

PART 2

28/27

CONFIDENTIAL FILING

SEMINAR ON BROADCASTING TECHNOLOGY
AND GOVERNMENT POLICY, 21 SEPTEMBER
1987.
FOLLOW-UP ACTION.

BROADCASTING

PART 1: MARCH 1987

PART 2: SEPT. 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
28.9.87							
22.10.87							
9.11.87							
20.11.87							
7.7.88							
14.7.88							
3.7.89							

PREM 19/2596



cf
to file

file MRN
co Ho

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

3 August 1989

Dear Mr. Darlow,

Thank you for your further letter of 11 July about the independent production initiative.

I can recognise the strength of your feelings on this issue but, as I pointed out in my earlier letter, it was made clear from the outset that news and news related material were to be excluded from the quota, and I explained why that decision had been taken.

As you know, the Home Office is continuing to have discussions with the broadcasters about the implementation of the initiative, and I know they will bear your representations in mind. Indeed I understand you are shortly to have a meeting with the Minister of State about this.

We have no intention of allowing the broadcasters to sidestep the requirements of the initiative.

Yours sincerely

Raymond Staiter

Michael Darlow, Esq.

—
Kw

From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

28 July 1989

Dear Caroline

Thank you for your letter of 17 July requesting a draft reply to Michael Darlow's further letter of 11 July to the Prime Minister about the 25% independent production initiative for television.

There is not much more that can usefully be said at this stage. Mr Darlow clearly remains unhappy at the exclusion of news and similar programmes from the initiative, but he has known all along that such an exclusion would apply, and he is aware of the reasons for it. It is a little disingenuous of him to suggest now that this undermines the spirit of the initiative.

Mr Darlow is to see Mr Renton on 31 July to discuss IPPA's reservations about the intentions of the broadcasters to carry out the 25% initiative. That will provide a further opportunity for him to put these and other concerns to Ministers.

... I enclose a draft reply.

*Yours
Catherine*

MISS C J BANNISTER

Ms Caroline Slocock
Private Secretary
10 Downing Street

DRAFT LETTER TO:

Michael Darlow Esq
Independent Access Steering Committee
The Production Centre
5th Floor, Threeways House
40/44 Clipstone Street
LONDON W1P 7EA

(7)

MEMA/B

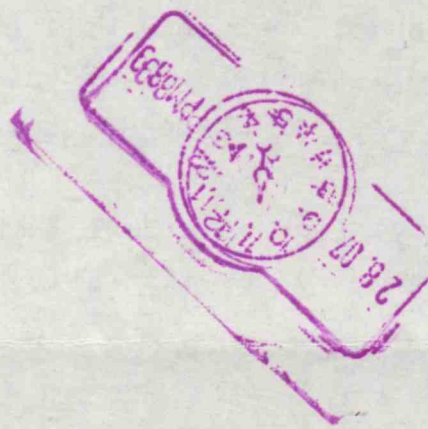
For signature by the Prime Minister

Thank you for your further letter of 11 July about the independent production initiative.

I can recognise the strength of your feelings on this issue but, as I pointed out in my earlier letter, it was made clear from the outset that news and news related material were to be excluded from the quota, and I explained why that decision had been taken.

As you know, the Home Office is continuing to have discussions with the broadcasters about the implementation of the initiative, and I know they will bear your representations in mind. Indeed I understand you are shortly to have a meeting with the Minister of State about this.

We have no intention of allowing the broadcasters to sidestep the requirements of the initiative.



Michael DARLOW
3/7



96
126

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

Ad 17 July 1989

I enclose a copy of a letter which the Prime Minister has received from Mr Michael Darlow.

I should be grateful if you would let me have a draft reply for the Prime Minister's signature, to reach this office by Monday, 31 July.

CAROLINE SLOCOCK

Peter Storr Esq
Home Office

Handwritten signature

INDEPENDENT ACCESS
STEERING COMMITTEE

The Production Centre, 5th floor, Threeways House,
40/44 Clipstone Street, London W1P 7EA
Tel: 01-323 3220 Telex: 266075 Prodco - G Fax: 01-637 2590

13/7

PS

Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1A 2AA

11 July 1989

Dear Prime Minister

INDEPENDENT TELEVISION PRODUCERS

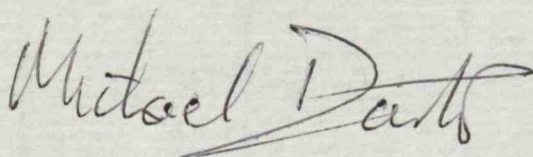
Thank you very much for your letter of 10 July. The producers that I represent will be very pleased to know that you are determined to see that the Government 25% independent production initiative is implemented by the broadcasters, both as to the letter and the spirit, and that you have decided to make the 25% target a statutory requirement.

The importance of establishing clear guidelines over the practical issues which you outline has become even clearer during the last week. We have obtained figures which show that for ITV, the news programme exclusion removes no less than 44.5% of original television output, thus reducing the 25% target figure to less than 14%, making something of a mockery of the Government initiative. Further, these figures show that whilst new output on ITV increased by 200 hours last year, all of it is accounted for by ITN.

On the BBC side, the interpretation of the hours excluding news has the effect of reducing the 25% target to 17.5%, again undermining the initiative to introduce effective competition into programme supply.

So while independent producers will be heartened by your determination to make the initiative a success, we remain wary of the broadcasters and their capacity to sidestep the very healthy challenge to their inefficiency provided by your Government's 25% policy.

Yours sincerely



Michael Darlow



THE BRITISH FILM
& TELEVISION PRODUCERS
ASSOCIATION LIMITED



SL2AVN



atto

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

10 July 1989

Dear Mr. Darlow,

Thank you for your letter of 7 June about the 25 per cent independent production initiative.

As you know, we made it clear when the initiative was announced last year that news and news-related items were to be excluded from the 25 per cent quota. News gathering requires a large central resource, is very expensive to gather and raises issues of editorial control requiring a more integrated approach. As a result it would have been difficult to include a requirement to cover such programmes in the independent production initiative.

I note your concern about the possible use of this exclusion to obfuscate progress towards the 25 per cent target. We are determined to see that the initiative is implemented, both as to the letter and as to the spirit. The Home Office is discussing with broadcasters and representatives of the independent production sector, such as yourself, a number of practical issues which need to be settled. These include clear guidelines as to what is original television output, when a producer is independent (which encompasses questions of ownership by broadcasters and ITV franchise holders), what constitutes a firm commission, what sort of programmes should be counted, the degree of aggregation between different companies and categories of programme and how co-productions should be dealt with. Both

2

the BBC and IBA are committed to achieving the 25 per cent target of original output from independent producers by the end of 1992. Ministers will keep a close eye on progress towards the target, and we have decided to make the 25 per cent a statutory requirement in forthcoming legislation. The BBC have an interim target of 600 hours by the end of 1990 and the IBA 500 hours by the end of 1989. I entirely share your concern that this initiative should be a success.

Yours sincerely

Margaret Thatcher

Michael Darlow, Esq.

R4/7

PPS. CF ?



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

3 July 1989

Dear Paul,

not

Thank you for your letter of 8 June requesting a draft reply to Michael Darlow's letter of 7 June to the Prime Minister about the 25% independent production initiative for television. I am sorry for the delay in replying, pending the outcome of the MISC 128 discussion of the 25% initiative.

Mr Darlow is the Head of Access Negotiations for the Independent Programme Producers Association (IPPA). He has made a number of representations to Home Office Ministers and officials during the past year, expressing concern about progress towards the 25% target by the BBC and IBA and the validity of their figures for independent production hours. He has been assured of the government's determination that both the letter and spirit of the initiative should be implemented, and told about the steps being taken to ensure that independent production is properly defined and monitored.

There is in fact no confusion about the exclusion of news and similar programmes from the initiative - it was made clear in the original announcement - and the draft takes the opportunity to put the record straight on this.

Celia Boyle

CELIA BOYLE
Assistant Private Secretary

Paul Gray, Esq
Private Secretary
10 Downing Street
LONDON, SW1A 2AA

Draft letter for signature by the Prime Minister to:

Michael Darlow, Esq
Independent Access Steering Committee
The Production Centre
5th Floor
Threeways House
40/44 Clipstone Street
LONDON, W1P 7EA

GR
Re Home to PM.
P.

Stearn

Thank you for your letter of 7 June about the 25% independent production initiative.

As you know, we made it clear when the initiative was announced last year that news and news-related items were to be excluded from the 25% quota. News gathering requires a large central resource, is very expensive to gather, and raises issues of editorial control requiring a more integrated approach. ~~such~~ ^{As a result} ~~that~~ it would have been difficult to include a requirement to cover such programmes in the independent production initiative.

I note your concern about the possible use of this exclusion to obfuscate progress towards the 25% target. We are determined to see that the initiative is implemented, both as to the letter and as to the spirit. ~~You will know that~~ the Home Office is discussing with broadcasters and ~~with~~ representatives of the independent production sector, such as yourself, a number of practical issues which need to be settled. These include clear guidelines as to what is original television output, when a producer is independent (which encompasses questions of ownership by broadcasters and ITV franchise holders), what constitutes a

/firm commission,

firm commission, what sort of programmes should be counted, the degree of aggregation between different companies and categories of programme and how co-productions should be dealt with. Both the BBC and IBA are committed to achieving the 25% target of original output from independent producers by the end of 1992. *Ministers will keep a close eye on* ~~and are co-operating in providing information to enable progress towards the target to be measured. Ministers will keep a close eye on this progress.~~ *ad w* We have decided to make the 25% a statutory requirement in forthcoming legislation. The BBC have an interim target of 600 hours by the end of 1990 and the IBA 500 hours by the end of 1989. I entirely share your concern that this initiative should be a success.

BROADCASTING: Summer #2



M

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

A/ 8 June 1989

I attach a copy of a letter which the Prime Minister has received from Michael Darlow.

I should be grateful if you could provide a draft reply, for the Prime Minister's signature, to reach me by 22 June.

PAUL GRAY

Colin Walters, Esq.,
Home Office

L

**INDEPENDENT ACCESS
STEERING COMMITTEE**

The Production Centre, 5th floor, Threeways House,
40/44 Clipstone Street, London W1P 7EA
Tel: 01-323 3220 Telex: 266075 Prodco - G Fax: 01-637 2590

The Right Honourable Margaret Thatcher, FRS, MP
10 Downing Street
London SW1

June 7, 1989

Dear Prime Minister,

INDEPENDENT TELEVISION PRODUCERS

Your Government has set the BBC and ITV companies the target of commissioning 25% of original material from independent producers and the recent White Paper says that the broadcasters are committed to achieving this target by the end of 1992. However, I have recently received a letter from John Major, Chief Secretary to the Treasury, in which he says "national news and news-related programming" is explicitly excluded from the Government's target.

Independent producers are deeply concerned that this exclusion is being used by the broadcasters, and possibly some officials in government departments, to create confusion about the total number of hours represented by the 25% target and seriously undermine the intention of your Government's 25% access policy, especially in the case of the BBC.

25% of BBC original output is approximately 2,500 hours. The BBC has so far announced its intention of commissioning only 600 hours by March 1991 and I understand (although the Corporation has not been so inept as to announce this publicly) only intends to commission between 900 and 1200 hours from independents by 1992.

When I and my colleagues campaigned for independent producers to provide 25% of original television output within five years, rather than the 40% over ten years proposed in the Peacock Committee Report, we did so with the intention that this, while a compromise, was a target attainable by the broadcasters which was nevertheless sufficient to introduce genuine competition into the supply of television programmes. Because this target remained sufficient to introduce the discipline of the market place into the field of television production it would provide an impetus to force the broadcasters to overhaul their inefficient, overstaffed, bureaucratic and molly-coddled production organisations, thus providing a better and more cost effective service to the public. In announcing the Government's 25% target in November 1986 the Home Secretary specifically referred to the campaign mounted by the independent producers.

continued/...



THE BRITISH FILM
& TELEVISION PRODUCERS
ASSOCIATION LIMITED



Even if news related programming is excluded (amounting to 1,000-2,000 hours of total BBC original output) we believe that it is vital that the full 25% target is achieved, even if this means the BBC commissioning compensatory numbers of hours in other programme categories.

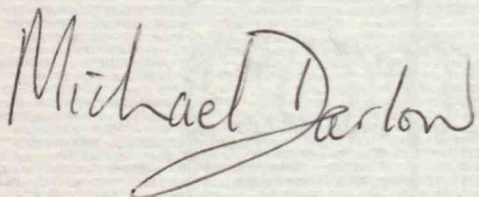
I fear that the broadcasters, and some officials, may, by arguments about the minutiae of hours and exclusions be attempting to bamboozle the Government and hijack the access policy.

I remember that during the Downing Street seminar you said that you did not want to see the little boys, by which I (and most others) took you to mean the independents, bullied by the big boys. In the matter of achieving fair contracts with broadcasters some of the producers whom I represent have had to put up with a good deal of bullying. However, in the matter of achieving a genuine 25% of independent production on BBC and ITV we may be facing the biggest and most effective piece of bullying of all.

Meeting record at flat

16

Yours sincerely



Michael Darlow

BROADCASTING: Seminars

PT2

CONFIDENTIAL

PRIME MINISTER

14 July 1988

Broadcasting Seminar: Review of the Issues

Last Monday Douglas Hurd held a broadcasting seminar at which David Young, Tim Renton and various officials and advisers were present.

The purpose of the seminar was to stake out the common ground between the Home Office and the DTI on broadcasting policy, preparatory to the Home Secretary drawing up proposals for the meeting of MISC 128 on 28th July. From the Home Secretary's point of view this meeting is crucial: he hopes that decisions taken at it will form the basis for the White Paper, which can then be drafted over the summer and issued in the autumn.

