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Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon David Waddington QC MP
 Home Secretary
 Home Office
 50 Queen Anne's Gate
 London
 SW1H 9AT

9th March 1990

Dear David

BROADCASTING BILL

Thank you for your letter of 5 March. I have since seen the record of your discussion with the Prime Minister on 6 March and David Mellor's statement for use in Committee yesterday.

2. I was somewhat reassured to see that in your view there is "no question of extending the discretion which the Bill already gives the ITC" and also that the changes would have little substantive effect on the new regime. I hope that you can also assure us that any new powers in the Bill will be drafted in a way which will make it absolutely clear to licence bidders that:

(i) the normal basis of allocation will be a monetary bid once the common quality hurdle has been surmounted; and

(ii) that the ITC's use of the "exceptional circumstances" provision on quality grounds will remain exceptional.

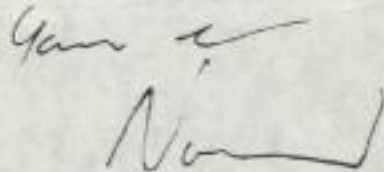
3. The first of these points seems to me to rule out the extension of the high quality test to each programme type. I was pleased to see that you are already reconsidering. It would radically change the nature of the auction process and subsequent ITC monitoring. On the second point, I support the point you made to the Prime Minister about the need to ensure that the onus is clearly on the ITC to justify their use of the exceptional circumstance provision.

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4. I believe both these points are important if we are to avoid confusion about the rules of the game among those who might bid for licences. There are already signs that the changes we are contemplating are being interpreted as retreat from our attempt - for which in the short-term Channel 3 is the flagship - to create a more open and competitive industry. My impression is that this concern is being reinforced by the appointments which have so far been made to the ITC. They are all seen as "old guard" appointees whose experience of broadcasting is rooted in the current discretionary regime. I hope that the remaining appointments you have in mind will signal strongly our commitment to a more competitive framework within which the ITC will exercise its light touch regulatory powers.

5. I am copying this letter to the Prime Minister, other members of MISC 128, Kenneth Baker, Malcolm Rifkind, Peter Brooke and Sir Robin Butler.

A handwritten signature in black ink, appearing to read "Norman Lamont", written over a faint circular stamp.

NORMAN LAMONT

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