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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.

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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

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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

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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.

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- (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.*