



the department for Enterprise

CONFIDENTIAL

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon David Waddington QC MP
Secretary of State for the
Home Department
Home Office
Queen Anne's Gate
LONDON SW1H 9AT

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 01 215 5622

Our ref PB2AHD

Your ref

Date 7 February 1990

NRB

BR16

41

Scary David

I read with interest David Mellor's letter in the "Times" of 31 January about the arrangements for the award of ITC licences for Channels 3 and 5.

David rightly points out that under the provisions of the Bill any licence applicant will have to give details of its present and future financial position in order for the ITC to decide whether or not the applicant would be able to maintain the service throughout the licence period. It would seem to follow from this that the ITC will, in effect, know how much each applicant has tendered. What concerns me is how we can then ensure that the assessment of the quality of the applications remains separate from any final decision in respect of their price. At one extreme one could imagine the ITC being able to use the applicants' financial information to set the height of the quality hurdle for any particular franchise in such a way as to ensure that the highest bid was not considered despite it being of good quality.

As I am sure you will agree, this was not the intention behind including financial information in the quality hurdle stage of the franchising process. I would be interested in your view as to how you see the quality and price stages working in practice and how such a situation as the one outlined above could be avoided. If it is not, I think the ITC will have much more discretion than MISC 128 had envisaged it should be given. There may also be a risk that the allocation process would become as opaque as the present system - just what our proposals for a tender process were designed to avoid.

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

James

Amos



Recycled Paper

BROADCASTING: POLICE PTIO