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Thank you for copying me your minute of 5 May to the Prime Minister on broadcasting ownership.

Your draft statement seems accurately to reflect the conclusions of the meeting of MISC 128 on 24 April and, as such, I am generally content for it to be issued. As you acknowledge, the statement does not cover all the details of the proposed legislation and I am grateful for your offer to involve my officials where appropriate in the further work that is required. There is, however, one main issue I should like to take up. I also have some more detailed points on the draft text.

Our meeting on 24 April concluded that the need for a restriction on newspaper holdings in non-terrestrial broadcasting should be considered further. Whilst I can understand the wish to give DBS service providers every opportunity to compete fairly with Astra, I think we should be clear that to exclude satellite services from our otherwise strict cross-media ownership rules would be seen as inconsistent. It could, of course, also lead to Mr Maxwell, or any other newspaper proprietor except Mr Murdoch, being able to buy up to five, or more, channels with potentially national coverage. It is, naturally, difficult to predict the future of DBS, but if it is successful then the proposed regime could look particularly one-sided.

I would therefore prefer to see a similar restriction on national newspaper shareholdings in DBS as we are proposing for UHF frequencies. I would propose a limit of a 20% shareholding in any DBS operation but, bearing in mind the


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different organisation of DBS channels, I do not think it possible, or even necessary, to restrict at this stage the number of DBS channels in which a national newspaper could have a 20% interest. I would favour, however, ensuring that the Government retained the power to limit the number of DBS channels any one organisation could control or in which any national newspaper could have a significant stake, should the number of such channels proliferate.

The transitional arrangements referred to in the draft statement would need to ensure that the present shareholdings in BSB were not affected by these or any other cross-ownership restrictions for the length of the present BSB franchise.

If you and colleagues agree, I shall ask my officials to liaise with yours to decide the exact text for the statement.

Turning to the detail of your draft statement may I suggest three amendments:

- First, in the fourth paragraph, the words "These limits would be reciprocal" could be read incorrectly. May I suggest "These limits would also apply reciprocally to the holders of such franchises investing in groups controlling national newspapers.";
- Secondly, I should like "and the Monopolies and Mergers Commission" omitted from the end of the sixth paragraph. Mention of the MMC could be read as implying that the ITC will have the power to refer matters to the MMC. In practice, the OFT is the body which the ITC will need to consult on questions of competition and fair trading;
- Finally, in the seventh paragraph, "political authorities" should surely read "political bodies".

Subject to these comments, I am content for you to issue the statement. I am copying this letter to the Prime Minister, other members of MISC 128 and Sir Robin Butler.

*Yours
David*