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To await comments  
B/P 20/8

PRIME MINISTER

PEACOCK REPORT: EXTENSION OF ITV CONTRACTS

at 11ap PM2  
At your meeting on 25 June it was agreed that I should look further at the position on IBA contracts, given that there was a strong case for postponing action on a further round of contract awards until the next Parliament. The statement I made on publication reflected this by saying that, although the Government had reached no conclusion on the recommendation that in future IBA contracts should be awarded by a competitive tender, we were anxious that the option for a change should remain open. I said that I would consider the matter with the IBA.

I have now done this, and discussed the matter with Lord Thomson, the Chairman of the IBA. It is clear that, as expected, the IBA oppose the specific recommendation for a change in the contract system which the majority of the Peacock Committee recommended. However, the IBA is developing its own ideas for changing the contract system which will require legislation. Despite this, although Lord Thomson understands our wish to keep the options open - which I have stressed to him might pave the way for changes quite different from those envisaged by Peacock - he does not feel that the IBA could properly help to achieve this result without legislation, for example by making the next round of contracts for a relatively short period. I have explained to him that there are indeed advantages in keeping the option open, not only because of the possibility of changing the contract system itself, but also because other possible changes may also be relevant. For example, it might prove difficult, if



our studies suggest this is desirable, to introduce a requirement that some or all IBA services be encrypted and funded by subscription half way through a contract period. Similarly, it may also be desirable to seek to achieve the larger role of independent producers which Peacock recommended by building something in at the beginning of the contract award process.

It seems to me clear that for these broader reasons it is important that the incoming Government should not be faced with a situation, which it is clear will otherwise obtain, where ITV contracts are to be awarded until 1998. If nothing is done, we shall be locking ourselves into the present system, which few admire except the beneficiaries, for another twelve years, which seems absurd. Accordingly I now seek policy approval for making the necessary legislative change, which I believe would need:

- (i) to allow the IBA to renew contracts without the need for advertisements and local consultations, as would otherwise be required under the Broadcasting Act 1981;
- (ii) to prevent the IBA from making new contracts on this round for longer than two years (which would mean they would run until the end of 1991 at the latest);
- (iii) cover the possibility that one or more existing contractors would not wish to make a short term new contract, by providing that any new entrant would also be limited to a contract of two years at the most.

Legislation on these lines might meet some resistance from the IBA and perhaps also from the ITV contractors, who would probably prefer that the next round took place under the law as it now stands: Lord Thomson has made it clear that the IBA would want to put on record that it was done against its advice, though the Authority itself is not likely to do more than that. We should also have to face some criticism that the



Government was indecisive; that it ought to act at once on the Peacock recommendation or reject it: in other words, that we should either leave the system alone or change it substantially, rather than simply legislating to keep the option open. But I think we have a good answer to this point in that the Peacock Report opens the door to fundamental changes in the broadcasting system - including, for example, the introduction of subscription. It is important that we keep open the option of introducing these changes (and indeed any changes the IBA itself wishes to propose) which new ITV contracts until 1998 would inhibit: but at the same time it is entirely reasonable that we are not yet in a position to decide on the substantive changes, given that not only fundamental policy issues are involved but that there are also technical studies to be undertaken (in particular on encryption and subscription technology).

If you and colleagues to whom I am copying this minute are content on policy grounds, it follows that we need to legislate next Session. I should like to make clear to the IBA and the other broadcasting interests what we intend, but I will not proceed to do this until I have not only agreement on policy grounds but also clearance from Willie Whitelaw as Chairman of QL. I already have agreement to a brief Bill to extend the contract period for direct broadcasting by satellite and I would hope that it might be possible to include these provisions in that Bill, but I will elaborate on that to QL.

I am copying this minute to the Lord President, the Chancellor of the Exchequer, the Secretary of State for Wales, the Chancellor of the Duchy of Lancaster, the Secretary of State for Trade & Industry and the Chief Whip, and also to Sir Robert Armstrong.

*Dwyer & Ford.*

30 JULY 1986

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