



Foreign and Commonwealth Office

London SW1A 2AH

27 March 1987

Dear Stephen,

QD8
24/3External TV Broadcasting

The Foreign Secretary held a meeting with colleagues on 24 March to consider the prospects for external TV broadcasting. The Home Secretary, the Secretary of State for Trade and Industry, the Chief Secretary, the Chancellor of the Duchy of Lancaster and Professor Brian Griffiths were present. The discussion was based on the FCO paper circulated in advance, including the proposals put forward by BBC and ITN for a world TV news service.

The Foreign Secretary began by observing that, if regulation was left aside as a separate issue, the key question was whether or not HMG should be involved at all in external TV broadcasting. In judging this we should look at the pace of technological advance, existing activity in the private sector, the role of other Governments, and the nature of the audience which HMG might wish to reach in pursuit of its own objectives. He himself saw very little case for any HMG involvement in British external broadcasting to OECD countries, which was likely to develop satisfactorily anyway. But the closed societies and the Third World deserved careful consideration as potential targets for TV broadcasting, as they were already for external radio.

All those present agreed that TV broadcasting to the OECD area did not need (and might not benefit from) Government input. Some doubts were expressed about the wisdom of HMG involvement anywhere, since this was a sector of the economy which was doing well in private hands (and previous experience of the public sector approach, for example over DBS, was not encouraging). Nevertheless no-one dissented from the proposition that British TV broadcasting to closed societies and the Third World could in some circumstances bring political or commercial advantage. The Chief Secretary pointed out the technical limitations of what might be achieved in



closed societies, because of the cost and poor availability of dishes and the obstacles in the way of individuals wishing to acquire them. The Chancellor of the Duchy of Lancaster agreed, doubting that glasnost had yet gone this far. He also queried how many poor countries would be able or keen to absorb external TV broadcasting by satellite. The Foreign Secretary cautioned against too rigid a classification: a number of societies (eg Indonesia, Turkey, UAE) were neither poor nor closed, and might be valid targets. The Home Secretary suggested that a case by case approach would be best: this idea was generally endorsed.

Discussion then turned to the relative merits of BBC and ITN as providers of a service, if the Government wished to subsidise or purchase one for particular target audiences. The Foreign Secretary pointed out the value of the BBC label overseas, given the high reputation of its external sound broadcasting. The Trade and Industry Secretary asked whether TV broadcasting in vernacular languages was contemplated; it was agreed that this would be too difficult to provide. The Home Secretary argued that there was no need to judge a priori whether the BBC or ITN would be the better supplier; instead we should identify the package needed for a given country or region, and buy from whoever was best placed to provide it.

The BBC's existing proposal was then criticised in detail. The Chancellor of the Duchy of Lancaster and others pointed out vigorously that it assumed a Government subsidy, and contained inadequate or misleading costings. It also did not make sufficient effort to identify markets where its product could be sold on a commercial basis or show the true relationship between revenue thus generated and the costs of distribution elsewhere. The fundamental BBC error was to assume a worldwide TV news service for which HMG would be required to pay a price: external radio, with its wartime origins and State monopoly, was not an appropriate model for external TV broadcasting in the competitive diversity of the late 1980s. The Home Secretary noted with relief that the BBC were at least precluded from using any licence fee revenue for external broadcasting. Professor Griffiths pointed out that the existing BBC proposal predated recent changes in the Corporation; the relationship between Mr Tusa and BBC management might have changed in recent weeks. The Home Secretary suggested that it was still right to deal with Mr Tusa.



The Chancellor of the Duchy of Lancaster argued that before HMG could even consider purchasing from the BBC an external TV news product, the BBC would need to establish a separate organisation with audited accounts. Only thus could the market rate for this BBC material be established, and cross-funding between the new organisation and the rest of the BBC be ruled out. If the BBC did this, and could run a TV news service commercially to some countries, then HMG might consider the option of paying them to extend the service to audiences of our choice.

The Foreign Secretary pointed to the need to put the BBC and ITN on an equal footing, so that the Government could fairly choose between their competing offers. ITN, for example, had access to risk capital from which the BBC External Services were debarred. ITN also benefitted from their ability to offset new venture costs against their liability to levy and corporation tax, and insofar as their external TV was funded out of domestic profits, there was a notional loss to the Exchequer. Professor Griffiths added that ITN had difficulties because of the different shareholders of its domestic and external operations. There were also copyright problems.

The meeting ended in agreement that FCO officials should now draft a short paper refining the policy options in the light of this discussion and attaching a draft reply to the existing BBC proposal. Input from other Departments would be needed to draft this paper, which should then be considered further by Ministers. Meanwhile the Foreign Secretary would explain to Mr Tusa that the BBC proposal was being considered carefully, and that a reply would be sent as soon as possible.

Our officials will now begin this further work. Unless you or any copy recipient sees objection, we shall base our draft paper on the following assumptions:

- there is virtually no case for HMG involvement in TV broadcasting to OECD countries;
- the political, commercial or cultural case for a HMG role in such broadcasts to closed societies and the Third World needs examining, on a regional or country-by-country basis;
- if a case for HMG involvement is demonstrated, it is likely to be in distribution rather than production;



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- the right approach then would be to purchase the best available package for the audience identified, from whichever supplier we judged best;
- the reply to the BBC should rule out the possibility of a global subsidy and encourage them instead to develop a TV news product which HMG could consider buying for specific markets;
- further thought is needed about how to put the BBC and ITN on an equal basis for this purpose (taking into account taxation, capacity to borrow, and other limitations).

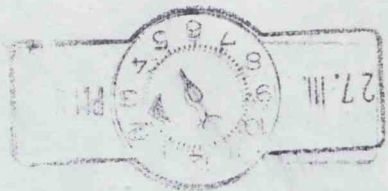
I am copying this letter to Timothy Walker (DTI), Jill Rutter (Treasury), Shirley Oxenbury (Chancellor of the Duchy of Lancaster's office), and Charles Powell (Number 10).

Yours ever

R N Culshaw

(R N Culshaw)
Private Secretary

Stephen Boys Smith Esq
Home Office



GCBG



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26 March 1987

The Rt Hon Douglas Hurd, MP
Secretary of State for the Home Office

NBAR.

Stan *for* *Stan*

BROADCASTING BILL: INDEPENDENT PRODUCERS

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I have seen your Private Secretary's letter of 18 March, and David Mellor's letter of 17 March to Lord Thomson of Monifieth.

I am disturbed that both the BBC and the IBA have offered only around 500 hours each, less than 5 per cent of their total broadcast airtime, for independent productions. If we are to keep to the four year time table for our 25 per cent target, the broadcasting authorities must be made to realise this. Given Mr Checkland's recent statements to the press, in which he said a 25 per cent target was "impractical", and the vested interests the BBC in particular has in maintaining its own in-house productions, I suspect that the BBC and IBA will almost certainly have to be obliged to deliver an adequate proportion of independent programmes.

The real problem with Clement Freud's amendment is that it is incomplete in not covering the BBC, and in not defining "independently produced programmes". I accept your judgement that it would be unproductive at this stage; but it is important that the BBC and IBA do not get the impression that because the Government is opposing this particular amendment, there is any lack of determination to legislate should they not willingly agree to fill 25 per cent of their airtime with independent productions.

I am copying this letter to members of MISC 128.

[Signature]

NIGEL LAWSON