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Broadcasting



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My dear Prime Minister

I had a talk with the Chancellor immediately before Christmas about the possibility of altering the basis of the levy on the independent television companies.

We agreed that the Broadcasting Bill and the fourth channel should go ahead even though there would be a reduction in levy when the fourth channel came into operation. We agreed that the levy system as it stands at present is unsatisfactory, that a better method ought to be devised, but that it would not be right to go back to the expenditure based levy, which was abandoned only five years ago. We also agreed that it would not be right to attempt to strengthen and elaborate the power to surcharge companies which spend excessively because this would involve officials passing verdicts on business judgments and getting involved in questions of programme content, which is neither practical nor desirable.

The Chancellor raised the possibility of levying a tax on the I.B.A. which the I.B.A. would then pass on to the companies. This would be accompanied by a reduction in the present rate of levy. It is clear that such a tax would take time to devise and that it would involve taking new powers. If we were to seek to take these in the Bill it would mean delaying its introduction, would cause great controversy and would delay the passage of the Bill in a way which would be unacceptable to our Parliamentary timetable. Nor would this be a good time to attempt to change the system itself radically - just when we are seeking to place increased responsibilities on the companies in relation to the fourth channel.

In all the circumstances, I think that the best time to tackle the subject would be when the new franchises have been allotted and the Bill is through Parliament. We can consider in the meantime what sort of change might be appropriate and what might be the best vehicle for making it. At the same time, however, I would think it right to give a firm warning at the time the Bill is published, or, perhaps better, during the Second Reading debate, that the operation of the levy has been causing concern and will be kept under review.

You know that advertising interests have been lobbying against the Government's decision that advertising on the fourth channel should be sold by the I.T.V. companies, and that they have support from some of our backbenchers who would like to see competitive advertising on the channel. On the other hand, H Committee agreed

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/that...

The Rt. Hon. Margaret Thatcher, M.P.

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that competitive advertising was incompatible with the sort of complementary channel we want and this is a view held by many of our backbenchers who are interested in the subject. I hope that in these circumstances you will agree that planning for the Bill which should be ready for introduction around the end of the month, should proceed on the agreed basis.

The I.B.A. have been in consultation with the advertising interests to discuss safeguards to prevent the imposition of arbitrary conditions. It has been suggested, for example, that there should be no conditions relating the sale of I.T.V. air time to the sale of the fourth channel air time; that there should be no linked discounts between the two channels; and that separate rate cards should be published for the two channels. The Authority would be prepared to set up an I.B.A. Advertising Liaison Committee on which senior representatives of the advertisers could discuss problems of mutual concern with the I.T.V. companies.

I am copying this letter to the Chancellor of the Exchequer.

Gus
Luther

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