The seminar was an extremely useful occasion; and the spirit in which the meeting was conducted was excellent. What was most impressive was the commitment to face up to change, without throwing out the baby with the bath water. It was in marked contrast to the prevailing spirit a year ago and I believe reflects in large measure your highly successful seminar of last September.

The following were the major issues raised.

1. Reform of Commercial Television

The issues previously discussed in MISC 128 include the levy, competitive tendering for franchises, the possible redrawing of the ITV map, the IBA transmission system, C4,

CONFIDENTIAL

CONFIDENTIAL

ITN, the future of the IBA and the public service broadcasting requirements appropriate to the ITV companies in a more competitive world.

(a) The future of public service broadcasting requirements

One issue raised was the public service obligation appropriate to the ITV companies after 1992. This will be a period of much greater competition, with the increased competition coming from an extra terrestrial channel(s), satellite, cable and MVDS. The reduced advertising revenue will make it very difficult for the ITV companies to maintain their existing requirements.

The main thrust of the discussion was:

(i) there would be a continuing case for some form of public service broadcasting, even in the more competitive environment of the 1990s;

(ii) there was some discussion as to whether this should take the form of an Arts Council of the Air or whether it should be provided through C4 (and the BBC): in general the latter alternative was preferable with C4 continuing to be funded by advertising revenue.

(My own view is that while these arrangements could work well during the transition from the existing duopoly to a competitive system, when the commercial sector is really competitive, it is highly doubtful if C4 will be able to finance itself given its existing remit: the length of the transition remains uncertain:)

CONFIDENTIAL

CONFIDENTIAL

(iii) the likely public service requirements on the ITV companies as well as Channel 5 and any Channel 6 would be:

- a requirement to show a defined amount of regional programming;
- a requirement to show a minimum of news and current affairs;
- a requirement that 25% of output be from independent producers;
- an internal diversity requirement, similar to that for national commercial radio

(iv) if ITV companies operate within this much lighter regulatory regime, it was argued that the output of ITV will most probably include more quiz shows, soaps and old films than at present: Because BBC competes with ITV for audience share, the BBC will be under pressure to go down market as well. This raises the issue of public service broadcasting obligations of C4 and BBC should be made more explicit. However, it also raises the issue as to whether this prediction is correct. Evidence from America suggests that when subscription is introduced, there will be an increase in the diversity of programmes.

(b) Method of allocating franchises

Because of the lack of transparency in the existing method of allocating franchises, MISC 128 has provisionally agreed to move to auctions in which franchises are issued to the highest bidder, subject to (a) the applicants successfully meeting certain quality

CONFIDENTIAL

requirements, (b) their being subject to an additional taxation in the form of a levy.

Since this decision was taken (which is similar to one of Peacock's recommendations) most people have had second thoughts but for very different reasons:-

(i) the problem of ensuring that the companies adhere to the quality hurdles;

(ii) the problem, towards the end of a franchise, in which an existing ITV company which has failed to win the franchise for another term, and will inevitably be under a strong financial incentive to milk the system.

(iii) company A might secure a franchise by bidding £1 more than company B, even though its programme plans are inferior, providing it just scraped over the quality hurdle;

(iv) the existing proposal still implies heavy discretionary regulation by the IBA.

Everyone accepted the need to relax takeover restrictions for TV companies. Given this, the drift of the discussion was to offer fixed term licences but subject to periodic performance reviews (such as Australia and Canada) and with a presumption of continuity rather than a major upheaval towards the end of the period.

(c) Future of the IBA

All thought that the IBA was a wholly inappropriate body to regulate commercial television in this new

world. The light touch regulation which is proposed, suggests that the IBA should be replaced by a new Independent Television Authority (which might also include the Cable Authority).

2. Additional Programme Services

The major issues discussed so far have been additional terrestrial Channels (5 and 6), satellite (BSB, Astra etc), cable, MVDS, and the rising cost of TV advertising.

David Young withdrew his proposal to move BBC2 and C4 to DBS.

The main points which arose in discussion were that:

- (a) Channel 5 should be introduced as soon as possible (1st January 1993) and the two remaining DBS channels should be auctioned as soon as the moratorium ends (end 1992): this would have a beneficial impact on advertising rates;
- (b) further work was needed on the future of MVDS: environmental considerations needed to be taken into account but should not perhaps be decisive on their own; one possibility suggested for MVDS was as a means of providing local TV services (e.g. TV Brighton could be an experiment); some cable operators wished to use MVDS for trunking, others for pull-through; it was important to achieve maximum competition in the provision of programme services.

In summing-up the Home Secretary said that enabling provisions were needed in legislation rather than

CONFIDENTIAL

specific proposals which set existing technology in concrete.

Conclusion

Rapid and fundamental change is taking place in the broadcasting industry regardless of government policy. The task facing the government is to set the framework for broadcasting in a way which encourages change rather than either defending existing structures ~~and~~^{or} conceding to the advancing competition only when it has to.

As a result the White Paper should emphasise:

- (a) a lighter regulatory touch for ITV than at present;
- (b) an amended form of auctioning with a more explicit and objective quality test;
- (c) a replacement of the IBA;
- (d) Channel 5 and two new DBS channels by 1993;
- (e) proposals for cable and MVDS which create a more level playing field.

BG

BRIAN GRIFFITHS

CONFIDENTIAL

PA

To those attending

HOME OFFICE/DTI BROADCASTING SEMINAR: 11 JULY 1988

The Home Secretary sees this as a small and informal seminar. There will be no formal seminar papers, but attached are

- a list of those attending (Annex A)
- an annotated agenda (Annex B)

2. The seminar will be held at the "Romans" Hotel, Little London Road, Silchester, Nr Reading, RG7 2PN (Tel 0734-700421). It will begin at 11.00 am and end at 3.00 pm. There will be coffee on arrival and a buffet lunch.

3. The "Romans" is equidistant from the M3 and the M4 (map at Annex C) and six miles from Basingstoke station. There are trains from Waterloo to Basingstoke at 9.10 (arrives 9.56) and 9.45 (arrives 10.30). At least 15 minutes should be allowed for the taxi journey.

4. The contact point for any queries about the arrangements (eg conference facilities, dietary requirements, travel difficulties) is David Cooke in the Home Office Broadcasting Department (01-273-2264). It would be helpful if he could be notified of any changes in the attendance list.

Secretariat
Home Office
6 July 1988

<wk>D/Nt/HO/DTI/Bg/Sem/11788

HOME OFFICE/DTI SEMINAR ON BROADCASTING: 11 JULY 1988

Attendance List

Home Office (10)

Home Secretary and Private Secretary

Mr Renton

Mr Heathcoat-Amory

Mr Lidington

Sir Clive Whitmore

Mr Hyde

Mr Thomas

Mr Sibson

Mr Cooke (Secretary)

DTI (8)

Lord Young

Sir Jeffrey Sterling

Mr Lough

Mr MacDonald

Mr Nieduszynski

3 other DTI officials

Others (4)

Financial Secretary

Mrs Case, HMT

Professor Griffiths, No 10

Mr Langdon, Cabinet Office

TOTAL: 22

HOME OFFICE/DTI SEMINAR ON BROADCASTING, 11 JULY 1988

Annotated agenda

The meeting might concentrate on the four main issues below, but not work through the detailed issues in turn.

1. Additional programme services

Relevant issues are:

(a) The technological/capacity options (cable, DBS, other Direct-to-Home satellite services, MVDS, UHF C5/C6?, Night Hours); and whether the Government should favour any particular technologies.

(b) Reactions to possibility of delivering BBC 2 and Channel 4 by satellite.

(c) The role of Government; establishing ground rules? Picking winners; providing a route map?

(d) Regulatory regime - which channels/services should be subject to public service obligations, positive programming obligations or a light touch?

(e) The programme production sector: Is the Government confident that the system can finance it. Can it generate material of the right amount and quality? Or is this a matter which should be left to the market in any case?

(f) Transmission arrangements and vertical integration.

2. Financing television

Relevant issues are:

Scope for a fully competitive consumer market; Peacock analysis. Scope for downward pressure on advertising rates; balance between advertising and subscription; should Government or the market decide whether advertising or subscription be used to finance individual new services? Implications of Council of Europe Convention and EC Directive.

3. Reform of commercial television

Relevant issues are:

(a) Future of ITV (C3). A highly regulated nationally networked component of public service broadcasting, made up of IBA contractors; or licensees with a free hand? Competitive tendering for ITV franchises; increase or decrease in the number of ITV franchises

(b) Continuation of positive programming obligations; consumer protection; regional programmes; news.

(c) Regulation; original programme productions; and role of independent producers.

(d) Relationship to additional services, particularly C5 (distinct regimes or a level playing field).

(e) C4's constitution; financing; remit; relationship to C3.

(f) Implications for possible merger of IBA and Cable Authority.

4. Nature of the Reform Package and how it can be presented

What are the selling points?

CONFIDENTIAL

Consumer choice;

enhancing quality, range and diversity;

building strength and diversity of domestic television production;

greater efficiency and competition at all levels;

subscription as a new source of finance and the route to a competitive market.

<mc>Sub/Mawer/HO/DTI/Bg/Sem/11/7/Enc

HOW TO FIND US **ANNEX C**

FROM M3

Leave M3 at Junction 6.

Proceed around Basingstoke Bypass in a Northerly and then Westerly direction following signs for A340, Aldermaston, Tadley and District Hospital.

Leave Bypass and proceed up A340 for approximately 3½ miles until Queens College Arms, which is on the left.

Turn right here.

In ⅔ mile turn left.

Proceed through Little London and after three miles you will see ROMANS on your left.

FROM M4 – JUNCTION 11

At Junction 11 turn on to the A33 (signposted Basingstoke).

After 0.5 miles, turn right at roundabout (signposted Grazeley and Mortimer).

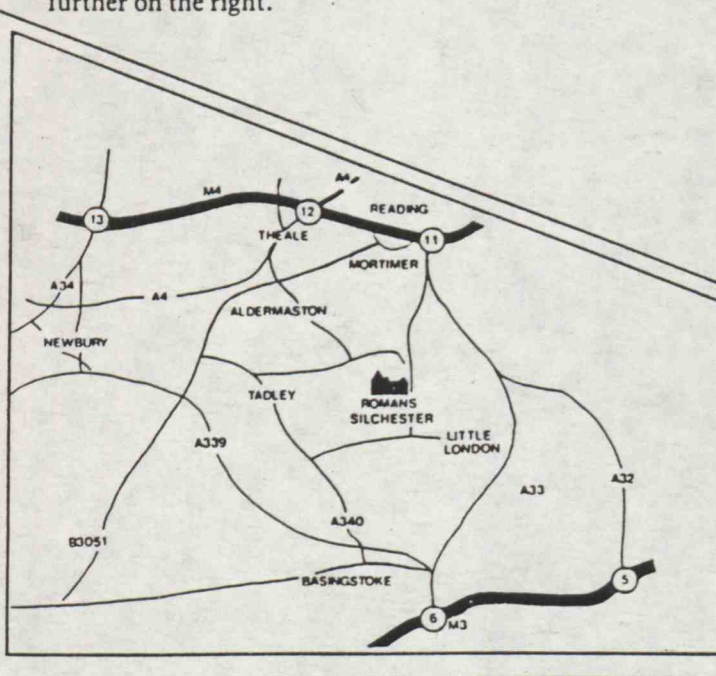
At Junction after 3.7 miles bear right to Mortimer (passing Fox and Horn Pub) for 1.1 miles to Mortimer Church.

Turn left at Church (signposted Silchester) and proceed for 1.2 miles (passing the Turners Arms).

Turn left at T junction (signposted Silchester) into Silchester (1.3 miles).

In Silchester, turn left (signposted Little London).

Pass the Calleva Arms and ROMANS is 100 yards further on the right.





Vb

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 November 1987

Thank you very much for your letter of 18 November to my colleague Mark Addison. I know that the Prime Minister will be very interested to see the paper you enclosed, and am most grateful to you for having taken the trouble to send it in.

P. A. BEARPARK

Patrick Cox, Esq.

DS



cc/BG

6TH FLOOR, SWAN HOUSE, 17-19 STRATFORD PLACE, LONDON W1N 9AF. TEL. 01-493 1166 TLX. 266943 FAX. 01-636 3163

Mark Addison Esq
10 Downing Street
LONDON
SW1A 2AA

18 November 1987

Our Ref: PC/mjb

Dear Mr Addison

Further to your letter to me of 8 September, I am pleased to inform you that we were fully briefed on the Prime Minister's seminar by one of our Board members, Mr John Jackson, who attended the meeting.

at flap on part 1

I gather, however, that little time was given to the discussion of the negotiations currently being undertaken by the Home Office on the Council of Europe's Draft Convention on Broadcasting. Certain articles in the present Draft would effectively make the operation of Pan-European channels like Sky economically unviable.

I was therefore most interested to hear the opinions of the Luxembourg Prime Minister on this matter at the recent Admap Symposium on European broadcasting which was held in Luxembourg at the beginning of the month. In the event that this document should not have reached you through the normal channels, I am taking the liberty of forwarding you the enclosed copy.

Yours sincerely

A handwritten signature in blue ink that reads "P. Cox".

