sincerely,

(L Parker)
Private Secretary

Miss Catherine Bannister
PS/Home Secretary

BROADCASTING : BBC Finance P17.



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dti

the department for Enterprise

CC/PL

CONFIDENTIAL

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

NBPM

PLC

2/12

Direct line 215 5422
Our ref PS3BVC
Your ref
Date 21 December 1988

Dear Home Secretary, attached

Thank you for your letter of 19 December proposing that consultants should be commissioned to examine how the radio and television transmission system might be privatised.

I agree that this work is necessary before we can reach definite decisions in the summer on the network's eventual future and I agree with the terms of reference. I do feel however that the consultant should be asked to consider the effect of foreseeable technological developments (such as HDTV or improvements in bandwidth efficiency) on the network, so that we do not find that a particular privatisation option restricts the network's ability to adapt to the changing needs of a developing market. I would not propose that this should form a major part of the study and I am content that it should be covered in the briefing given to the successful consultants rather than in the terms of reference.

I am also content with the wording of the press notice you propose and in view of DTI's particular interest in the transmission system, I am prepared to contribute towards the cost of the study: our officials will be able to settle the details.

the
Enterprise
Initiative

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the department for Enterprise

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

Yours sincerely

N.R. Bl

(Approved by the Secretary of State
and signed in his absence)


the
Enterprise
Initiative



me from
all

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 December 1988

The Prime Minister has seen the Home Secretary's letter of 19 December to the Secretary of State for Trade and Industry about privatisation of the transmission system. She has no comments on the proposed terms of reference for the study, and is content for it to proceed.

I am copying this letter to the Private Secretaries to other members of MISC 128, Stephen Wall (Foreign and Commonwealth Office) and Trevor Woolley (Cabinet Office).

P. A. Bearpark

Miss Catherine Bannister,
Home Office.

CONFIDENTIAL

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CEPU

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

21 December 1988

Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Dept
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9BW

NBR

*REC 6
22/12*

Dear Secretary of State,

DBS LEVY

flap

Thank you for your letter of 6 December. I have also seen David Young's letter of 12 December.

I am content with the draft letter to BSB, subject to the amendments suggested by David. DBS will require a lot of fixed investment and we have agreed that the levy should not apply at a positive rate until the cost of that investment has been recovered. However once the fixed costs have been recovered, satellite TV may well be highly profitable. And by then it will be just another means of delivering programmes to the home, in direct competition with terrestrial television. In those circumstances I would expect the levy to apply to BSB in the same way as it applies to terrestrial TV.

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

Yours sincerely,

Muir Wallace

pp NIGEL LAWSON

(Approved by the Chancellor and signed in his absence.)

BROADCASTING: Finances
M 7



PRIME MINISTER

20 December 1988

CF.
I think I am
awaiting comments on this from
other departments
MB
3/1/89

PRIVATISATION OF THE TRANSMISSION SYSTEM

In the White Paper on broadcasting, we made a pledge to privatise the transmission system: both the existing system and the options for privatisation are complex subjects.

Douglas Hurd suggests asking consultants to write a report advising the government on options for privatisation.

In view of the complexity of the subject and the need for outside advice, the idea to employing consultants is a sound one. The terms of reference seem fine.

Recommendation

Agree to the Home Secretary's proposal to commission consultants to prepare a paper on options for privatisation.

Brian Griffiths

BRIAN GRIFFITHS

GCPH



QUEEN ANNE'S GATE LONDON SW1H 9AT

19 December 1988

Prime Minister²

Dear David,

PRIVATISATION OF THE TRANSMISSION SYSTEM

I am writing to ask for your agreement, and that of other colleagues, to the setting up of a quick study to advise us on the best way of taking forward the objective, stated in the Broadcasting White Paper, of privatising the television and radio transmission system.

