

A *up*

Treasury Chambers, Parliament Street, SW1P 3AG
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19 June 1989

Paul Gray Esq
Private Secretary
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*Dear Paul*MISC 128: CHANNELS 3, 4 AND 5 2

Thank you for your letter of 14 June to Duncan Sparkes about the suggestion (in his letter of 12 June to Catherine Bannister) that there might be circumstances in which cash bonds would not be returned to unsuccessful applicants for franchises on Channel 3 and 5.

The thinking behind the proposals was this. Before Channel 5 can start test transmissions in 1992 - and full scale broadcasting in 1993 - we will need to clear existing users from the part of the spectrum on which it will transmit, UHF channels 35 and 37.

At the moment, this part of the spectrum is used extensively by video cassette recorders and home computers. Although it seems likely that it will be possible to find alternative channels to which these activities can be moved, the process of conversion will be expensive, given the millions of VCRs and home computers now in use. Officials are still working on the likely scale of the task but a total bill in the area of £100 million is by no means inconceivable. The question which then arises is who pays.

If we make the task the responsibility of the successful bidder for the Channel 5 franchise it may well be that the cost of clearing the spectrum is more than the franchise is worth. At the very least, it would certainly have a severely depressing effect on the market for the Channel 5 franchise.

What Treasury officials have been considering, therefore, is the possibility of charging a non-returnable fee for all those seeking franchises on Channel 3 or Channel 5, the proceeds from which could then be used to finance the necessary spectrum clearance. Given that we can probably expect up to 100 applicants for the



18 franchises available on both channels, an entry fee of less than £1 million would go along way towards solving the problem.

Needless to say, the Chancellor recognises that there may be well be a better solution. But none has so far been discovered, and he therefore attaches importance to this option being kept open whilst other ways of dealing with the problem are being sought.

I am sending copies of this letter to the Private Secretaries to the Members of Misc 128 and to Sir Robin Butler.

Yours truly

A handwritten signature in dark ink, appearing to read 'J M G Taylor'.

J M G TAYLOR
Private Secretary

Bloodcasting Play PE 8

