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The Rt Hon David Waddington QC MP
Home Secretary
Home Office
50 Queen Anne's Gate
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27 November 1990

BROADCASTING OWNERSHIP

I have seen your letter of 21 November to Peter Lilley seeking agreement to your proposals to drop the contiguity rule and designate the top 9 licence areas (in terms of net advertising share) as large.

I note the wide range of differing views already expressed by colleagues on your proposals and I appreciate your desire to have the issue resolved quickly but I am afraid that I cannot agree to what you propose. As you would expect I am content with your proposal that 9 licence areas should be designated as large but it is your proposal to drop the contiguity rule that still poses most difficulty for me.

Recent comments in the trade press that we were considering dropping the contiguity rule have already resulted in some strong lobbying north of the Border. I have been reminded of the views expressed by David Mellor in Commons Committee that:-

"By saying that no-one may control more than 2 regional franchises, and that no-one will be allowed to control 2 large franchises, we make even clearer our commitment to prevent the system from becoming too much in thrall to one exceptionally large company.

To preserve the integrity of the system and the regional commitment, 2 viable, contiguous franchises may not be held in the same ownership."

These comments, together with similar statements made by Robin Ferrers, did much to allay the fear that the majority of the Scottish population could be served by one Channel 3 company. I cannot impress upon you strongly enough that this is a matter of great significance in Scotland and I fear that we could come under a great deal of opposition in Parliament and elsewhere if the contiguity rule was removed. There are major cultural differences between the north and central belt of Scotland and we must ensure that these differences are reflected on Channel 3. One

company holding the licence for both these areas would undoubtedly rationalise its operations and concentrate its activities in Glasgow or Edinburgh. This would result in a poorer service for viewers in the north.

I note your comment that co-ownership of the 2 main Scottish licence areas would not necessarily prevent effective competition between them to make Gaelic programmes. I find that difficult to accept. Any company with almost sole access to a fund in excess of £8 million is obviously going to be in a strong position to maximise its income from this source. It would also result in independent producers having to deal with one company to win commissions for Gaelic programmes and indeed for general programmes to be made in Scotland. This is something I feel we must prevent not only to ensure value for money from public funds but equally importantly to ensure that independent sector flourishes in Scotland and that the Gaelic viewer is provided with a broad range of high quality programmes.

I accept your view that we need to resolve this issue quickly and would suggest, therefore, that we adopt your proposals to designate 9 licence areas as large and drop the contiguity rule in all areas except Scottish and Grampian. I believe that the circumstances in Scotland are different from the rest of the UK and that we can defend taking these exceptional measures.

Copies of this letter go to the Prime Minister, other Members of MISC 128 and to Sir Robin Butler.

MALCOLM RIFKIND

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