

5 June 1989

CCBP

C3 and C5: COMPETITIVE TENDERING

The present proposals from the Home Secretary are a distinct improvement over the last. He rejects the worst features of George Russell's proposals but they still suffer from a number of weaknesses.

(a) Quality threshold

He has attempted to strengthen the quality threshold by inserting into the positive programming requirement for C3, the expression "of high quality" - this was not in the White Paper.

Taken at face value this could mean that the ITC would have a field day policing high quality. The Home Secretary does not want this. Yet in the next paragraph he has no proposal as to how the ITC could decide on quality. Instead he has an elaborate system by which the ITC can decide on diversity (something quite different) - namely through specifying proportions of broad programme types.

But this is not quality. He needs to be pressed as to how quality will be checked. I fear it will be impossible. In which case it is better to drop the expression "of high quality" and concentrate on achieving diversity.

(b) Highest bid wins

He suggests allowing the ITC the discretion to override the highest bid for two exceptional reasons:

- the finance may be unsound or come from a political source;
- the quality of programmes offered by the lowest bidder is suspicious.

Both of these need to be rejected. If the funding is unsound eg Ulster/South Africa, this can be handled through the quality of management who raise this kind of funding. One suspects however that unsound is really a back door route for the ITC to make the kind of judgement George Russell would like to see it make - namely to judge the quality of money.

The same is true of the second reason for allowing the ITC to overturn a bid - namely that the higher quality will mean a lower price. Of course higher quality will cost more, ceteris paribus, and therefore result in a lower bid. But this puts the ITC back in the position of the IBA, in which it is the judge of quality - precisely the situation we wished to avoid.

Reject giving the ITC power to override bids.

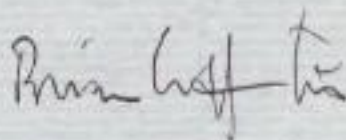
(c) Moratorium on takeovers

This is a curious proposal. From 1990-1992 takeovers will be permitted. During 1993 takeovers will not be permitted. From 1994 takeovers will once again be permitted.

It is far better to allow the market to work, within the very constrained ownership rules which we have already announced. The chances of the system being abused are extremely small.

(d) Substituting for the deaf

This is an excellent idea.

A handwritten signature in cursive script, appearing to read "Brian Griffiths".

BRIAN GRIFFITHS