



COB
 Any PU comments?
 BJA 1 By Friday.

Prime Minister

EXTENSION OF ITV CONTRACTS

In response to my minute of 30 July, you and other colleagues on MISC 128 agreed to my proposal to limit the next round of ITV contracts to 2 years to keep open options for change in the contract system generally. QL agreed to the inclusion of this provision in a short Bill which colleagues had earlier approved on the extension of the contract period for direct broadcasting by satellite (DBS). The purpose of this minute is to invite you and colleagues to agree that the limitation on new ITV contracts should be extended to 3 years, rather than the 2 originally proposed. The contracts are due to run from 1 January 1990.

Our decision to opt for a 2 year limit reflected my view that this would be sufficient both for us to give statutory effect to changes to the contract system we decided to introduce and for the IBA to implement new arrangements. The IBA was initially opposed to any extension of the present contracts. It now accepts that an extension would be sensible, and will provide an opportunity for proper consideration not only of the relevant Peacock recommendations, including subscription, but also of the proposals which the IBA has itself recently sent me and made public for "a better way" of managing the ITV contracts system. The IBA has, however, strongly argued that the extension should be 4 years, rather than the 2 I originally proposed. The Authority believes that this would enable a more realistic assessment to be made of the impact of DBS on the broadcasting scene, and that it would provide a more stable basis for future planning and investment in, for example, the new broadcasting technology that will be available.

/The Independent

The Independent Television Companies Association (ITCA) — of course!
have strongly supported the IBA's representations.

I do not believe that a 4 year extension would be justified. In the context of DBS, an additional period of 2 years is unlikely to be decisive. I now believe, however, that a 3 year extension would be safer than 2. If we proceed with major broadcasting legislation in the next Parliament we need to allow ourselves enough time to prepare thoroughly and carry through provisions which are bound to be controversial. We do not want to be constrained by the deadline of expiring ITV contracts, bearing in mind the lead time that the IBA will need to bring in any new contractual arrangements. A 3 year extension would also have the advantage of making the handling of this Session's short Bill very much easier. Both the IBA and ITCA would settle for 3 years, and we could expect no opposition from that quarter to the Bill's passage through Parliament.

I should be grateful to know that you and colleagues are content with this revised approach. It will not delay the introduction of the Bill, which I am inviting L Committee to approve as early as possible.

I am copying this minute to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade and Industry and the Chief Whip, and also to Sir Robert Armstrong.

Douglas Hurd.

12 November 1986

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