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Thank you for your minute of 29 October about the BBC's revised proposal for a World TV News service. I have also seen the minute from the Prime Minister's Private Secretary to yours.

2. You fairly point out that the BBC's latest proposal is more realistic and cost conscious than its predecessor; that the proposed service would be run on commercial lines; that a Government contribution would be essentially for pump-priming; that you would find such a contribution from within existing resources; and that you are not excluding the possibility of funding distribution of the ITN service to poorer countries. This adds up to a considerable advance on the previous proposal. I am nevertheless not entirely convinced that the approach suggested in your minute fully meets the objectives discussed at our meeting on 24 March, or that ITN will not regard it as undermining the competitive position of their daily 30 minute news programme "ITN World News". It was not clear from your minute whether the BBC had satisfied you that the proposed service could not from the outset stand on its own commercial feet. If it could, then the BBC should borrow or attract equity capital to set it up, rather than relying on Government support. On the assumption that it could not, the approach which we favoured when we met was that the Government should seek to get the best buy - whether the supplier was the BBC, ITN or anyone else - for services for whichever developing countries we had in mind. I accept that we do not start with a level playing field, but pump-priming a BBC service is likely to be seen by others as discriminating in the BBC's favour in advance, notwithstanding that the

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money involved is not new money. I was not clear from your minute on what basis you would see a BBC service as a good buy in comparison with current and potential competing services. I am naturally ready to join in a further discussion if that would help.

3. On a secondary point, my officials have registered with yours a Home Office interest in any questions of sponsorship to which the BBC proposal might give rise. I understand that the BBC proposal envisages their revenue as coming primarily from sale of the service to its buyers, and that it is silent about whether sponsorship is envisaged. The BBC have indicated that they will be putting proposals to me about sponsorship on BBC 1 and BBC 2, and my concern is simply that we should be able to take account of any sponsorship proposals which may surface on the external side, bearing in mind that present restrictions on sponsorship could not be relaxed without amending the BBC's Licence and Agreement.

4. I am copying this minute to the Prime Minister, Nigel Lawson, David Young and Kenneth Clarke.

Dy - Hnd

10 November 1987

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