Patrick Cox
Deputy Chairman and Chief Executive

Enc

SATELLITE TELEVISION PLC

HEAD OFFICE: 31-36 FOLEY ST., LONDON W1P 7LB. TEL. 01-636 4077 TLX. 268395 FAX. 01-499 1656
REGISTERED ADDRESS P.O. BOX 7, 200 GRAY'S INN ROAD, LONDON WC1X 8EZ 01-837 1234 REGISTERED NUMBER 1518707 ENGLAND VAT REG NO. 440 6274 67

FIRST EUROPEAN TELEVISION SYMPOSIUM

Luxembourg, November 4-7th, 1987

Address by Jacques SANTER
Prime Minister of Luxembourg

Ladies and Gentlemen,

it is a real pleasure for me to address this audience on behalf of the Government of Luxembourg. I don't know the reasons which let you to meet in this country, but I hope your decision was made partly because of Luxembourg's reputation in offering a positive working climate and a real chance to private enterprise in the field of audio-visual media and of satellites.

Luxembourg indeed decided nearly sixty years ago not to have a public sector or Government run broadcasting system, but rather to licence a private company financing its programmes by advertising revenues. Over time

- 2 -

the activities of "Compagnie Luxembourgeoise de Télédiffusion", operating the programmes known as "RTL / Radio Télé Luxembourg", became a very profitable export industry.

Those of you coming from the United Kingdom remember perhaps the times when RTL was the most popular radio programme in Britain. Today the french speaking radio station has by far the most important audience of all programmes in France; and in Germany the radio programmes of RTL remain Number One among all private stations.

In television, the terrestrial signal from Luxembourg initially allowed us only a very limited access to neighbouring countries. But in Belgium the RTL-TVI programme, made in cooperation with the daily newspapers of french expression, is carried by all cable systems in Wallonia and Brussels, and it recently was granted the monopoly for carrying commercial advertising, at the expense of its rival, the public sector network. In Germany the

RTL-PLUS television programme, operated in conjunction with the Bertelsman group and major newspapers, reaches via a Luxembourgish transponder on the Eutelsat satellite about two million households connected to the cable systems. A few weeks ago RTL-PLUS took its competitors by surprise with the early start of the first breakfast TV programme for Germany. And in France CLT continues to broadcast its regional programme RTL-TELEVISION and holds simultaneously a 25 percent stake in the new "M6" network.

With the expectation of major changes in the audio-visual landscape in Europe, Luxembourg was anxious, already a number of years ago, to secure its market share and seize the new opportunities for expansion. Ten years ago the Government encouraged the private sector to invest in the latest space technology for satellite transmission of television programmes. "Société Européenne des Satellites", created in 1985 and owned by well known investors from all over Europe, is today in the

position to offer the television community of our continent for late 1988 the satellite with the finest European coverage. When we initiated this project in 1983, we attracted a tremendous hostility from various countries, and our project was called a "paper satellite". In the spring of this year, our P&T administration secured the registration of the necessary frequencies and the orbital position at the International Telecommunications Union in Geneva, and more recently my Government was able to reach an agreement with Eutelsat, once the strongest opponent to our project.

It is not my job to convince you about the technical and other merits of the ASTRA system. The trade press as well as the international newspapers have been full of praise for the ASTRA opportunity, and I have nothing to add to the judgements of the professionals.

I am convinced that ASTRA represents a chance for Europe, for the new television programmes relying on satellites and cable, for the manufacturers of reception equipment, for the audio-visual production, for the advertising business, but more importantly for the European public and the programme choice offered to it, and finally for the economic and political integration of our nations and the improvement of their mutual understanding.

You may be aware of the fact that all opinion polls show the Luxembourgers as the strongest supporters of the unification of Europe. One reason might be that for centuries we have suffered from invasions and foreign domination by various European states, but an other reason is certainly the fact that nearly everybody in Luxembourg is able to chose from between 15 and 20 different European TV programmes.

This leads me, Ladies and Gentlemen, to use the present opportunity to speak up against

some recent developments in Europe, and more particularly against the present content of the convention the Council of Europe is drafting with respect to the barriers impending the free flow of television programmes in Europe. Three weeks ago the Secretary General of the Council of Europe paid me a visit, and I spent about halve an hour to explain to him our position about this matter.

I want you to share my concern regarding these developments. I may stress from the outset that Luxembourg always accepted the idea of a Europeanwide harmonization of cross-border television, because our experience is that a successful programme can never ignore the fundamental sensitivities of the receiving countries. But it is in our opinion, on the other hand, indispensable that such a minimal regulation assures to all complying programmes the guaranty of a free entrance into all European countries.

What seems to be now the likely outcome of

the Strassbourg working group is not "Television without Frontiers", but rather "Frontiers for Television". The present draft tries to impose on all crossborder programmes a set of restrictions, but leaves the receiving countries more or less free to discriminate against foreign programmes, even complying with the standarts, and to object to their entrance both for reasons mentioned or not mentioned in the convention. Let's be frank: a treaty of this kind would not dismantle any barrier, but on the contrary would provide an international legitimation to the protectionism and further discriminations.

If the draft is implemented as it stands now, the activities of targeted foreign programmes which Luxembourg has developed for over 55 years - in the respect of the spirit of good neighbourhood - will suddenly become an unlawful undertaking, unless we get a formal prior consent of the receiving countries. This simple fact illustrates better than a long speech the perversion of this project.

This question is, by no means, in accordance to the Unique Act decided in december 1985 by the European Summit, the meeting of the heads of States and Governments of the Community. Haven't we decided less than a year ago to set up by 1992 a single market in Europe for all goods and services, and to dismantle all technical and regulatory obstacles acting as protectionist barriers? Do the diplomates and civil servants of the twelve EC countries present in Strassbourg simply ignore the Community legislation and the binding commitments of their Governments? Luxembourg has signed the Helsinki agreement assuring the free flow of information in Europe, and we are not ready to accept a convention giving a restrictive understanding of this freedom, just in order to protect the comfort of public broadcasters in a given country or some other particular interest.

There will always exist arguments in favor of protectionism. But if a country tries to stop the import of foreign cars by referring to

traffic accidents, something is wrong. The right way is to design together international standards for the safety of new cars, and to have them implemented in the imported cars. Once these cars comply with the norm, any difference in treatment is clearly a discrimination. The same should apply to cross-border television. I can't accept the principle that the restrictions to be imposed shouldn't give any right to those who comply.

I want you to know how isolated Luxembourg - which represents only one tenth of one percent of the population of Europe - has been until now in the Council of Europe discussions, until now I am astonished about the behaviour of the other European Governments and their commitment to the great internal market. What is at stake is the emergence and the mere survival of private television for Europe as a whole, since in all countries - with the notable exception of the U.K. and Italy - the private television operators are all directly threatened by the competition of the very strong public sector broadcasters.

You must of course not care about the selfish interest of Luxembourg's export sector, but you should recognize that for the first time in recent history European Governments are about to decide an agreement going against the spirit of European integration and unification and against the free choice of both the business community and the citizens of Europe.



PS/
Secretary of State for Trade and Industry

CCB 9

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

09 November 1987

David Norgrove Esq
Private Secretary
10 Downing Street
London SW1

NBRN.

Dear David

My Secretary of State had a follow-up discussion with John Jackson following the Prime Minister's seminar on 21 September. Mr Jackson has since sent in a paper summarising his views, which he intends to use as the basis of an address to the Cable Television Association later this month.

Lord Young thought the Prime Minister and MISC 128 colleagues would be interested to see a copy of this paper, and one is enclosed.

I am sending copies of this letter and its enclosure to the Private Secretaries to other members of MISC 128 and to Sir Robert Armstrong.

Yours

Jeremy Godfrey

JEREMY GODFREY
Private Secretary

JG7ABY

UK TELEVISION BROADCASTING

A FRAMEWORK FOR THE NEXT TWENTY YEARS

1. We have an opportunity in the UK to accelerate the development of a vigorous and successful broadcasting industry which will employ people, move out into world markets and provide greater individual choice for the public. The opportunity lies in both hardware* and software/programmes**.

2. The opportunity is there because of:-

A growing and exciting enterprise culture in the country as a whole which is releasing a flood of previously frustrated creative energy.

and

New technological developments which make possible new and additional ways of creating, transmitting and storing visual images.

and

A substantial acceleration in the growth of expendible income devoted to leisure and entertainment.

All these will encourage broadcasters to adopt the new technologies and compete in an expanding market place, if they are permitted to do so.

* studio and production equipment, transmission equipment, encryption equipment, reception equipment (including satellite and MMDS reception equipment and decoders) and hardware connected with subscription management systems

** all material on tape or film suitable for showing on TV or for recording including, in particular, new forms of programming made possible by advances in the technology of creating computer generated images as well as management software connected with subscription and pay per view.

3. For the opportunity to be taken to the greatest possible extent, a framework is needed which will permit vigorous competition and stimulate a continuing dialogue between technological advance and commercial possibilities.

To a considerable extent, broadcasters will always use a limited national resource - e.g. the radio spectrum or the right to dig up roads in Birmingham. So there are public interest aspects in addition to those raised by the public service broadcasting question and the need to protect the public in the areas of violence, obscenity etc. The framework must reflect these aspects also in a way which admits open public accountability.

The competition which is needed will take place between broadcasters using competing transmission and storage systems, for two different sources of income (advertising/sponsorship and subscription/pay per view) and by offering choice to the consumer.

It is essential that the framework allows this interplay between market forces and technological advance to work unhindered. It must not assume in advance that one technology will dominate others or that the public will necessarily prefer "free" television over that available on a subscription or pay per view basis.

The technologies which are available make possible competition between broadcasters using UHF terrestrial broadcasting, direct broadcasting by satellite, cable systems linked by and with MMDS (which will be fed increasingly by low/medium power satellites as well as by locally produced programming) and storage systems such as video tape and video disc. All these have distinct advantages and disadvantages for the consumer and would find their own level in the market.

4. There has been much comment on the question of spectrum scarcity in relation to UHF terrestrial television. We have got ourselves into a position in the UK in which, in marked contrast to other countries, we only have four terrestrial TV channels. This is partly because of the policy of "universality" but it is partly because of a conspiracy of silence. The conspiracy has been there because we have no profit making enterprises having to make their way in the world by exploiting the radio spectrum for TV purposes directly or indirectly by doing business with people who want to operate in that spectrum. The IBA establishment at Crawley Court with its mown lawns and elegant fountains, taken by itself or together with the matching BBC establishments, certainly does not constitute an entrepreneurial organisation.

In considering the framework needed, a clear case can be made for removing from the BBC and IBA responsibility for investing in and providing TV transmission facilities. We could have instead a new corporation, which could be "privatised", with the task of making transmission facilities available to broadcasters on a commercial basis, e.g. by making a leasing charge - possibly linked to income or profit. This corporation would have a starting position in UHF terrestrial broadcasting but could be expanded to embrace the new transmission technologies. Such a corporation could purchase BSB's satellites from it and lease back three transponders. That would go a long way to unlock the future position on the two DBS frequencies still unallocated. It could invest in cable and MMDS systems and lease them to broadcasters. This might assist the growth of cable/MMDS significantly. The corporation might also be able to negotiate access to BT's conduits. BT is using a priceless national resource. Should it be allowed to sit on all the eggs in a mindless monopolistic way or should it be forced to share with others the advantage it has inherited as a matter of historical accident? Of course, DBS and cable/MMDS broadcasters could invest in their own transmission systems if they wished or lease them from others. The transmission corporation would probably have to be based on an initial monopoly of UHF terrestrial transmission capability, but that monopoly need not last

for ever. Talking of monopolies, why should BT and Mercury have an exclusive position in relation to satellite up linking etc? One can also envisage the transmission corporation competing or enabling competition with BT and Mercury in other areas concerned with the transfer of video information and it could also stimulate competition with them in the general field of telephony and information transfer.

5. The two sources of income that broadcasters will be competing for are advertising/sponsorship and subscription/per pay view - leaving aside straight sale to consumers of stored images, (video tape and video discs). Another reason we are sitting with a stunted broadcasting industry now is that there has been a monopoly of access to the advertising market. It is essential that this monopoly is broken and that no similar monopoly is created in the case of subscription/pay per view. Pay per view may become a very important activity in future in view of probable demographic change and the continuing associated decline in cinema audiences. A monopoly of access to the subscription market would extend automatically to pay per view and could lead in turn to the denial of access for other broadcasters to certain material, eg. feature films, sporting events etc. As competition and choice increases there seems to be no reason to deny the ITV

companies and their successors, as well as the BBC, access to the subscription market.

6. It is important that broadcasters using different transmitting systems be enabled to compete fairly and freely for access to programming material. This is one of the reasons that the "must carry" rule should be abolished in its totality and that no one, including the BBC, should be allowed to purchase national events such as the Cup Final or the Derby on an exclusive basis. The purchase of particular rights, e.g. cable rights in addition to broadcasting rights with the intention of withdrawing them from the market is an obnoxious practice, particularly when used by a monopolist. "A tyrant is a giant who uses a giant's strength."

Moreover, in order to stimulate the development of the programme making industry, there must be competition between programme makers for the custom of the broadcasters and limitations placed on the ability of large individual broadcasters to lock up access to the screen by producing too much material for themselves or on a swap basis with other broadcasters. The bigger the "franchise" the broadcaster has, the more easy it is for him to create (and justify) his own vertical monopoly. In the case of the BBC, this can be dealt with by legislation but there is also a case for avoiding this by

increasing significantly the number of commercial franchises available and, thereby, reducing the individual size of those franchises. Cable/MMDS presents no problem in this respect - indeed it should thrive on a multiplicity of local systems - and there is likely to be external competition in the case of direct broadcasting by satellite. It is in the case of terrestrial UHF systems that action could be taken and the number of franchises increased substantially both by geographical division and also by time division. There seems to be no reason, for example, why the franchise area presently occupied by my old friends at Central, should not be divided between both East and West Midlands and by weekday, weekend and night time. Some will say that such an approach would destroy a national ITV service on a networked basis. It is not clear why that should be the case - networking would have to be organised in a different and more transparent way. Channel 4 has demonstrated one way to run a national service with access to a multiplicity of production facilities. The creation of a common strand to be used by a large number of regional broadcasters should not present too serious an organisational problem and normal market mechanisms would take care of the question of price - the larger his potential audience and its value the more a broadcaster would pay for programme material. Householders in small "poor" areas would not be deprived of material to the benefit of householders in large "rich" areas. The funding of a national news service like ITN does not

depend on having a few large shareholders/customers - many small shareholders/customers will do as well. And so far as regional programming is concerned, the small ITV companies seem to put up a good show and independent producers will be happy to compete in this field also if the demand is there.

