QUEEN ANNE'S GATE LONDON SW1H 9AT

29 August 1990

N. b. P.M.
BHP
30/8

Dear Francis,

Thank you for your letter of 8 August. I am grateful for your agreement that ED Department should be included in the privatisation. My officials will monitor the position carefully to check that it remains viable.

I do not accept your comments about my PES bids for start-up loans for the ITC in 1991-92 and 1992-93. The fact that the viability of ED Department does not depend on the success of my PES bids does not imply that the ITC will not need a start-up loan. This inference would be valid only if, as Peter Lilley appeared to assume in his letter of 6 July, the sole or predominant purpose of the loan was to finance the ITC's R&D expenditure. But as I explained in my letter of 8 August, and as you now accept, this is not the case. The main purpose of the loan is to help finance other aspects of the ITC's expenditure too.

The fact that I acknowledged in my letter of 26 July that non-R&D expenditure would have to be cut if my PES bid was unsuccessful does not imply that I would regard such cuts as acceptable. They would not be. During 1991 and 1992 the ITC will have two roles: it will have transitional responsibilities for the contracts and licences inherited from the IBA and the Cable Authority; and it will be preparing for the award of the new Channels 3 and 5 and local delivery licences. The former role will be financed from inherited contract rentals and licence fees. The costs of the latter will in due course be recovered from the new licensees. But interim financing will be needed until revenue is available from that source. Hence the need for a start-up loan. I cannot therefore agree to withdraw my PES bid.

I am copying this letter to the Prime Minister, to other members of MISC 128, and to Sir Robin Butler.

Yours ever,

The Hon Francis Maude MP
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Rec'd Apr 12