



pmf  
1

Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

12 June 1989

Miss Catherine Bannister  
PS/Home Secretary  
Home Office  
50 Queen Anne's Gate  
LONDON  
SW1H 9BW

cc PS/Chief Secretary  
PS/Financial Secretary  
Sir P Middleton  
Mr Anson  
Mr Monck  
Mrs Case  
Mr I P Wilson  
Mr Parthing  
Mr Perfect  
Mr Cave  
Mr Symons  
Mrs Chaplin

*Dear Catherine,*

MISC 128: CHANNELS 3, 4 AND 5

The Chancellor has seen the draft announcement containing Ministers' decisions on the future arrangements for commercial television which the Home Secretary sent to the Prime Minister on 9 June. Subject to the points below on C4 and SC4, he is happy with the statement and agrees that an early announcement is desirable.

Although Ministers have agreed that C4 should become a public trust with a partially guaranteed income, detailed decisions have not been taken on the appropriate financial structure under which it will operate. In view of this the Chancellor believes that the description of the future arrangements in paragraph 17 should be kept to the minimum. He would therefore prefer the first two sentences to read:

"We have therefore decided that after 1993 Channel 4 should assume the status of a public trust, which would be licensed by the ITC and would continue to provide the service set out in the special remit."

So far as SC4 is concerned, the Home Secretary's proposal that the ITC should fix the level of subsidy to be paid as a first charge on the annual payments for C3 and 5 licences raises issues of public expenditure and Parliamentary accountability which are already under discussion with the Treasury but which have yet to be satisfactorily resolved. The Chancellor would therefore prefer to omit all references to the SC4 arrangements at this stage. However, if the Home Secretary judges this impossible, the statement should say no more than that the Government has decided that SC4 should be funded directly through the ITC. Similar



amendments will be needed to the letter to the Home Affairs Committee.

Treasury officials have also suggested the cash bonds posted by applicants be retained to pay the costs of clearing the airwaves for Channel 5. Until these discussions are concluded the Chancellor would prefer to see deleted the suggestion that cash bonds will be returned to unsuccessful applicants.

... I enclose a note of some further smaller drafting changes. In the time available it has not been possible for Treasury officials to discuss these with yours but they would be happy to do so.

The Chancellor was otherwise content with the draft letter to John Wheeler.

I am copying this letter to the Private Secretaries of members of MISC 128 and Sir Robin Butler.

*Yours sincerely,  
Duncan Sparkes*

DUNCAN SPARKES  
Assistant Private Secretary

BROADCASTING STATEMENT: PROPOSED AMENDMENTS

Para 4, third sentence: omit "and to reduce the risk of overbidding".

Para 4, fourth sentence: replace "with assistance from a merchant bank" by "after consulting the Secretary of State".

Para 5, last sentence: omit "a proportion of the", substitute "this".

Para 16, second sentence: omit "and rising costs".

Para 16, third sentence: amend to read "a private company could...".