You will recall that the White Paper said that our objective was to move towards a privatised, regionally based transmission system designed to promote competition. Given the entwinement of the IBA and BBC systems, this objective could be fully realised only when the BBC loses its transmission responsibility - either when the Charter expires at the end of 1996, or sooner, if the BBC agrees to divest itself of its responsibilities before then. In the meantime the White Paper proposed that the ITC should take over the IBA's transmission infrastructure but arrange for the system to be operated by private sector contractors; and that the BBC should be encouraged to contract out.

We need to reach firm, detailed decisions about the arrangements for the interim period by June of next year, in order to enable the necessary provisions for next session's legislation to be prepared. But I do not think we can sensibly take decisions about the interim period until we have a clearer idea of what a privatised transmission system would look like. Otherwise we run the risk of reaching decisions about the short term which could make it harder to achieve the best long term arrangements.

The work done by officials on privatisation since the publication of the White Paper has indicated the need for expert engineering and economic advice before we can take well founded decisions. The present transmission system is highly effective. We must ensure that the arrangements which we eventually decide upon for privatising it retain its present effectiveness, while also meeting the objectives set out in the White Paper and making commercial sense. Not all the expertise needed is readily available within Whitehall, and I therefore propose that we should commission consultants to undertake a rapid study. I attach terms of reference for the proposed study, which I understand have been agreed at official level. The study would start next month and be completed by around the beginning of April. I also attach a press notice which would be issued when the invitations to tender were sent out.

The Rt Hon Lord Young of Graffham

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The White Paper did not specifically mention the transmission of the BBC's external services. Although privatisation of this part of the BBC's transmission system would raise particular issues which would need to be carefully considered, I think it would be useful if the consultants looked at the possibilities here too. I therefore propose, if Geoffrey Howe agrees, that the terms of reference for the study should explicitly refer to the external services.

We can consider when the study is complete whether all or part of it should be published. If we do decide on publication, it will save time and expense if the report is prepared initially in a form suitable for publication; and the terms of reference are framed accordingly.

In order to meet the timetable I have sketched out I should be grateful for agreement to the study and to the proposed terms of reference by 23 December at the latest.

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

Yours,
Douglas.

TERMS OF REFERENCE FOR A STUDY CONTRACT

The Privatisation of the IBA and BBC television and radio transmission networks

The study should describe the main features of the television and radio transmission networks presently owned and operated by the BBC and the IBA (including the BBC's external services network); identify and examine options for privatising these networks; and recommend a favoured option or options, including a timescale for implementation. If appropriate, different options may be recommended for different networks.

2. The recommendations should accord with the following criteria:

- a. they should be consistent with the Government's objectives as outlined in Chapter 9 of the Broadcasting White Paper ('Broadcasting in the 90s: Competition, choice and quality'). In particular, the options recommended should:
 - i. if feasible, allow for separate operators in different regions (though any additional costs which would be involved in a regional structure should be identified);
 - ii. minimise any monopolistic elements, and allow scope for competition at as many levels as possible; and
 - iii. maximise the private sector content.
- b. they should be technically viable. In particular, the options recommended should:

i. enable existing services to achieve the same degree of coverage as at present, and enable Channel 5 (and 6 if it is authorised) to achieve as much coverage as reasonably practicable;

ii. allow the quality of the signals presently transmitted to be maintained;

iii. not require the mass acquisition of new reception equipment; and

iv. be feasible in radio regulatory and frequency planning terms.

c. they should be commercially viable;

d. they should enable the maximum use to be made of the existing transmission infrastructure for broadcasting and other purposes, while minimising disruption to other users of the sites; and

e. they should maximise the yield from the sale of the assets, consistent with (a)-(d) above.

4. To the extent that the recommended options do not provide scope for competition the study should recommend what form of regulation, if any, is needed to avoid abuses. Any mechanism recommended should be the minimum consistent with effective regulation. The study should also recommend whether any technical regulation is necessary, taking account of paragraph 3(b) above.

5. The study should identify any differences in cost in providing a transmission service to different parts of the country under the recommended option(s).