



cc/pu

QUEEN ANNE'S GATE LONDON SW1H 9AT

November 1990

Ken Peter

BROADCASTING OWNERSHIP

I shall need very soon to make an Order under Schedule 2 of the new Broadcasting Act setting out supplementary rules on ownership. Among other things, these rules will spell out which combinations of Channel 3 licence areas may be held by a single person. I should welcome your views on a proposal I am considering for simplifying the approach we have hitherto envisaged.

Our basic assumption has up to now been that a single person should be allowed to own a maximum of two Channel 3 licenses, provided they were not both for large areas or for areas that were adjacent to one another. We have, however, accepted that ownership of two adjacent licences might have to be permitted if the smaller area became non-viable and only the larger neighbour was prepared to take it on.

Our proposal to bar contiguous ownership has been criticised on the basis that it rules out precisely those combinations of licences that may make most sense in terms of economies of scale. Moreover, to allow contiguous takeovers only where one licensee has clearly become non-viable not only risks creating prolonged uncertainty, but may also diminish the chances of getting a contiguous licensee to take over the ailing licence whose financial weakness will have been so publicly displayed.

We put forward this proposal originally to help to buttress the requirement on regional Channel 3 companies to show a suitable proportion of material of particular interest to their particular region. Since then, however, the regional requirements in the Bill have themselves been strengthened in a number of important respects, particularly as regards the use of facilities within the region; the provision of high quality regional news; the potential for the ITC to designate dual regions, each with its own distinctive programming; and the requirement that Scotland may not constitute a single licence area.

In these circumstances I am inclined not to proceed with a separate contiguity rule, but instead to designate rather more licence areas as "large" for the purpose of the ownership rules. We would inevitably have to designate the top six areas (Thames, LWT, Granada, Central, Yorkshire and TVS) as large. If we added to this list the areas covered by Anglia, HTV and Scottish we

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

/over...

would automatically deal with some of the combinations of ownership for which a contiguity rule would otherwise have been required (e.g. Central and Anglia), while also ruling out other combinations which might be thought equally undesirable (e.g. Granada and Scottish). In presentational terms, the somewhat reduced scope for rationalisation of ownership which would result from increasing the number of designated larger areas would be balanced by the additional flexibility flowing from the abandonment of any separate rule on contiguity.

I accept that, under this proposal, there would be a potential for those small regions - Grampian, Border, Tyne Tees and TSW - which would otherwise be protected by a contiguity rule to be taken over by a larger neighbour. But as I have indicated, we have already accepted that this might be inevitable if one of those regions became non-viable during the licence period, and in my judgment increasing the scope for "penny-farthing" arrangements of this kind at the outset offers the best guarantee of continued viability for the smaller licence areas.

I hope, in the light of these considerations, that you and colleagues will agree that the ownership rules should not include a specific bar on contiguous ownership.

Since I need to announce these proposals as quickly as possible after the beginning of the new session, I should be grateful for a reply within the next week.

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

Yours ever
ans