7. There is the question of public service broadcasting, whatever the agreed meaning of that may be from time to time. At the moment we have in the BBC two national (or virtually national) television channels, massively funded by the licence fee. It is possible that the generally accepted boundaries of public service broadcasting will narrow over time as technology and competition increases the choice available to the public. And the willingness of the public to pay large sums of money on a taxation basis for a shrinking service may decrease. However, these things will happen slowly and now that the question of the level of the licence fee has been settled for the time being, no harm can come of allowing the BBC time to adapt to the changes which will develop over a considerable period. Indeed a heavily funded BBC conscious of "public service" and competing for audience attention should be an important part of the answer to fears about a decline in standards as more competition is permitted. Not enough is made of this. People who point gloomily to the US and Italy should remember the role the BBC could and should play.

The case of Channel 4 is different. Its present remit is defined in terms, broadly speaking, of what others do not do. It is not possible to "privatise" directly or indirectly a body with such a remit and it is questionable whether any broadcaster with such a remit can last for long with any form of "natural" life. This must be a matter of public policy. If it is desired to maintain Channel 4 in its present form, in the context of public service broadcasting, in addition to two BBC channels, then that can probably only be achieved by maintaining Channel 4 in some way as it is now, i.e. as an artificial adjunct to regional broadcasters using the UHF terrestrial system. In that case, should there be a fifth terrestrial channel to compete for advertising and subscription income? If such a situation was not seen as desirable - and one can ask what BBC2 should be doing - then Channel 4 could become the basis of a commercial national service in full competition with everyone else and subject to the full rigours of competition. It would then have to adopt a positive remit and judge for itself whether or not to go for a niche market. In that case, perhaps a fifth terrestrial channel would be unnecessary.

8. In any industry competition is encouraged by making it as easy as possible for new entrants to come in and, of course, existing participants to move out. Of course, public policy demands that limited national resources are made available in a fair way which reflects the general

interest, but there seems to be no sensible argument against awarding franchises on the basis of competitive tender. Tendering would obviate the need for the levy and the distorting evils which go with it. The price tendered would, of course, reflect any rent payable to the transmitting corporation. Tenderers would have to produce evidence of their financial strength and there could be rules dealing with the question of the nationality of broadcasters and the extent of permitted involvement in broadcasting. The regulating body (see post) could have power to disenfranchise and declare persons and corporations ineligible for involvement in broadcasting. These safeguards should remove objections to the direct or indirect acquisition of franchises from franchisees.

9. There remains the question of regulation. At present we have positive (thou shalt) regulation. This is the justification for maintaining the legislative fiction of the IBA as "broadcaster". A competitive environment only admits of negative (thou shalt not) regulation. "Thou shalt" must be looked after by the publicly funded BBC with its public service remit and, perhaps, also by that artificial corporation Channel 4. Negative self regulation is likely to work imperfectly for a number of reasons. The lack of adequate sanctions is one of them. There seems little alternative therefore to self regulation underpinned by a regulatory body separate from the broadcasters and with the power to impose sanctions

in the case of the broadcasting of obscene material or other material which is generally agreed to be unacceptable in terms of public policy. The sanctions could be penal and, as already indicated, could include suitable measures to disqualify people or companies from future involvement in broadcasting. All broadcasters, including the BBC, would be treated alike for this purpose and would be subject to exactly the same rules. So far as material coming from overseas is concerned, probably delivered by satellite, there is no problem with prevention in the case of re-broadcasting by cable/MMDS or by UHF terrestrial systems. In the case of DBS reception, if the overseas material imported is illegal, then no subscription would be collectable in practical terms and, if it was financed by advertising, it could be made an offense for an advertiser to purchase and use air time on a channel carrying noxious material. This regulatory body could also underpin a system of self regulation with regard to advertisements and their content.

10. Sketched out above is a framework which rests on three bodies. A commercially oriented profit making transmission company, a non-profit making franchising body, (with, perhaps, some grip over minimum technical standards) operating openly, publicly accountable and

selling franchises by tender and a regulatory body underpinning a system of self regulation whose remit could also cover stored material, video tape, video discs and advertisements. Within this framework all broadcasters, including the BBC, to a considerable degree, would operate in competition with one another. The proposal involves an immediate removal of the BBC's transmitting role (and a gradual but significant change in its role as a broadcaster), the immediate abolition of the IBA and of the Cable Authority and a re-allocation of those of their activities which are still useful. The franchising body looks very like a re-born and enlarged Cable Authority.

These changes could be brought about relatively easily. There are two factors which would assist in this. The broadcasting industry could be a rapidly expanding industry and expanding industries easily accommodate change. Secondly, it is an industry in which many of the people employed are very "mobile". It might be necessary to have an "implementing" commission which organised the change from the present situation to the new system within a timescale laid down by Parliament.

J.B.H. JACKSON

28 October 1987

CONFIDENTIAL

vc



C LPD
HAT
WO
eol
DTI
CWO
Co.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 October 1987

Sir Ian Trethowan

The Home Secretary and other members of MISC 128 may be interested to see the note enclosed which has been sent to the Prime Minister by Sir Ian Trethowan.

I am copying this letter and enclosure to the Private Secretaries to members of MISC 128 and to Sir Robert Armstrong.

(DAVID NORGROVE)

Philip Mawer, Esq.,
Home Office.

CONFIDENTIAL

mm



NC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 October 1987

Thank you for your note to the Prime
Minister of 22 October. I am sure she
will be interested to see this.

(DAVID NORGROVE)

Sir Ian Trethowan



Thames Television PLC
306 Euston Road London NW1 3BB
Telephone 01-387 9494

010
CCB9
CCB1

From the Chairman

22 October 1987

STRICTLY CONFIDENTIAL

Rt Hon Margaret Thatcher FRS MP
10 Downing Street
London
SW1A 2AA

Dear Prime Minister

At the end of the Seminar on 21 September you very kindly offered to consider any further thoughts the participants might have. I realise you must have many much more weighty matters before you, but I am taking the liberty of sending you a note on certain issues which arose and one which surprisingly did not.

Yours sincerely

Laurence

NOTE BY SIR IAN TRETOWAN

We tend to use the word "standards" in two different senses:

Minimum standards - trying to ensure that all programmes, however trivial, do not fall below certain minimum standards with regard to violence, explicit sex and bad language.

High standards - trying to ensure that the programme services achieve high standards in both range and quality.

Domestically, it is presumably hoped that the preservation of minimum standards will be ensured through the Broadcasting Standards Council. If so, the Council will need to be armed with an effective, continuous monitoring system.

Internationally, the problem is more complex. I recently attended an European conference at Strasbourg to consider how to control trans-border satellite services. In varying degrees all countries had the same objective: - to maximise choice but to preserve standards.

There was general support for the proposed Council of European convention, (less for the EEC draft directive), always provided that it is supported by an efficient monitoring system.

In fact, some of the satellites will have built-in safeguards. The Astra satellite, for instance, in which Thames has a shareholding, is owned by the Luxembourg Government, and their lease includes requirements on taste and standards similar to those laid down by own IBA.

How to secure high standards is less obvious. With the proliferation of advertising - supported channels over the next two years, pessimists forecast a decline in standards in the commercial sector. My own view is that the new satellite channels will bring in innovation, particularly when targetting specific interest groups. Of the existing ITV companies I can only speak for Thames, but while we do not underestimate the coming pressures of competition, we believe we can maintain standards and satisfy our shareholders.

The one certain area where high standards can be assumed is in the one financially protected area, the BBC. I am afraid I believe strongly that the BBC should continue to be financed by a licence fee, and that BBC1 should be allowed to offer a general entertainment service to satisfy all the licence payers.

BBC2, however, should leave snooker, athletics and the like to BBC1 and provide a cultural and minority service of the highest quality. Such a service could not be commercially viable

and so would be a justification for the licence fee. This service, could, I believe, become a Television equivalent of the Third Programme, quite distinct from the more general channel, and earning, I am sure, great international distinction.

ITN

Various proposals are being made for the future of ITN. I must declare my strong prejudice in its favour: I came into TV through ITN 30 years ago, I hired David Nicholas as a young sub-editor, and I believe that ITN represents the single most beneficial effect of breaking the BBC's monopoly.

But ITN is having to adapt itself to wider commercial opportunities. One possibility would be to sell it off to outside shareholders. If this were felt to put its editorial independence too much at risk, then it could remain owned by the ITV companies, but as a Holding Company, with two subsidiaries - one to provide the existing news service to ITN, the other to take over all the present and prospective commercial activities. The Board of this second subsidiary could be reinforced by outsiders with commercial backgrounds. The opportunities are there. For instance, the only 24 hour TV news service available in Britain is the American CNN. ITN could match that, and should be encouraged to do so, provided it could be made financially viable.

PROGRAMME PRODUCTION

It would be difficult to exaggerate the value of the development of independent production. As Richard Dunn explained in his earlier note, the emergence of a viable independent sector has been one of the two main weapons in forcing the TV unions to accept more sensible manning levels. (The other weapon, of course, has been the Government's trade union legislation).

The independent producers have also brought in a number of fresh, creative ideas, and will continue to do so. The proposal to introduce a statutory quota of 25%, however, apart from being difficult to define, could well prove counter-productive. With such a guaranteed market, the independent producers are tempted to form their own cartel, and in turn become the prey of stronger union demands.

Everyone accepts that ITV's monopoly of TV advertising creates an artificial market, but that is not cured by superimposing another artificial market on top of it. The way to deal with a monopoly is to abolish it, and this is now inexorably happening. The satellite development of the next two years will create such a widening of choice that by 1990/1 the problem will be not how to deal with a monopoly of advertising but how to secure enough advertising to finance all the channels which will then be available.

The problem will not be whether the independent producers have a sufficient place in the sun, but whether there are enough of them to provide all the programmes that will be needed.

The scenario depends, of course, on the satellites working, and the Government might be advised to arm itself with some machinery for continuously monitoring the rapidly changing scene, either by extending the remit of the BSC, or by setting up a separate representative advisory group on the lines of the Seminar.

FRANCHISES

I was surprised this was not mentioned at the seminar. No one much likes the present system. It is like a cross between Miss World and Mastermind, conducted in the secrecy of a papal conclave. Lord Thomson said soon after the last round that a better way should be found.

The fact that neither he nor anyone else has so far succeeded is the measure of the difficulty. A straight auctioning of the franchises would inevitably lead to some of them falling into the hands of very rich men ready to pay almost anything, however uneconomic, to secure such power and personal aggrandisement.

It is this risk which has led to the proposal of a two-tier system: an initial sifting by the IBA, and then some form of auction amongst those deemed worthy of a franchise.

But even then, there is bound to be an element of subjective judgement. When one is hiring builders to mend the roof of a house, one does not necessarily choose the lowest tender, but rather the one which offers the best balance of price and reliability. After their disastrous initial experiences with LWT and TV-AM, the IBA is bound to look cautiously at all submissions, however attractive the financial offers might be.

If one wants to safeguard standards, it may be necessary to fall back on something like the existing system, but it could perhaps be made more viable, and could specifically include the negotiation of an annual rental.

21.10.1987

010

BS



Thames Television PLC

306-316 Euston Road
London NW1 3BB
Telephone 01-387 9494

28 September 1987

Rt Hon Margaret Thatcher FRS MP
10 Downing Street
London SW1A 2AA

Dear Prime Minister,

Following last week's seminar on broadcasting, my Chairman, Sir Ian Trethowan, told me it might be helpful to you if I set out the Thames experience of dealing with problems of rising costs, restrictive practices, and union militancy.

I have done so as briefly as I can, and I do hope you will be able to find time to read the attached report.

*Yours sincerely,
Richard Dunn*

RICHARD DUNN
Managing Director

Enc

Grams Thamestel London NW1
Telex 22816

Registered Address
306-316 Euston Road London NW1 3BB
Registration number 926655
Place of registration England



Thames Television
International Limited

ITV RESTRICTIVE PRACTICES

During the sixties and seventies our four staff unions - ACTT, BETA, EEPTU and NUJ - achieved inflationary national pay deals and built up local restrictive practices whenever managements were prepared to buy peace.

THAMES STRATEGY

In July 1983, my Board agreed a very detailed "Strategy for Cost Effective Production" to reverse the tide. Crucially, it decided that "we should continue to take strong action to reduce manning and improve working practices without fear of the consequences of industrial action." With that Board backing, Thames took on ACTT in its own power-base, leading inevitably to two major transmission strikes in Autumn 1984. By successfully resisting the first, we broke a web of restrictive practices in our transmission centre; the second, over a sectional claim, led to our management service.

"FORT EUSTON," THE 1984 THAMES MANAGEMENT SERVICE

"This is totally unprecedented in the history of ITV's industrial relations," said ACTT's Alan Sapper when 45 managers put Thames back on air on 22 October 1984. "Thames is the first company to try to break the 'tyranny' of control of the screens by ACTT," said the Financial Times the next day. "If the company succeeds ... it will be a serious blow to ACTT's power throughout the network."

