cc BUP

PRIME MINISTER 14 April 1989

MISC 128: IMPLEMENTING THE BROADCASTING WHITE PAPER

The Home Secretary has sent you a scene setting minute outling ways in which the White Paper proposals might need to be modified.

The burden of his minute is that:

(i) there is a trade-off between quality and increased competition in broadcasting;

(ii) the consultation process has shown great support for existing quality on British television, which would be jeopardised by increasing competition;

(iii) and that we should modify the White Paper proposals to ensure greater quality and less competition.

The major areas in which modifications need to be made are the tendering process for franchises, the funding and structure of C4 and the rules on ownership.

I believe you need to take a sceptical look at these proposals for a number of reasons:

(a) Quality versus Competition

- the content of American television is not simply bland sitcoms, police films, quiz shows, and "wall-to-wall Dallas."

- I enclose a table of the Top 20 US Cable Networks:

these include news channels (CNN, FNN, Cable-Satellite Public Affairs, Headline News) an Arts & Entertainment Cable Network and the Discovery Channel.

- I also enclose a copy of a paper I sent you last year "Is American Television that Bad?" published by the IEA.

  This is a point of view which has not been sufficiently exposed in the consultation.

- In any case, given that we have BBC1, BBC2 and that C4 will remain with a public service remit, the UK will retain three major public service broadcasting channels. This is greater than any of our leading European neighbours or the US. In addition, C3 is also to have certain requirements imposed on it.

(b) Who Submitted Evidence?

Most of the evidence submitted to the Home Secretary and on which he has based his judgements has come straight from the vested interests of the television industry:

- the 15 ITV companies themselves

- the IBA

- C4

- S4C

- Campaign for Quality TV

- Broadcasting Research Unit (fianced by the industry)

- ITVA (Independent TV Association - another industry body).

Special place is given to the House of Commons Home Affairs Select Committee - which once again has been lobbied ferociously by the industry.

(c) Powers of the ITC

A major advantage of a deregulated commercial and independent television sector in the UK is that it would mark the end of the IBA. The new ITC was envisaged as having limited powers.

But in the proposals the Home Secretary is putting forward the new ITC would have the following powers:

It can't

- it would own C4, which would have a guaranteed income;

Why?

- it would ensure that C4 was advertised on Channels 3 & 5 but not vice versa;

'Quality' Performance

- it would monitor the public service broadcasting requirements on C3 and C5 (regional programming, quality and diversity, news etc);

25% Ind.

- it would ensure that the 25% quota of independent production of C3 was being maintained; and BBC?
- it would supervise ITN;
- during the tender process for licences for C3, it would interpret the quality threshold and the "quality of money" test;
- it would select the applicant for the franchise;
- it would monitor consumer protection requirements (eg impartial and accurate news, advertisements, taste and decency etc);
- it would monitor takeovers;

- it would operate the sanctions of the yellow and red card;

- it would allocate the licence (by tender) for Channel 5;

- it would allocate licences by tender for local delivery operators.

And so on.

The less competition there is, and the more quality there is, the greater is the power of the ITC!

Conclusion

The Home Office were never that happy with the White Paper. They have used the consultation process and the Select Committee's Report as a way of substantially modifying the White Paper proposals. All of the changes so far proposed by the Home Secretary are in the interests of the ITV companies.

Recommendations

(1) You need to challenge the intellectual foundations of the Home Secretary's assessment of the scene. Of course any practical proposal which leads to efficiency should be accepted. Most so far are simply an attempt to retain more elements of the present system.

(2) Detailed proposals on C4, ownership and tendering need to be worked through extremely carefully.

Brian Griffiths

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TOP 20 CABLE NETWORKS
(RANKED BY NUMBER OF SUBSCRIBERS)

	VIDEO SERVICE	PROGRAMMING	DATE SATELLITE SERVICE BEGAN	CATEGORY 1/	SYSTEMS	SUBSCRIBERS
1.	ESPN Bristol, CT	Sports events/programming; business news	9/79	B/A	17,000 2/	46.1 million 2/
2.	CNN (Cable News Network) Atlanta, GA	24-hour news & special intrrest reports	6/80	B/A	11,000 2/	44.0 million 2/
3.	Superstation TBS (WTBS) Atlanta, GA	Independent station: movies, sports, original & syndicated shows	12/76	B/A	12,635 2/	43.4 million 2/
4.	USA Cable Network New York, NY	Family entertainment & sports programming	4/80	B/A	10,100	42.0 million
5.	MTV (Music Television) New York, NY	24-hour, all-stereo video music programming	8/81	B/A	4,590	39.4 million 3/
6.	The Nashville Network New York, NY	Country music & sports programming	3/83	B/A	6,100	38.0 million
7.	Nickelodeon New York, NY	Entertainment for kids	4/79	B/A	5,670	37.9 million 3/
8.	CBN Cable Network Virginia Beach, VA	Entertainment, family programming	4/77	NC/A	7,905	37.2 million
9.	Lifetime New York, NY	Information & entertainment especially for women	2/84	B/A	3,700	36.0 million
10.	The Weather Channel Atlanta, GA	Local, national, regional, & international weather	5/82	B/A	3,200	33.0 million
11	C-SPAN Washington, DC	House of Representatives & public affairs programming	3/79	B	2,700	33.0 million
12.	NICK at Nite New York, NY	Entertainment for young adults	7/85	B/A	3,860	31.5 million 3/
13.	Headline News Atlanta, GA	Round-the-clock half-hour newscasts	1/82	B/A	4,000 2/	30.0 million 2/
14.	A&E Cable Network (Arts & Entertainment) New York, NY	Entertainment: series, theatre, film, music, dance	2/84	B/A	2,500	30.0 million
15.	The Discovery Channel Landover, MD	Nature, science, technology, history, exploration	6/85	B/A	2,700	29.4 million
16.	VH-1 New York, NY	24-hour video music programming	1/85	B/A	1,715	24.7 million 3/
17.	WGN Chicago, IL	Independent station: movies, sports, series	11/78	B/A	10,810 2/	24.2 million 2/
18.	FNN (Financial News Network) Santa Monica, CA	Live financial & business news	11/81	B/A	1,850	22.75 million
19.	FNN/SCORE Santa Monica, CA	Live sports news & financial data	4/85	B/A	1,150	19.2 million
20.	Cable Value Network Plymouth, MN	Home video shopping	5/86	NC	1,730	18.5 million

1/B - basic service; small fee/per subscriber paid by operator; usually no additional fee paid by subscriber// A - service accepts national advertising// NC - no charge to subscriber or operator// P - pay/premium service: per subscriber fee paid by operator; subscriber pays added fee

2/Includes SMATV affiliates as well

3/Based on A. C. Nielsen data

SOURCE: NCTA **National Cable Network Directory**, March/April 1988
Data received from services; audio and text services not included; system figures have been rounded off.

Table 2