

Prime Minister

A

Tom may prefer to await  
Tsy and DTI comments before becoming  
involved in this. But Brian's  
points appear very valid.

26 August 1988

PHS

26/8

PRIME MINISTER

Brian

I agree

- as soon as  
we have DTI comments - we

MISC 128: SUBSCRIPTION AND THE NIGHT HOURS

will write

according to this minute. In  
the meantime - you could contact

The remit of the BBC and the existing franchises for ITV do  
not cover the night hours. At present BBC and C4 rarely use  
the night hours for broadcasting, (the exception being the  
General Election). Recently, however, the ITV companies  
have begun to show repeats of previous programmes and old  
films, thereby prompting the charge of 'squatting'.

David  
Young  
wrote  
replied  
to find  
his  
preliminary  
view.  
no

In January, the Home Secretary approved the BBC broadcasting  
a specialist service to doctors paid for by subscription on  
a two year experimental basis.

Because of these developments, and also because the use of  
the night hours is a valuable asset, MISC 128 asked the Home  
Secretary to come forward with a set of proposals for their  
use. He has now done this and proposes that:

- i. The BBC should have the use of the night hours on  
BBC1 and BBC2, provided they use them for  
subscription services.
- ii. The licence fee will be reduced by an amount which  
reflects the revenue which the BBC can earn through  
subscription.
- iii. The ITV companies should not be allowed to use the  
night hours but these should be allocated under a  
separate franchise to different companies, with the  
terms being decided by the ITA.

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He also mentions in the note but not in the recommendations that "We need to signal clearly our long term objective of replacing the licence fee by enabling the BBC to make a significant early start with subscription".

These proposals are different to what MISC 128 recommended and need to be considered carefully.

They are open to question on a number of points.

#### Greater Dominance for the BBC

First, they would give the BBC a more dominant position after 1992.

Most of the past year in MISC 128 has been spent discussing ways of increasing competition among the ITV companies. The companies recognise that change is coming: hence their attacks on restrictive practices, the rearguard action which some companies are fighting, and the enterprise being shown by ITN.

The BBC has been looking on at this debate rather smugly, secure in the knowledge that its public subsidy will keep rising with the cost of living, at least for the time being. Because the Corporation has accumulated so much fat over the years, it is not threatened by the need for some belt-tightening: it can lay off some of its surplus staff through natural wastage.

In this already uneven situation, the Home Secretary's proposals will strengthen the BBC by providing it with two valuable assets (night hours on BBC1 and BBC2) while at the same time weaken the ITV companies by stripping them of their night hours. The broadcasting scene post-1993 looks something like:

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- a. an enlarged BBC having two terrestrial channels including night hours
- b. smaller terrestrial ITV companies with franchises which run from, say, 9.00am, to 10.00 pm
- c. new companies (BSB, C5, Cable, Community TV), mainly non-terrestrial.

The end result will be a more dominant BBC and a larger but more fragmented commercial sector made up of smaller companies.

#### Replacing the Licence Fee with Subscription

Second, the Home Secretary suggests that allocation of the night hours of BBC1 and 2 to the BBC is a step to replacing the licence fee. This seems an extremely dubious proposition.

The BBC management know that it would be impolitic not to move a little in the direction of subscription. But from all the conversations I have had with them in the past two years I believe they will fight for the retention of the licence fee as fiercely as they can and to the bitter end. The only way for the Government to inform the BBC of its objective is for it to be specifically set out in the White Paper in some detail: in particular the Government need to set a date by which the licence fee will be phased out.

The original recommendation of MISC 128 was that the BBC should be granted the use of the night hours on BBC2 but not on BBC1. The Home Secretary now suggests both channels.

If the intention is that the BBC has the opportunity to learn how to manage subscription, then surely all that is needed is one channel.

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The argument the Home Secretary uses is that allocating two channels would maximise the BBC's opportunities to raise subscription revenue. While it would certainly increase the time available for this, it is very doubtful if the BBC would really use the opportunity to maximise their revenue. The plans they seem to have presented so far would not generate much revenue (special programmes for dentists, farmers, architects, educational services, hobbies and particular interests). To the extent that the BBC sees a larger market for exploiting their archives, they could just as well sell these programmes to a commercial operator rather than be allocated an additional channel all for themselves.

#### Protection for BSB

Third, the proposals will have the effect of restricting competition for BSB.

The cash flow for BSB will be generated - at least in the early years - by a film channel paid for by subscription. The Home Office have been at pains now for some time to ensure that BSB have as little competition possible in this field. Hence their proposals that the new channels 5 and 6 should be advertising financed and that MVDS and Cable should be local. (As the details of the night hour franchises for ITV will be settled by the ITA, one can imagine that when this body come to make the decision it will be leant on to ensure that once again the ITV companies will not use the night hours to broadcast new films by subscription).

BSB are already being provided with a number of significant privileges. After 1993 it would be preferable for the use of the night hours on all channels to be determined by viewer choice rather than bureaucratic rules.

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CONCLUSIONS

The new proposals from the Home Secretary will strengthen the role of the BBC, weaken the position of the ITV companies and bolster the position of BSB among the new entrants to television.

RECOMMENDATIONS

1. The BBC should be authorised to run subscription services on BB2 as soon as possible.
2. The BBC should be informed that the level of the licence fee from April 1991 onwards will be lower on account of the extra revenue raised.
3. The Home Secretary should inform the BBC that the Government's objective is to replace the licence fee by subscription and that the licence fee will be phased out by a fixed date: the White Paper should mention the date.
4. The right to the night hours on BBC1 and C3 should be allocated by franchise on the same basis as the new day and evening franchises are allocated to the ITV companies; the body responsible for this should be the new ITA.
5. The Home Secretary's minute does not mention C4: this should be treated in the same way as BBC1 and C3.

*Brian Griffiths*

BRIAN GRIFFITHS