The two-week Thames management service shattered the myth that a blank screen was an ultimate weapon in union hands. When 1,000 ACTT members came back to work on management's terms, the Daily Telegraph described it as "another victory for the Thames management in its determination to introduce more profitable modes of operation and reduce manning levels" and the Financial Times concluded "the company has ... pioneered an historic breakthrough in ITV labour relations which will echo round the network for years." Since then, ITV unions have won nothing while losing restrictive practices in droves.

National pay awards in the last three years have been 6%, 5.5% and 5%, each without substantive concessions and each below the Industrial Services Sector average. The 1985 settlement at 6% was critical. ACTT, always the leading union, and sore after its defeats, balloted its members for recommended strike action. The companies refused to budge, and the strike call was rejected. Reporting on the ballot, the Financial Times said, "Last year's dispute at Thames TV where the management put out a service without the ACTT appears to have been a turning-point."

OTHER FACTORS

It would be wrong to claim the 1984 Thames management service as the only turning-point. Other factors inducing a fundamental shift included 1) new legislation, especially on ballotting and secondary picketing, 2) progress made by other ITV companies, 3) Channel 4's creation of a competitive independent production industry, 4) the change in union attitudes during the miners' strike, and later as a result of the News International dispute.

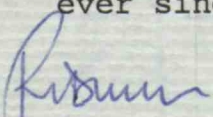
ACTION AT THAMES TO CUT RESTRICTIVE PRACTICES

1. Since 1984, we have not lost a day's production or an hour's transmission, and have resisted every sectional claim except those concerned with equal pay.
2. In our Euston transmission centre, the hub of ITV's weekday networking, we have a) reduced staff by 10%, b) regained management's right to roster to need, c) drastically reduced overtime and various 'old Spanish customs', d) eliminated the demarcation between film and tape engineers, e) reduced the minimum crew from 32 to 5, f) as a result, in this one area, produced savings of some £500,000 per annum.
3. Having solved that minimum crew problem, Thames then cracked the notorious "golden hours" provisions of the National Agreement by negotiating a night shift of time-and-a-half, or double-time maximum, enabling it to become the first ITV contractor to transmit 24 hours a day (excluding TVAM's time). The 32% increase in transmission output has been achieved with only 3 additional staff. "The whole thing is done by a staff you could count on one hand," as the Sunday Times reported yesterday. "Gone is the union-enforced overmanning that has bedevilled television as much as Fleet Street."
4. Demarcation between film and tape technicians has also disappeared on location. The restrictive practice of 4 person film units has been replaced with normal crews of 2 for tape and 3 for film. Savings are projected of some £700,000 per annum. Interestingly, the final breakthrough came in response to our threat to commission a major series from an independent if the new tape technology and manning levels were not given approval quickly.
5. Our news operations were converted to a wholly competitive ENG system in 1983.

6. BETA staff accepted full rosterability after a strike in 1981. As a consequence, the construction shop was re-sited, restrictive practices eliminated, productivity improved and identifiable cost savings to the order of £500,000 per annum were achieved.
7. As a result of dealing with restrictive practices, we now have far less difficulty introducing new technology than in the past. Thames was the first British broadcaster to use the new M-format component-coded 1/2 inch videotape recorders, introduced on our new "CITY PROGRAMME" two weeks ago.
8. Our unit costs of production are falling, and last year saw a reduction of 40 ACTT staff and 47 BETA staff, and significantly lower earnings in certain areas.

SUMMARY

1. The scalpel has been at the fat at least since 1984. There is more to come, but we are a good bit leaner and the remaining restrictive practices should be easier to tackle. Thames is by no means unique. Many other ITV contractors have achieved as much, if less dramatically.
2. To confront union restrictive practices Thames has accepted lost advertising income and cancelled production costs.
3. I attach great importance to the fact that since 1983, between 50%-60% of our staff have been shareholders, with voting rights since July 1986 in a fully-listed PLC. Considerable advantage has been taken of approved schemes for share acquisition.
4. The IBA's requirements for independent production, backed by the Government's manifesto, are a further incentive to change.
5. Several factors, including most visibly our management service, made 1984 a major turning-point in ITV industrial relations. The power of our unions, and the scale of restrictive practices, have been in decline ever since.


RICHARD DUNN
Managing Director, Thames Television PLC
28 September 1987



Thames Television PLC
306 Euston Road London NW1 3BB
Telephone 01-387 9494

From the Chairman

28 September 1987

STRICTLY CONFIDENTIAL

Rt Hon Margaret Thatcher FRS MP
10 Downing Street
London
SW1A 2AA

Dear Prime Minister

Thank you for a very agreeable lunch on Monday, after a seminar which was immensely valuable. Everyone had a fair hearing, and I am sure that it was greatly appreciated that you found the time amid so many other pressing problems.

You said at the end that you would consider any further thoughts we might have. I came away feeling that, while the advertisers and the independent producers underestimated the speed with which the satellite development will ease their present frustrations, the broadcasters did not address the complexity of safeguarding standards amid this rapid expansion. Later this week I am attending a conference in Strasbourg about the problems of controlling trans-frontier satellite broadcasting, and I will then, if I may, send you some further ideas on structures.

In the meantime, you may remember that over lunch I mentioned some of the steps taken by Thames to control costs and deal with union militancy. I have asked the Managing Director, Richard Dunn, to send you a short note on these points. The "bastions" are crumbling, not least under the psychological as well as the legal impact of the Government's legislation. On the very day of the Seminar Thames was threatened by a strike over the showing of an American news programme said to be made by a non-union company. The management stood firm, and the union backed down. Only two or three years ago we would probably have had a damaging stoppage.

Yours sincerely
Laurence



W

*SUBJECT CO OPS
MASTER*

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. 12/87

CHIEF WHIP

This is to offer belated thanks to you for lending No.12 for Monday's seminar on broadcasting. It was a most successful occasion, and the surroundings I am sure contributed greatly to its success.

Raymond White

28 September 1987

Ann



FILE
DA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 September 1987

Thank you for your letter to the Prime Minister of 28 September which I am sure she will be interested to see.

We have now received the note by Richard Dunn which you mention. I know the Prime Minister will be grateful to have your ideas on the problems of controlling trans-frontier satellite broadcasting.

(D.R. NORGROVE)

Sir Ian Trethowan

✓



FILE
DA.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

28 September 1987

Thank you for your letter and note
of 28 September. I am sure the Prime Minister
will be interested to see this.

(D.R. NORGROVE)

Richard Dunn, Esq.

✓



file QTS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 September 1987

Thank you for sending in a note of your remarks at the Broadcasting Seminar. It will be useful to have this.

D R NORGROVE

David Graham, Esq.

QTS



file DTS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 September 1987

Thank you for your letter of 23 September to the Prime Minister. I am sure she and other Ministers concerned will be interested to know your views on the separate selling of Channel Four advertising time.

D R NORGROVE

David Wheeler, Esq.

DTS



lie DTS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 September 1987

Thank you for your letter of 24 September.
I am sure the Prime Minister will be interested
to see it.

D R NORGROVE

Jeremy Isaacs, Esq.

DTS

SUBJECT

CC MASTER



file

JDBBCT

10 DOWNING STREET
LONDON SW1A 2AA

cc Chief Whip
DTI
CDL
WO
HO
HMT
CO

From the Private Secretary

25 September, 1987.

PRIME MINISTER'S SEMINAR ON BROADCASTING

I am circulating herewith a record, prepared by the Home Office, of the Prime Minister's seminar on broadcasting.

I also enclose texts of two of the introductory statements made at the seminar, by Mr. Richard Hooper and Mr. David Graham, together with a letter from Mr. Jeremy Isaacs about the future of Channel 4, and a letter from Mr. David Wheeler of the Institute of Practitioners in Advertising about the separate sale of Channel 4 advertising air time and the effect of this on the quality and distinctive character of Channel 4.

I am sending a copy of this letter to the Private Secretaries to members of MISC 128 and to Trevor Woolley (Cabinet Office).

David Norgrove

Mike Eland, Esq.,
Lord President's Office.

RECORD OF THE PRIME MINISTER'S SEMINAR ON BROADCASTING,
21 SEPTEMBER 1987

A list of participants is attached.

Prime Minister's introductory remarks

The Prime Minister thanked the members for attending the seminar. She said that its purpose was to consult members of the industry and other experts with a view to the Government taking informed decisions in three areas:

- (i) the prospects for the future of broadcasting in the light of accelerating technical developments;
- (ii) what changes should be made in response to the recommendations of the Peacock report; and
- (iii) what new arrangements should be made in the light of public concern about indecency and violence on television.

Professor Sir Alan Peacock: The Peacock Report 14 months later

2. Professor Peacock outlined his Committee's belief in the importance of consumer sovereignty in broadcasting and the need to overcome spectrum scarcity. The financing of broadcasting should be left to the market place and the likely result would be a mixed system of subscription and advertising, as for newspapers and magazines. He recognised that some elements of public service broadcasting could not survive without public funding, and he regretted that the Government had not yet commented on his proposals for a public service broadcasting council (PBSC).

3. He would summarise his recommendations for the future in the following way:

- (i) drop the requirement for universality for any new television channels;
- (ii) no public funds should be hypothecated to any particular channel but should be available to all;
- (iii) the allocation of public funds should take account of regional needs;
- (iv) the existing channels should be required to buy programmes from independent producers;
- (v) BBC archive programmes should be placed in the public domain and be available to anyone at an appropriate fee.

He recognised that under these proposals the BBC would become just another television company and that there would be a need for transitional arrangements in the interim.

Richard Hooper: the three T's - Television, Technology and Thatcherism

4. Mr Hooper said that in his view the key issues were political, commercial and regulatory, not technological. Technical constraints were often a disguise for the perpetuation of the status quo by special interest groups. The remote control key pad had already changed the way people watched television, and the video recorder had in effect provided a "fifth channel". Cable, which had been blocked by successive governments until the 1980s, was a major success in many other countries and had caused a revolution in viewing habits. In Britain, over a third of television viewing in the few homes with cable was not to BBC and IBA services. He saw satellite and cable as being complementary: cable serving city centres and satellites the suburbs and rural areas where cable was uneconomic.

5. The time scale for these new delivery systems was long, and the central question was how to loosen up the duopoly in the meantime. The answer lay in new terrestrial services on the VHF, UHF or microwave bands: spectrum scarcity was a myth. He also asked whether it was now time to reconsider the policy which prevented the national telecommunications operators from carrying television services on their main networks.

6. In discussion the following points were made:

- (a) It had been a mistake to make cable policy technology-led. Cable operators were in the business of retailing local television services. The precise means of delivery were irrelevant, and with the advent of MMDS or access to other terrestrial frequencies, they should be allowed to use whatever technologies they judged to be commercially attractive.
- (b) Two new satellite services - Astra and BSB - were likely to be launched in the next two years providing a wide range of new channels. The Director General of the IBA said that there was no statutory problem in ITV companies providing programmes to Astra or any other satellite, but he felt that BSB, with its £600m investment and high technical and programme standards, should be given a chance to prove its worth.
- (c) There was a danger that too much change was happening too fast. More television channels did not necessarily mean wider choice for viewers. There was only a limited amount of money to make programmes and if it was spread too thinly production standards would fall, as would standards of taste if there were a ratings war.
- (d) Against this, it was argued that increased competition was inevitable and was already happening. There had always been misgivings whenever new channels had been permitted. None of these had been justified by events. Increased choice would allow more quality programmes and more specialist programmes, as well as more rubbish to be shown.

7. Summing up this part of the seminar, the Prime Minister said that she would regret it if there was a sharp division of opinion between those with vested interests and those without. Without a Conservative Government's support for competition in the 1950s there would have been no ITV system. She had been struck by the rapid development of videos which showed the large demand for additional choice on the part of viewers.

Charles Jonscher - financing of additional programme services

8. Dr Jonscher summarised the findings of his study for the Home Office on subscription television. These showed that there was a large untapped demand for new premium programme services matched by a willingness of consumers to pay. The problem was that existing methods of payment - the licence fee and advertising - were not able to provide the funds necessary to meet the high costs of premium programming. The key was subscription technology, coupled with arrangements to allow wider entry into the broadcasting market by freeing up spectrum allocation and removing other regulatory barriers. The power of pay television to satisfy consumer demands was so great that existing broadcasting interests would fight hard to prevent it, as they had attempted to do in the USA.

9. In discussion the following points were made:

- (a) BSB were already planning to provide a subscription service for films and other premium material. This would establish whether such a market existed.
- (b) There were doubts about whether there was an adequate supply of premium material to support subscription services on any significant scale.
- (c) Advertisers still had an important part to play in television financing, but in recent years they had seen television advertising costs rising 6 times faster than inflation because of lack of supply (although it was suggested that the real costs were still less than in the USA and Australia). This was holding up the introduction of new brands and had priced out the smaller advertisers. Advertisers could probably finance £500m worth more television than at present.
- (d) In response to a question from the Prime Minister, it appeared that there was at present little demand for European-wide advertising because of language problems and the fact that different brand names were used in different countries.
- (e) Concern was expressed that new developments should not be at the expense of regional television, which provided a sense of regional community and employment in inner city areas, and a counterbalance to metropolitan values. Unlike the regional newspapers, regional television was at present under genuine local ownership and control. In response to a question from the Home Secretary, the independent producers said that they would be able to work in the regions, just as they already did in Wales.

- (f) There was a danger that in meeting the unsatisfied demand for new programmes, the majority of programme material would be bought from abroad at secondhand prices, rather than made in this country. There was, therefore, a question about how quickly change should be permitted to take place if it was not to damage our own programme production industry.
- (g) At present new entrants into the broadcasting field faced huge difficulties. For example Carlton Communications had been prevented from taking over Thames Television, and its prospects of obtaining an ITV franchise in the future were small. ITN, which was expanding its interests into international news provision, was able to do so only because it had the privilege of a monopoly of news provision to the ITV network.

