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QUEEN ANNE'S GATE LONDON SW1H 9AT

3 February 1988

Dear Michael Darlow,

Thank you for your letter of 8 December and for your letter of 11 January to Tim Renton. You also wrote in similar terms to Ministerial colleagues. I am grateful to you for keeping us in touch with developments, and I am replying for us all.

We were naturally disappointed at the news of the breakdown in negotiations with the ITV Association, especially as shortly thereafter there was the welcome news of the conclusion of your terms of trade with the BBC.

As I understand it, the ITV Association is committed, with the IBA, to achieving the Government's 25% target by 1993. The issue concerns the business arrangements under which these programmes are being and are to be commissioned. The Government is not of course a party to these arrangements. We nevertheless have a close interest in them; as you rightly indicate, our aim in setting the 25% target was to encourage the early development of a fair and competitive market for the supply of television programmes.

It is clearly important that the terms on which commissions are offered are fair, having regard to the nature of the product and market conditions. The guidelines for the commissioning of programmes published by the IBA last year were intended to make it easier to achieve this. The guidelines were broadly welcomed by all concerned. The IBA remains committed to them, and to reviewing ITV commissions against them.

As you will know, competition law already provides machinery for examining complaints of the abuse of market power. Independent producers or their Associations on their behalf might therefore consider bringing any concerns about specific commissions to the attention of the Director General of Fair Trading. His responsibility for keeping competition under review means that he may wish to take an interest in general developments in this area.

More recently, and against the background of the commitments to which I have referred, the IBA has as you will know suggested that the Authority should determine a financial framework for resolution of the outstanding issues. The Authority has been in

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touch with the parties about the possibilities of making progress on this basis. While I would not wish to rule out means by which the Government might monitor progress or even legislation at a later stage, I believe that the IBA's initiative is a constructive step, to which I hope both the ITV Association and your Committee will feel able to respond in a positive way. We shall keep in close touch with developments, and I was glad that Tim Renton had a chance to discuss these matters with you when you and he met on 25 January.

I am sending a copy of this letter to David McCall on behalf of the ITV Association and to Lord Thomson.

Yours,

Douglas Hurd.

