EAMAXO CONFIDENTIAL

PRIME MINISTER

FINANCING OF CHANNEL 5

When the Home Secretary announced the outcome of the broadcasting package for Channel 3 last month, you questioned the Treasury's proposal that cash bonds for unsuccessful applicants for Channel 3 franchises should not be returned. The Treasury argued that these bonds might be used to finance the costs of setting up Channel 5. You said this would be a new policy to which you saw major objections.

The further Treasury letter at Flag A explains the thinking behind their proposal. The problem is that there will be a massive bill - possibly £100 million - to be paid for clearing the spectrum to make room for Channel 5. As Brian Griffiths' note (Flag B) brings out, some way has to be found of meeting this bill. But Brian points to the difficulties with the Treasury idea. He suggests that you should invite the DTI (who have also written in criticising the Treasury idea - Flag C) to come forward with alternative proposals for financing the Channel 5 costs.

Content? Yes - we can have a major new proposal through the back door in this Bill. It would be depending applicants of their means.

PAUL GRAY
29 June 1989

CONFIDENTIAL