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// February 1988

The Rt Hon Douglas Hurd CBE QC MP  
Secretary of State for the Home Dept  
Home Office  
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*Mr BPM will be  
have to have Secretary  
emr. ||| BF*

*John Taylor*

*Rec 6 11/2*

**ITV LEVY FOR CONTRACTING EXTENSION PERIOD**

When I agreed in Autumn 1986 to your proposal to extend the existing ITV contracts so as to give time to consider properly the basis for fundamental changes to the broadcasting system, I suggested that we should not lose sight of the possibility of moving to a levy based on revenue rather than profit for the period of the ITV contract extensions.

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There is in any case a strong case for making this change in 1990, and our decision that contracts from 1993 should be awarded on the basis of tender plus revenue levy makes it all the stronger. A revenue levy will provide a better incentive on companies to be more efficient. Introducing the change in 1990 would not only bring this effect to bear sooner, but would provide potential bidders for the contracts to run from 1993 with a better basis for constructing their bids, given that they would be able to see how such a levy structure worked in practice.

Although we would not need to introduce legislation to make this change for some time - the 1989 Finance Bill would provide a suitable opportunity - we need to decide on the policy soon, as I understand that the IBA will be inviting contractors to apply for the contract extensions in the near future, and hopes to award contracts by the end of this year. I suggest, therefore, that we should invite officials to examine, as a matter of urgency, the basis on which a revenue levy which could be applied from 1990. We could consider such proposals in a future meeting of MISC 128.

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

*John Lawson*  
**NIGEL LAWSON**

BROADCASTING: Frances 143

