



Prime Minister  
To be aware. Board DTI - Home Office

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CEH

appealed for No 10 intervention. But they have  
now agreed to try & sort out  
the difference of view bilaterally.

QUEEN ANNE'S GATE LONDON SW1H 9AT

28 November 1990

Dear Peter

RHP

30/11

BROADCASTING OWNERSHIP

at last

Thank you for your recent letter in reply to mine of 21 November. I have also seen Richard Ryder's letter of 26 November and Malcolm Rifkind's letter of 27 November.

I do of course fully understand your reason for wishing to see as much flexibility in ownership of Channel 3 licences as possible. But we are not starting here with a clean sheet. Our decision to allow joint ownership of two Channel 3 licences, provided they were not both large or contiguous, was itself a major departure from existing practice, and has been opposed by many commentators, particularly those who represent the smaller ITV companies. We have defused most of the earlier criticism by pointing to the substantial protection which our proposed restrictions on large and contiguous joint holdings would offer. That in itself greatly assisted the smooth handling of the Broadcasting Bill in both Houses.

If we were now to announce our intention to abandon the contiguity rule, without putting any other protection in its place, we would I believe be open to justified accusations of bad faith. Not only would we face opposition on behalf of the smallest companies, who would inevitably see themselves threatened by abandonment of the contiguity rule; we would also unite a wider regional lobby arguing on behalf of the middle size companies like Anglia, HTV and Scottish who under your proposal would see their continued independence seriously at risk. Malcolm Rifkind and David Hunt would I know be very much opposed to going down this road, as indeed would I.

You suggest that if there is significant opposition we could undertake to reconsider the issue. But I really believe that this would be to court the worst of all worlds. I have no doubt whatsoever that we would face the strongest criticism were we to proceed as you propose. If we then back down in response to pressure we will have generated suspicion and bad feeling for no good reason. Such a course would in my judgement jeopardise the subsequent Parliamentary handling of the order, which is bound in any case to be controversial because of the Murdoch dimension. I see no point at all in giving our opponents gratuitous criticism on other issues to fire at us.

The Rt Hon Peter Lilley MP  
Department of Trade and Industry  
1-19 Victoria Street  
London SW1H 0BT

/over

In his letter of 27 November Malcolm Rifkind proposes retaining a contiguity rule for Scotland alone. I appreciate his particular concerns about Grampian, but I do not think that it would be feasible to confine a contiguity rule to Scotland as he suggests. Were we to do so we would have no argument against demands from the small English regional companies for similar protection. If moreover we were both to retain a contiguity rule of general application and to designate 9 areas as large, we would have ruled out almost all the possible licence combinations which might be sought.

For these reasons I am afraid that I see no alternative but to proceed as I originally proposed and I am asking for the arranged PQ to be tabled for answer on Monday 3 December.

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

*Yours ever*  
*Jaw*



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