Michael Grade - future of existing TV services

10. Mr Grade argued that the existing services should not fear the future: experience in the USA had shown that, while new technology might catch about 30% of the market, 70% would remain with the major networks, for reasons of consumer loyalty, equipment cost, and also the nature of the service which the networks provided. New services were likely to concentrate on specialist programming, and it was right that this should be done by new entrepreneurs. The BBC had no desire to expand its services further. The future role of the BBC and ITV should be to provide British programmes both for British consumers and for export (which had doubled in the last five years). He believed that universal reception was an important criterion for the existing services, although it had no place for new services.

11. The BBC was ready to accept subscription funding, but there were technical problems at present. People valued a television service free from advertising, and this was precisely one of the reasons why in the USA people were prepared to subscribe to cable. For the present, therefore, the licence fee remained the best way of financing the BBC. The indexing of the fee had forced the BBC to become more efficient and it would continue to do so. It would also go into the market place to sell its programmes and its other skills to anyone who wished to buy them, but it would charge commercially for them. The BBC faced a growing problem over the differential between its income and that of the ITV system, where salaries were over 50% higher. At present the BBC undertook almost all the training in the television industry, only to see its successful trainees join the ITV system. In the long run the BBC would only be able to buy second rate artists, writers and staff, unless this trend were reversed.

David Graham - increasing efficiency and competition in the duopoly

12. Mr Graham said that increasing competition did not depend upon new technology. What was required was to loosen up the existing duopoly. There was a shortage of popular drama and entertainment programmes on BBC and ITV because they had become hide-bound in their attitudes. It was important to introduce competition in programme supply, as existed in the USA, where the networks bought most of their programmes from independent production houses.

/In order

In order to increase competition he believed that public service programming should be financed from a single pool, that the public service obligations of the main channels should be reduced and the discretionary programming powers of the broadcasting authorities abolished in favour of the general law. BBC 1 should be financed by advertising, and public money kept for genuinely public service programming.

13. He questioned the value of the regional ITV system, which he did not believe accorded with people's sense of their geographical identity, which was more locally orientated. He would wish to see ITV as a national channel, and more localised channels provided by the new technologies. It was important to establish a strong programme production base through competition, so that programmes would be available to fill the new channels as they came on stream. In order to do this Channel 4 should be preserved, because it was the only existing point of entry for independent producers. But in the long run vertical integration in the national network channels should be done away with, and their main programming bought out of house. The independents needed to be able to preserve their own rights in their programmes and to be able to negotiate their own employment arrangements with their own employees. The independents did not wish to be freelances.

14. In discussion the following points were made:

- (a) Neither the ITV companies nor the BBC disputed the independent producers' views on intellectual property rights and trades union agreements. There would, however, be difficulties where a mixture of independent and network staff were used on a production, and there must be agreement about how to deal with this contingency. On intellectual property rights, the only point at issue was developing common terms of trade for the 16 independent companies.
- (b) There was a need to strike a balance between the interests of the independents and the interests of the networks. At present the independents were starting far behind, and they must be allowed to catch up. The employment agreements reached between the trades unions and the existing television interests pushed up costs. (The music recording industry had now moved to Germany and Ireland had become a major producer of televisions for the US market, both for this reason.) This damaged the interests of the independent production industry which had to compete in the same market. These problems affected the BBC also, and for this reason it did not employ ACCT technicians.
- (c) The talent unions were using their intellectual property rights to force excessive payments for the use of programmes on the new media, such as satellites. These technologies had not been envisaged when their rights had first been granted. It was important to negotiate new agreements with the talent unions and this was now being done.

15. Summing up this part of the discussion, the Prime Minister said that she was concerned that the monopoly powers of the broadcasters and what were

/effectively

effectively subsidies from public funds, led to excessive pay demands and restrictive practices on the part of the unions. This held back new developments and rated against the interests of the consumer. These appeared to be central reasons for seeking to increase competition within the industry.

Jeremy Isaacs - public service broadcasting

16. Mr Isaacs said that he agreed fully with the argument that broadcasting existed to serve the interests of its audience. In fact the arrangements for British broadcasting acted like a highly sophisticated market catering for a wide variety of needs and interests. It had a wider variety of programming than any other television service in the world. The Peacock Report had appeared to recognise this, but then set about dismantling all the arrangements that brought it about, finally restoring the virtues of public service broadcasting by means of the Government funded public service broadcasting council. He could not see the logic. The issue for politicians was how to add to what we already had. In particular this would meet the problem of the advertisers, which he recognised was acute. The role of the BBC was to provide good quality British made programmes, and people would be prepared to pay for it so long as it continued to do so. In the future the ITV companies would find themselves under severe pressure to go down market and would come to resent their public service obligations as they saw their profits squeezed by the new competition. But while they continued to have access to the valuable public asset of the terrestrial frequencies, he believed that they should be required to maintain their standards. He had little doubt that Channel 4 could survive as a commercial entity, but the pressure to maintain audiences and advertising revenue would inevitably reduce risk-taking in programme policies and the extent to which minority audiences were served.

17. The proposal for a public service broadcasting council was an acknowledgement of the inadequacy of the market place in this area. He did not believe it would work. The council would be swamped with applications, and a huge bureaucracy would be required to reach decisions. Only a small proportion of the finance would end up in programme making. There would be political difficulties about the funding of news and current affairs.

John Whitney - regulation of programme content

18. Mr Whitney said that the question concerned not only British television, but television services which were increasingly available from abroad. The job of the broadcasting authorities was to respect the public view. Mistakes were sometimes made, but the proportion of unacceptable material in the thousands of hours of television each year was very small. Every year since 1970 the IBA had conducted extensive public research. This consistently showed that only a very small number of people considered that there was too much violence on television (last year 5% thought this was true of ITV and 2% of Channel 4). This research was published each year and was available for discussion but had tended to be overlooked by the lobbyists and politicians. He recognised, nevertheless, that there was a fundamental unease in society about the power of television. The Hungerford tragedy was likely to be seen as a turning point: although no causal effect could be proved, it had

/focussed

focussed attention upon the kind of violent fantasies which people associated with television programmes. He was worried about the extension of the Obscene Publications Act to broadcasting, because broadcasting already observed far stricter standards than the Act required. There was a danger of muddle, particularly if the definition of obscenity were changed. The proposed broadcasting council on standards was likely to duplicate the responsibilities of the broadcasting authorities and to lead to double standards and second guessing. He believed that it should have a wider remit to look at other ills in society beyond broadcasting matters.

19. In discussion the following points were made:

- (a) Public service television meant more than just minority programming. For example, snooker had started as minority programming, and now dominated the schedules. BBC comedy programmes had for many years created characters and situations which had touched the national pulse.
- (b) The ITV and BBC joint programmes about AIDS had been unique in the world: the BBC needed cross fertilisation with another public service broadcaster in order to bring out its best.
- (c) One of the most powerful constraints on standards was custom and self-regulation. In the video industry in the USA this had almost entirely broken down.
- (d) There were at present very few controls over low powered satellite broadcasting. The cable authority should be given responsibility for regulating British satellite broadcasts, and the Council of Europe Convention to deal with broadcasts from Europe should be expedited. The Prime Minister suggested that consideration should be given to making it an offence for British advertisers to place business with unacceptable programme services.
- (e) There was a problem in that different countries had different attitudes towards these matters. The Swedes, for example, were very relaxed about pornography, but much stricter than the UK on violence.
- (f) As television services proliferated, the impact of any individual programme would be lessened. It should be left to individual viewers - particularly on subscription systems - to decide what they wanted to watch. The job of the programme provider should be to indicate clearly the kinds of material which his programmes might contain, and beyond that it should be left to the law of the land to regulate standards;
- (g) There was more to standards than sex and violence. The BBC was concerned about a wide range of matters, such as using children's cartoons to market toys, the handling of incest and disaster victims by journalists, the use of documentary drama, etc.

/(h)

- (h) Any new body to look at sex and violence should include in its remit films and videos. There was now a programme making industry which catered expressly for video distribution. The power of the video was no less than that of broadcast television, and it was illogical to exclude it from oversight.
- (i) International broadcasting and plurality in programming was to be welcomed, and we should beware of taking an attitude - like that of the Soviet Union - that our viewers should be protected from material which some people found unpalatable. We should trust viewers to know what was best for them. Eastenders, which was frequently attacked by Mrs Whitehouse, was the most popular programme on British television, attracting an audience of almost half the population.

20. Summing up this part of the discussion, the Prime Minister said that television was special because it was watched in the sitting room. Some people watched so much of it that there was a danger that they would get life itself out of perspective. Standards on television have an effect on society as a whole, and therefore was a matter of proper public interest for the Government.

21. Concluding the seminar, the Prime Minister thanked those who had attended. She invited anyone who had further thoughts to contribute to write to her, especially about the difficult problem of enforcing standards as television services proliferated and as overseas television services became able to be received in the UK.

PRIME MINISTER'S SEMINAR ON BROADCASTING
MONDAY 21 SEPTEMBER 1987

GUEST LIST

The Rt. Hon. Margaret Thatcher, F.R.S., M.P.	Prime Minister
Professor Sir Alan Peacock, D.S.C.	
Sir Ian Trethowan	Chairman, Thames Television plc
Mr. David Graham	Executive Producer, Diverse Production Limited
Mr. David McCall	Chief Executive, Anglia Television Limited
Mr. Richard Hooper	Joint Managing Director, Super Channel
Mr. Charles Jonscher	Vice President, Booz Allen & Hamilton International (UK) Limited
Mr. Michael Darlow	Head of Negotiations, Independent Access Steering Committee
Mr. John Birt	Deputy Director General, BBC
Mr. Andy Birchall	Chief Executive, Premiere
Mr. Graham Grist	British Satellite Broadcasting Limited

Mr. James Gordon, C.B.E.	Managing Director, Radio Clyde plc
Mr. Michael Grade	Director of Programmes, Television, BBC
Mr. David Nicholas, C.B.E.	Editor & Chief Executive, Independent Television News Limited
Mr. William Brown, C.B.E.	Chairman, Scottish Television
Mr. John Whitney	Director General, Independent Broadcasting Authority
Mr. Jeremy Isaacs	Chief Executive, Channel Four Television
Mr. John Jackson	Chairman, Television Serviciers International Limited
Mr. Tim Bevan	Working Title Films Limited
Mr. R. W. Johnson	Marketing Services Director, Procter & Gamble
Mr. Michael Green	Chairman, Carlton Communications plc
Mr. Richard Price	Richard Price Television Associates Limited
Mr. John Holt	Managing Director, Space and Communications Division, British Aerospace plc
Mr. Nicolas Mellersh	Director, Cable Television Association

David Wheeler

IPA

Sir Jeffrey Sterling, Chairman, P & O
C.B.E.

Chancellor of the Exchequer.

The Rt. Hon. Douglas Hurd, Home Secretary
C.B.E., M.P.

The Rt. Hon. Lord Young Secretary of State for Trade and
of Graffham Industry

Mr. Timothy Renton, MP Home Office

Mr. J. W. Fairclough Chief Scientific Adviser

Mr. Alastair Macdonald Department of Trade and Industry

Mr. W. N. Hyde Home Office

Mr. N. Sanderson Home Office

Mr. A. Langdon Cabinet Office

Mr. Nigel Wicks 10 Downing Street

Professor Brian Griffiths 10 Downing Street

Mr. Bernard Ingham 10 Downing Street

Mr. David Norgrove 10 Downing Street

Christi Thomas

Home Office.

DIVERSE

PRODUCTION

Diverse Production Limited
6 Gorleston Street
London W14 8XS
Telephone: 01-603 4567
Telex: 28363 Answerback: Divers G

David Graham

With Compliments

David Graham: Downing Street Seminar. 21st September 1987

This gist of my remarks is that competition is not synonymous with new technology. I am interested in production or the supply side of television. It is not good enough to rely on potential new technologies to encourage competition. New technologies may happen some time. We need the competition now. New technologies offer grand new strategic opportunities, but we don't know if people want them.

I have been told by many senior people in the BBC and ITV that they don't have enough of some very important products. They don't have enough good contemporary narrative drama. They don't have enough good popular comedy. I was told by a senior BBC executive that that was because, in his words, "television is run by snobs". I think what he meant by that rather crude statement is that our system currently puts a high value on other products than these. It values, if you like, the high-cultural end of the product. These popular products are extremely important.

If you go to our comedy departments you find they are old, the top management probably isn't very interested, that writers are underpaid, that production methods are out of date. If you go to the USA you find that many, many pilots are made, that large teams of writers are employed, that long runs are produced, that many different companies compete to make these programmes for the American networks. There are over 50 independent companies making such series for the networks. The difference between the two is competition. And competition is the key to the reform of our industry.

The reason I'm not saying much about new distribution technology is that it is not much good having a lot of channels if you have not got good material, or British material to supply them with. In everything to do with competition, terrestrial television is still paramount.

If you take competition very seriously then these are the kind of solutions that go on the agenda. I am offering them against the background of the Peacock recommendations. In particular I fully support the idea that in future public service programmes should be financed from one single source or pool of income, releasing other channels to compete commercially with each other. First we should get rid of what Sir Alan Peacock calls vertical integration. We want companies encouraging competition for the supply of programmes and we want programme makers to encourage competition among those who provide facilities or services. Second we want real competition between the mass audience channels. At the moment that's masked by the fact that they both have public service responsibilities and that our two channels get used to each other, and to a ritualised competition that is mainly defensive. Third, we should certainly consider auctioning franchises,

encouraging new organisations to come up with even more efficient ways of making uses of the wavelength. Fourth, we should get rid of discretionary content regulation and put television under the law of the land. Discretionary regulation masks competition.

