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PRIME MINISTER

13 June 1990

When the issue came up in the Commons Mr Mello was agreed to resist conceding a moratorium. Lord Faversham fears the Govt will lose in the Lords. Mr Waddington wants to take your mind, either just before or just after Cabinet. It is surely too soon to think about capitulating. Better a defeat in the Lords which is overturned in the Commons.

MORATORIUM ON TAKE-OVERS

AT 13/6

This is a proposal which is being strongly canvassed by the ITV companies.

The companies have always had serious reservations about our reforms and would frankly have preferred no change. Accepting that change was inevitable they have dragged their feet on every aspect of the Bill - the quality hurdle, the 25% quota for independents, hanging on to ownership of ITN, the process of auctioning, the networking arrangements (the big five), and so on.

The proposal for a moratorium should be resisted for two reasons:

First, the Government has made major concessions to the existing franchise holders in terms of the quality threshold: the change in the Bill is very much to their advantage. When you agreed to this, you did so knowing that they would face competitive pressure from take-overs. You said at the time that you agreed to the Home Secretary's proposals for raising the quality thresholds on the condition that competition would be extended through a change in the procedure on take-overs.

Second, the timing for a moratorium makes no sense. The IBA has agreed to take-overs before the Act comes into effect ie from later this year until the end of 1991. Then we would have a moratorium for a year. And then from 1 January 1993 take-overs would again be permitted. We need to encourage

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