There are two exceptions or constraints on the market that should be imposed; first we need to preserve the entry points for new small audience programmes and we need to keep the public service function. That meets two points in the Peacock analysis: first, there is a scarcity of spectrum and still will be for a while which means that the new innovative product can't enter easily and there are programmes that we as tax payers may want, but we as consumers do not bring into being.

We could advance on these fronts by pushing forward 25% in the provision of programmes from outside the vertically integrated companies. Government should state a clear preference for slim line publishing-only operations at the next franchise round. We should remove most public service obligations from BBC & ITV1 as soon as possible. We could consider the idea of reviving advertising on BBC1. And we could encourage local television on a town radius of about 30Km. Although other people have different ideas about this network my suggestion is for a network offering syndicated programmes and local news. I think there is a strong unsatisfied demand for local advertising.

What about the particular institutions within our constellated system? The BBC has a problem in that it will be allocating licence payers money to popular programmes. It seems philosophically more acceptable to me that the indexed fee that is to become the BBC's pool of income should eventually become the pool that supplies public service broadcasting and that BBC1 should find alternative sources of finance. BBC1 feels to me like an advertiser supported channel and not like a subscription channel. As I have already suggested, it would help BBC1 in a competitive sense if it was divested of most of its public service duties and if it expanded its purchase of programmes from third parties.

ITV has big structural problems based on some underlying assumptions that are questionable and an inefficient production structure. ITV's production arrangements are rather artificial. They assume that we want to spread national production, the production of national programmes throughout the country. This does not apply in other industries. We don't as a matter of course think it a good thing to spread the textile industry or the car industry around the British Isles. I am not of course talking about local productions. The regions themselves have no clear identity. With the exception of Scotland, people consider themselves as living in towns or possibly counties, not ITV regions. To support this artificial structure a programme cartel has arisen which is an undesirable way of supplying programmes to the networks. However, the regions may be about the right size for the purchase of blocks of advertising by advertisers. The truth is that ITV is about popular television nationwide. Competition would be increased if it abandoned

most of its public service broadcasting responsibilities and if some regional responsibilities were taken up by public service function. Productions should of course go out of house as soon as possible because its own production practices are inefficient.

Channel Four is a more complicated institution. At the moment it offers some big benefits in the competition sense. It is a sponsor of nearly all the independent production that is currently taking place. It is also an entry point for new small audience products. It is the only reliable window, as far as I can see, for genuine entrepreneurial innovation in the television industry. In my view the competitive sale of advertising on Channel Four would drive it to the mass audience. The reason for this is that although, advertisers say they are very anxious to reach Channel Four's young upwardly mobile profile, I don't believe them. Upwardly mobile people are very difficult to reach in a television audience and I am sure that what the advertisers want, first, is another mass audience channel. Another mass audience channel would be a tonic for the system but it would have the disadvantage of transforming Channel Four. That would lose the entry point for small audience product, and push Channel Four away from its remit to which the Government still adheres. It would also undermine an unusual and much praised channel just at the point it is developing its profile. It would be much less problematic to sell advertising on BBC1 or conduct a Channel Four experiment. Channel Four could sell advertising under some kind of trust obligation to its remit, though the shortfall in advertising revenue would have to be met somewhere else if sales were not enough to meet production costs. With the developing sell-through market, increasing opportunities to get your product direct to consumers, Channel Four will one day lose its competition advantages and would then have to survive as a distinctive channel in its own right financed by advertising or subscription some time after 1993.

So the scenario that I am offering for the mid-90's is this. Two strong popular terrestrial channels competing with each other, and perhaps a terrestrial local network, all selling advertising. A distinctive Channel Four, financed by subscription or advertising. A strong well-funded public service broadcasting channel. And new channels forming an array around these.

I fear that government may take another option which would limit competition in order to earmark a pool of advertising revenue for a newcomer using new distribution technology, thereby limiting competition on the ground. This would have the danger of leaving ITV as a dominant seller of mass audience advertising against weak competition, and it would leave the BBC in an anomalous position, half a popular channel - half a public service channel, with competition for the money between these two functions. Such a decision would also delay reforms in the production sector which are so badly needed. My suggestions would allow new channels to find their place, providing added value within the system based on a strong domestic production base. Competition is the torque that drives the motor. Only competition will

reinvigorate our production base and turn us into a world leader in the products that really count. Without excellent popular programme productions we are not in international television industry.

The present negotiations between the independents and the ITCA represent the future colliding with the present. Two things matter a lot to us, we need to preserve the ownership of our intellectual property and we need to preserve the freedom to reach our own agreements with our own employees. Above all we are concerned that we develop into a proper sector and not just a bunch of freelances.

010
CHANNEL FOUR TELEVISION 60 CHARLOTTE STREET, LONDON W1P 2AX.
TELEPHONE: 01-631 4444. DIRECT LINE: 01-927 8700.
TELEX: 892355. FAX: 01-637 4872.

JEREMY ISAACS CHIEF EXECUTIVE



24th September 1987

David Norgrove,
Secretary to the Prime Minister,
10 Downing Street,
London. SW1A 2AA

Dear Mr. Norgrove,

I said I would let you have a note giving my personal view on the question of whether or ~~not~~ it is beneficial to change the status of Channel Four and the structure that underpins it. Here, in brief, it is.

I am sending this also to the Home Secretary.

Yours sincerely,

Jeremy Isaacs

A Changed Status for Channel Four?

I am grateful to the Prime Minister, and this government, for the legislation that set up Channel Four.

We are asked to be different. It is by being different, at least some of the time, that we add to viewers' choice.

If we had started entirely on our own, instead of being funded out of ITV's revenue, we could not have come this far. We would have been forced to find viewers in a hurry to pay the bills. Our remit would have gone out the window.

We still like things the way they are. If it is decided that other services, now on their way, are deemed to be sufficient competition to ITV, and Channel Four stays as it is, that suits us fine.

But if it is decided to separate Channel Four from ITV, we are ready for independence, provided that we are asked to continue the service we now give, and that our ability to do so is safeguarded.

We do not want to compete flat out with ITV; if we did, we would cease to be Channel Four. If we sell our own advertising, the pressures on the remit will be considerable.

The big advertisers, who argued for advertising on BBC1, would press us to go for bigger audiences to bring down the price of airtime.

Shareholders, if we float, will press us to maximise profit.

The Channel's programme chief would also be tempted to take less risks in programming, in case it affected next year's income, and next year's programme spend.

These are formidable pressures, which undoubtedly put the remit at risk.

Certainly, neither the Board of Channel Four nor the staff will wish it to be separated from ITV, unless safeguards can be put in place. That is not impossible; but not easy either.

A half-way house would be for us to sell our own air-time, without a change of ownership. ~~That would guarantee the remit, while we found our feet, and give us a head start on other, future, competitors.~~

But, less than five years since we started, the case for immediate drastic change has not been made out.

Jeremy Isaacs



10 DOWNING STREET
LONDON SW1A 2AA

MRS. INNIS

BROADCASTING SEMINAR

The Prime Minister chaired a Broadcasting Seminar on Monday 21 September.

Professor Sir Alan Peacock has sent the attached letter in which he requests reimbursement for his travelling and accommodation expenses which he incurred as one of those invited to attend the Seminar.

I should be grateful if you could arrange for Sir Alan Peacock to be reimbursed.

A handwritten signature in dark ink, appearing to be 'J.K. Richards', written in a cursive style.

J.K. RICHARDS Mrs.

24 September 1987

slw

atto
✓

23 September 1987

Thank you for sending in your note
on cable television. It will be helpful
to have this.

(DAVID NORGROVE)

Nicholas Mellersh, Esq.

ls



124/9

INSTITUTE of PRACTITIONERS in ADVERTISING

44 BELGRAVE SQUARE LONDON SW1X 8QS

TEL: 01-235 7020 TLX: 918352 FAX: 01-245 9904

DX 38159 KNIGHTSBRIDGE

The Rt. Hon. Margaret Thatcher, MP., FRS
10 Downing Street
London
SW1

23rd September 1987

Dear Prime Minister

First I would like to thank you for inviting me to be present at Monday's seminar and to say how valuable I found it.

Secondly, you did invite us to write to you should there be any points we might like to amplify or for which the discussion did not provide adequate time. I tried to catch your eye towards the end of the Channel Four discussion but I realised that this could hold up the introduction of the final session. I therefore welcome this opportunity of making the points I would have made then.

The suggestion has been made that the separate selling of Channel Four advertising airtime would place in jeopardy the quality and distinctive character of the Channel. This is a view which advertising agencies would contest for the reasons set out in the attached memorandum.

This memorandum suggests a means by which the unique character of Channel Four would be preserved and yet additional resources made available to it. At the same time it would remove the ITV companies from any connection with the selling of Channel Four advertising airtime.

While, as the seminar illustrated, the prospects for more choice and competition in television are very encouraging from, say, 1993 onwards, advertisers and their agencies are alarmed at the prospect of a continuation of present arrangements with its absence of competition in the interim. The enclosed proposals are an attempt to introduce at least some measure of change at an earlier date. Similar proposals could be applied to the selling of advertising in late night ITV programmes.

Again, I am most grateful for the opportunity of being involved in these discussions.

Yours sincerely

David Wheeler
Director General

Enc

PRESIDENT ALBAN LLOYD · DIRECTOR GENERAL DAVID WHEELER · SECRETARY JOHN RAAD
HON. SECRETARY FRANK CASEY · HON. TREASURER DENNIS MADY

INSTITUTE OF PRACTITIONERS IN ADVERTISING

THE SEPARATE SELLING OF CHANNEL FOUR ADVERTISING AIRTIME

1. Advertising airtime on Channel Four, with the exception of a few television areas, has been very inefficiently sold by the ITV companies.
2. Even so, Channel Four is now attracting advertising revenue in excess of its costs of operation.
3. If the sale of Channel Four advertising airtime were in the hands of a separate dedicated sales company it would generate more revenue from the existing Channel Four programme format.
4. Channel Four is potentially a valuable advertising vehicle for advertising agencies because of its special properties. It should be enjoying a premium value. Its ability to command a premium value would disappear if its character were to change. This would not be in the interests of either Channel Four or advertisers.
5. The additional revenue arising from more effective selling would provide Channel Four with greater resources to invest in programmes particularly via independent production companies. This leaves the critical question of how can this be achieved without undermining programme content?
6. Currently Channel Four is a separate subsidiary of the IBA. The IBA receives revenue from the ITV companies and, in effect, hands it over to the Channel Four Company for its working funds.
7. We suggest that the IBA should make available a separate franchise, for which tenders would be invited, to operate a separate and independent Channel Four Advertising Sales Company. Existing ITV companies should not be permitted to bid for this franchise. Instead we believe there is sufficient entrepreneurial talent combined with sales experience of media marketing to attract a number of companies, and no doubt several new ones, to bid for this new franchise.
8. The revenue from the sales generated by the Channel Four Advertising Sales Company would be handed over (after deduction of management fees and selling costs) to the IBA. Acting as a filter, the IBA would make this revenue available to the existing Channel Four Company to meet its costs of operation.
9. In this way the management of Channel Four would not be diluted by the need to manage a sales operation, while the IBA, in properly exercising its responsibilities under the Broadcasting Act and from its central position, would be expected to see that the independence of the Channel Four Company was preserved.
10. There would be no management connection between the Channel Four Advertising Sales Company and the Channel Four Company itself.
11. The function of the advertising sales company would be to take the commercial airtime within the programme schedules drawn up by the Channel Four Company and sell them to its best ability.
12. The additional revenue which effective selling would generate would more than cover any extra costs involved in operating the new advertising sales company and therefore increase the revenue available to the Channel Four Company.

23rd September 1987

David Wheeler
Director General

224/9
THE ESMEE FAIRBAIRN RESEARCH CENTRE

DIRECTOR
Professor I. G. Lumsden, MA, PhD



HERIOT-WATT UNIVERSITY
Chambers Street
Edinburgh EH1 1HX
Scotland
Tel: 031-225 8432
Fax: 031-220 1818

23 September 1987

Dear Mr. Notgrove,

You indicated that I would be able to claim the expenses of my visit to No.10 last Monday.

Air Fare Edinburgh-London £119.00
Ground Transport Edinburgh and London £15.00
Overnight accommodation £29.50
Total : £163.50

I shall be writing separately to the Prime Minister to thank her for hospitality. I was a most intriguing occasion, and I can imagine the difficulties that you clearly overcame so expertly in getting it off the ground !

Yours sincerely,

Professor Sir Alan Peacock

Janice
Could you deal with this please?

JSR
24/9.

SLW

cutto ✓

23 September 1987

Thank you for sending a copy of the paper you gave at the Prime Minister's seminar on broadcasting. It will be helpful to have this.

The Prime Minister commented particularly on the quality of your contribution. She found it most interesting.

(DAVID NORGROVE)

Richard Hooper, Esq.

h

SUPER
CHANNEL

19/21 RATHBONE PLACE LONDON W1P 1DF TELEPHONE 01 631 5050
TELEX 266710 SUPER G FACSIMILE 01 631 5255

RH/MCH

D Norgrove Esq.,
The Private Secretary
10 Downing Street
London SW1A 2AA

22 September 1987

Dear Jani

I enclose a copy of my paper for your files. I thought the seminar was valuable and enjoyed participating. I shall, as the Prime Minister suggested, be contacting the CBI with a view to presenting the European advertising opportunities on Super Channel to the big British companies. Her support for the Channel is invaluable.

Your sincerely,

Richard

Richard Hooper
Managing Director

Enc.

THE THREE T'S - TELEVISION, TECHNOLOGY & THATCHERISM

Richard Hooper
Managing Director, Super Channel

Paper given to the Prime Minister's seminar on
Broadcasting, 21 September 1987.

My proposition to this seminar is straightforward. The technology is no significant constraint upon public policy towards television in the UK. The key issues are political, social, commercial, regulatory - not technological. But be warned. Statements which purport to be purely technical may turn out to be the voice of special interest.

Should the public policy objective in the UK be to further the cause of consumer choice, competition, and cartel collapse, then the technology is ready and waiting. Hence the title of my paper - the three T's, television, technology and thatcherism. Last week in Japan, Prime Minister, where I was marketing Super Channel to Japanese advertisers, I caught the word wafting through the simultaneous translation-satcha'lism!

This piece of technology [hold up keypad] really began the consumer choice revolution in television. The remote control keypad. It allows all of us to become Michael Grade - without leaving armchair, or cigar. It has reached one third of UK homes and has radically affected viewing behaviour - without the benefits of a single Royal Commission.

This piece of technology [hold up videocassette] has already brought a "fifth channel" to just over 50% of all UK homes, again with little Government involvement and lots of market forces. The retail market for pre-recorded videocassettes in 1986 was worth £419 millions - nearly three times the size of the cinema market (£145m), or one third of the total advertising revenue earned by all 15 ITV companies in the UK.

This piece of technology [show coax cable] has for years been the means of delivery of 10/20/30 television channels. In Europe and North America, cable television serves more than sixty million homes. Cable television traditionally involves wide band one way communication into homes via coaxial cable, separate from the narrow band two way copper wires belonging to the phone company.

The average individual in a US cable home watches 8 channels on a regular basis.

But cable breaks with established television policies of providing universal coverage to all citizens. For cable television is no solution to providing additional television choice outside urban areas, because of its economics.

In the UK, cable television started late, with successive governments blocking its introduction until the early 1980's, and has made to date only slow progress. Yet in a few short years 33% of viewing in UK cable homes is not to BBC 1, 2, ITV and Channel 4. There is clearly market demand for more television choice in the UK.

Cable and satellite television enjoy a symbiotic relationship. Satellite television channels would not survive without cable television taking the signal the final mile into the home and cable television needs satellite channels to attract paying subscribers. Super Channel today is received in 8.6m homes in 15 countries - all 8.6m are on cable systems, with only a few thousand like Professor Peacock's Edinburgh residence having home dishes. In North America, the ventures into direct broadcasting by high powered satellite (DBS) to cheaper, smaller dishes in homes have been a fiasco. In Japan DBS is up and flying. In Europe, we await the launch shortly of German DBS, followed by the French in 1988 and the British BSB in 1989. In addition there is the first of the medium powered satellites - ASTRA - due for launch in 1988. Much heated debate surrounds the exact size of dish (30cms, 60cms, 90cms) and the resultant cost to the consumer.

The economic and technical characteristics of direct broadcasting by satellite (DBS) tend to favour service to the outer suburbs and rural areas, reaching the parts that cable cannot reach, thus making DBS and cable more complementary than competitive.

Satellite television on the continent of Europe has been instrumental in loosening up the long standing state monopolies of broadcasting, and introducing a greater consciousness of the consumer - the viewer, and the advertiser who pays for "free" television.

But the timescale of change with the newer technologies is long. The UK Cable Authority would expect there to be 600,000 cable homes by 1990, from just 208,000 homes today. There are 20 million television homes in the UK. BSB is predicting in 1995 7 million DBS homes in the UK. Astra's forecast is 5.1m DBS homes. CIT Research prophesies much slower growth - to 250,000 home dishes in 1995. Let's remember that the VCR has taken a decade to get into 50% of homes.

Can something therefore be done sooner to loosen up the duopoly, if that is considered politically desirable? The answer is yes, using the technology of terrestrial transmitters, but subject to the timescale and costs required to move existing users of frequencies. Charles Jonscher's report for the DTI on the radio spectrum has demonstrated clearly that the current duopoly broadcasting policy cannot be justified by spectrum scarcity. If Government is prepared to allow competition in television, new terrestrial frequencies can be found for additional programme channels - as has long been the case in the USA, and more recently in Italy, France and Germany.

Newspaper coverage in the run-up to this seminar would suggest, Prime Minister, that the option of additional terrestrial channels is now generally accepted as feasible. However, which frequencies for how many channels at what cost and over what timescale will be hotly contested with all sides summoning their own expert engineers to prove themselves right and the others wrong!

Television channels in the two VHF frequency bands are technically feasible. That is where the old 405 line channels were. However, VHF is unlikely to revert to television given the growing and commercially successful demands of mobile communications, and the need to reintroduce dual standard VHF/UHF sets.

In the UHF band there are 44 frequencies which are used to give 99% national coverage to the four UK national television channels. In the USA, a typical conurbation has at least 10 UHF television stations. To get more television channels from the existing 44 UHF frequencies would require a change in current broadcasting policy which aims for universal coverage by national channels instead of, for example, more than four channels for some parts of the population and less than four for others. The doctrine of universal availability has a price - 800 new transmitters will be installed by the IBA/BBC in the next few years to increase coverage from 99.3% to 99.5% of the population.

To get more terrestrial television channels may also require a change in engineering standards governing interference, and adopting new transmitter technologies of precision frequency control.

There is another option in the UHF bands - reallocate additional frequencies beyond the forty-four, for example numbers 35 and 37, to television broadcasting. However, to demonstrate the complexity of frequency allocation which is both national and international in dimension, this would give a problem near airports and on flight-paths because frequency 36 is used for aeronautical radar.

As we go even higher in the frequency range, beyond 1 gigahertz, spectrum congestion is less and less of a problem. Here in the very very high frequencies, clear line of sight between transmitter and aerial is a virtual requirement. In the 1 to 2 gigahertz frequencies, there is equipment already on the market, and some temporary frequency space could be made available immediately, to launch local television stations with 25 to 40 kilometre radius, as already exist in the States. In 3 to 5 years there could be the technology available at the 30 gigahertz frequency for even more localised terrestrial television distribution down to 1 kilometre radius. This technology above one gigahertz is called MMDS - Multi-point Multi-channel Distribution System.

I doubt whether it is profitable this morning to discuss the detailed allocation of individual parts of the spectrum. But I would hope that the seminar agrees that there is sufficient frequency around for new competitive tv services in the UK.

One final point about delivery technology. PTOs (public telecommunication operators) such as Mercury, BT and the City of Hull can, technically, deliver television via the local telecom network into the home, with optic fibre technology [show] increasingly showing its cost effective paces. Regulation currently disallows this. Here is a further policy option, which Alastair MacDonald's committee at the DTI is pondering in relation to changes in telecomms infrastructure over the next 20 years.

Thank you for your attention. I have set out to show that today's television technology, if you are prepared to see its commercial exploitation, is no obstacle to - indeed aids and abets - satcha'lism.

Sources:

Deregulation of the Radio Spectrum in the UK, HMSO, 1987

Screen Digest

UK Cable Authority

CIT Research Ltd

Astra and BSB, for their 1995 market projections

DTI

JICCAR

21 September 1987

RPTA

Seymour Mews House, Seymour Mews, Wigmore Street, London W1H 9PE

Telephone: 01-935 9000 Telex: 22872 TV FILMG Fax: 01-487 3975

Tuesday, 22nd

CIF

Dear Mr. ^{pc} ~~Novgorod~~:

A note of thanks for inviting me to be part of the seminar yesterday and for an excellent lunch. I enjoyed the whole thing - and hope that my small contribution was of help - though I think the Prime Minister was not best pleased with my point about taxing exports via the levy!

It was a pleasure to meet you and Mr. Fairclough.

Yours sincerely,

New York

444 Madison Avenue
New York NY 10022 6987
Telephone: (212) 980 6960
Telex: 971375 PRIME LWI
Fax: (212) 832 7397

International Television Distribution

Richard Price Television
Associates Limited

Los Angeles

Los Angeles
150 Avenue of the Stars
Suite 285
California 90067
Telephone: (213) 556 4418



THE CABLE TELEVISION ASSOCIATION

A company limited by guarantee



Our Ref: NM/SC/3573

22nd September 1987.

David Norgrove Esq.,
10, Downing Street,
LONDON
SW1A 2AP.

Dear Mr. Norgrove,

It was a privilege to attend the Prime Minister's Seminar on Broadcasting and to be able to make an input into government thinking on the subject. I now have pleasure in enclosing a note amplifying the remarks I made, together with one or two further points.

Yours sincerely,

Nicolas Mellersh

Nicolas Mellersh
DIRECTOR.

Encs.

THE CABLE TELEVISION ASSOCIATION.

50, Frith Street,
LONDON
W1V 5TE.

Telephone: 01.437 0549/01.437 0983.

22nd September 1987.

Ref: 7265

PRIME MINISTER'S SEMINAR ON BROADCASTING

NOTE BY THE CABLE TELEVISION ASSOCIATION.

1. Introduction.

The intention of government in establishing cable was to provide additional entertainment services and to provide competition at the local level in telecommunications. It has already been proved that there is undoubtedly a market for multi-channel television, and the first steps are being taken to establish telecoms services on cable networks.

2. MMDS.

Inadvertantly, cable operators (and government) have established an industry which is technology led. Cable operators are not, or should not be, in the technology business. Their business is that of retailers of multichannel television and telecoms. The customer is not remotely concerned with how the services are provided, and thus operators should have the freedom to utilise appropriate technologies to service the various sectors of their markets.

Currently, the most promising additional technology is MMDS (Multipoint Microwave Distribution Services). The great benefit of "wireless cable" is that it enables the operator to reach practically all of his market from day one, instead of having to take four or five years to build a cable system to do so. An inevitable consequence of using MMDS is that some cable will be installed, in blocks of flats for example, or to reach homes otherwise without direct line of sight to the transmitter. The maximum capacity of an MMDS system is some 10 or 12 channels, which represents a significant expansion of consumer choice. The existing operators believe that, while this extra choice will be welcomed, there is an even better business in providing the much greater range of channels that currently only broadband cable can provide. If the existing pioneer operators demonstrate that this is indeed the case, it can confidently be predicted that MMDS operators will gradually replace their systems with broadband cable.

At the moment, the only practical method of providing telecoms services to business and industry is on broadband cable, so it is also likely that in parallel with MMDS for the domestic market, broadband cable will be installed to service the commercial sector, and thus to provide competition to BT.

It cannot be emphasised too strongly that a range of extra channels is what the consumer wants, and the industry believes it would be a great mistake to introduce single channel MDS to service cities. It seems very problematical whether a sufficient number of consumers would be prepared to invest in the receiving equipment (at around £100) if only one extra channel was available. MMDS on the other hand could be an ideal system by which to distribute a city channel along with others.

MMDS is also an excellent way of widening consumer choice in small towns and rural areas which it is unlikely ever to be economic to cable. It is quite probable that in such areas it will be possible to find available frequencies when it may not be possible to do so in some city locations where the frequencies may be more intensively used.

The one caveat to be put forward is that it would be unwise to introduce MMDS in competition with cable, for both systems would be likely to perish. The geographic monopoly of the operator needs to be preserved, at least for the foreseeable future.

3. Satellite Broadcasting.

At the moment there is no direct supervision of satellite services such as Super Channel, Sky or Premiere. The only regulatory framework that exists is that of the Cable Authority which supervises channels carried on cable networks. It exercises an appropriate "light touch" which has been demonstrated to work well over the past two and a half years since the Authority was established. However, supervision of these channels is at second hand via the cable operator, and there is no mechanism in place to supervise channels aimed at direct home reception. Given the need for all European countries to have responsibility for satellite services uplinked from their territories, it would seem sensible to increase the remit of the Cable Authority to include all satellite broadcasting. It is proposed this should also include responsibility for BSB, which will avoid the inevitable conflicts of interest that will arise within the IBA as it tries to reconcile the interests of BSB with those of the ITV companies with which it will be competing.

4. Taste and Decency.

The cable industry has always been subject to the Obscene Publications Act, and has paid great attention to developing its own code of practice on matters of taste and decency. It has been successful in avoiding causing offence to its audience as witnessed by the fact that the Cable Authority has not yet received one single complaint.

Given the existing powers of the Authority over cable - and satellite services generally if its remit is widened as suggested in 3. above - there should be little problem in ensuring the maintenance of standards on British services.

The problem is more difficult with foreign channels, and the industry supports very strongly the government's determination to reach an appropriate Council of Europe agreement, as well as the Prime Minister's proposal to take action against advertisers on foreign satellite channels of an excessively violent or pornographic nature.

5. BSB.

Under current regulation, BSB has a privileged position vis a vis cable in that it is classified as a "must carry". The industry looks forward to taking BSB's services, but believes it should be able to negotiate freely to do so. Further, the current status of BSB's services at the moment is that of "unlicencable" which means that no licence is required for distribution of the channels in blocks of flats even inside cable areas. The industry regards this status as unfair competition and looks forward to this special protection being removed.

6. Investment.

There should be no artificial restrictions on investment and the current limits on non-EC investment should be removed.

Nicolas Mellersh

Nicolas Mellersh
DIRECTOR.

22nd September 1987.

PART 1 ends:-

R. HOOPER TO NLW (+ DRAFT) 21.9.07

PART 2 begins:-

N. MEULERSH TO DAN 22.9.07



IT8.7/2-1993
2009:02

Image
Access

IT-8 Target

Printed on Kodak Professional Paper
Charge: R090212