

INDEPENDENT ACCESS

STEERING COMMITTEE

74 NEWMAN STREET
LONDON W1P 3LA
TELEPHONE 01 323 3220
TELEX 266075 PRODCO-G

Professor Brian Griffiths
Head of Policy Unit
10 Downing Street
London
SW1A 2AA

7 July 1987

Dear Professor Griffiths,

INDEPENDENT TELEVISION PRODUCERS

When we were in touch earlier in the year over Government policy re the access of independent producers to the BBC and ITV, I promised to keep you informed as to how our negotiations with the broadcasters progressed and send you any factual papers that might be helpful. The purpose of this letter therefore is to bring you up to date and let you have a copy of a paper which we have commissioned from a leading expert on TV costs and outputs on the question of implementation of the Governments policy for a 25% independent quota.

Since we met the three leading independent producers associations have set up a joint steering committee to co-ordinate their negotiations with the BBC and ITV on access and invited me to lead their negotiating team. Discussions with the BBC and ITV have been in progress since March and all parties have said they would like to see enough progress by the end of July for there to be an announcement covering the principles of how independent access will be implemented. Progress has been made on a number of important issues, but an equal number of matters which will be crucial if the independents are ever to become a third genuinely competitive force remain a long way from resolution. A series of vital negotiations are scheduled during the next ten days and I will let you know their outcome. At the moment failure to agree on a range of fundamental matters is decidedly on the cards, in which case the talks between ourselves and the broadcasters would almost certainly break down.

Now to the enclosed paper which we commissioned shortly after the BBC and ITV had made their "offers" of first tranches of 500 hours per year of independent production - to be achieved by the BBC by the production year 1991-2 and ITV by the end of 1989. The IBA seem to have been talking to the Government about an intention to achieve the full 25% quota over 4 years and the BBC over 6 years. The BBC "offer" consisted of 400 hours of Network programmes and



THE BRITISH FILM
& TELEVISION PRODUCERS
ASSOCIATION LIMITED



100 of Regional Programmes for which a total £20m is to be set aside. ITV's "indicative figures" had no specific sum of money earmarked and according to the IBA would consist of 175-225 hours per year Network and 200-400 hours per year Regional. In both cases the "offers" were to be increments towards the Government's 25% target and Independents were to be commissioned to make programmes across the entire spectrum of programme categories. Reviews of "cost and quality" are to take place at the end of the first phase before any move the full 25%.

We commissioned the research paper to give us an objective assessment of the viability of these "offers" as a means of progressing to the full implementation of the Government's objectives.

Two of the best known firms of City accountants with intimate working knowledge of ITV and BBC were asked to check the paper's findings. Both called the paper "stark".

It reveals serious deficiencies in both "offers". By 1989 25% of the new output of ITV would be 2,430 hours, made up of 1,024 hours of Network programming plus 1,406 hours of Regional or Local Interest programming. Against this ITV has "offered" just 500 hours to be achieved over the first two years - that is only just over one fifth of the target set by the Government.

The BBC's offer of 500 hours to be achieved over three years goes even less far towards achieving the Government's target. Twenty-five percent of the BBC's new output will amount to 2,569 hours, 1,512 hours Network and 1,057 hours Regional. The paper shows that the money the BBC has earmarked for Independent production is more derisory still - £20m against the £113m that the BBC would itself spend on the programmes the Government plans will be made for them by Independents.

The paper, which uses methods agreed with BBC Television's own accountants, reveals for the first time so far as I know the true total cost per hour of the BBC's own new productions. The result demonstrates that whereas the total cost of the BBC's own Network productions averages £63,300 per hour they are offering the independents only £44-46,000 per hour. The BBC appears to be expecting the independents to find anything from 38% to 43% more money to help make programmes for them. Alternately the BBC expects the independents to use the BBC's facilities - studios, cameras and technicians - despite the fact that the BBC has made a point of saying that independent producers will be free to choose what facilities they use.

In both cases therefore- ITV and BBC - it looks as if the "offer" - the proposals ostensibly aimed at making the Government's policy work in practice will not do so.

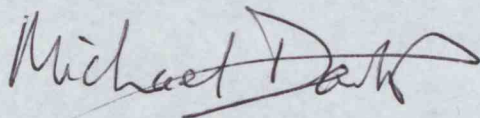
I am afraid that there appear to be only two interpretations that can be placed on the BBC and ITV proposals - either they are not

really trying to grapple with implementation of Government policy or they have skilfully devised a ploy which is aimed at frustrating the Government policy because it is calculated to fail - and when it does fail will give the appearance that the failure is due to the independents. In both cases the hours are too few to act effectively as a first step towards the smooth implementation of a 25% quota, leaving such a large number of hours to be achieved in any second period that reaching the 25% target within the time allowed is, if not impossible, bound to cause serious disruption. The money on offer is such as to result in the independent sector never being able to grow sufficiently to become a genuine, competitive force. Other factors in the negotiations lead us to be rather gloomy about just what the BBC and ITV are up to.

The paper is also interesting - in that Jonathan Davis reveals the extent to which television costs tend to outstrip RPI and offers a plausible explanation for this. He also casts serious doubts on the findings of the NERA Report for ITV, suggesting that the data on ITV costs provided to NERA was seriously at variance with other data provided over the years to Government and in the IBA Annual Reports.

We are planning to release the paper to selected journalists during the next week in the hope that this may prod the BBC and ITV into rather greater action.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Michael Darlow', with a stylized, flowing script.

MICHAEL DARLOW
Head of Negotiations

FIVE YEAR SUMMARY

Year ended 31st March		1983	1984	1985	1986	1987
		£m	£m	£m	£m	£m
Income and Expenditure						
A)	Income from the IBA	84.0	105.2	111.0	129.1	135.9
	Cost of programme transmission	(37.5)	(89.3)	(95.4)	(101.3)	(114.2)
	Operational & administrative expenses	(8.4)	(12.1)	(11.8)	(13.3)	(16.0)
	Other income less expenditure after taxation	(0.1)	(0.2)	0.2	0.1	0.8
	Net transfer to deferred income	38.0	3.6	4.0	14.6	6.5
Balance Sheet						
	Fixed assets	8.2	9.7	9.7	9.4	9.1
	Current assets	48.2	53.1	60.4	72.1	80.9
	Current liabilities	(5.8)	(8.6)	(11.9)	(8.7)	(10.7)
	Net assets	50.6	54.2	58.2	72.8	79.3
	Capital: £100	—	—	—	—	—
	Deferred income:					
	At start of the year	12.6	50.6	54.2	58.2	72.8
	Transfer during the year	38.0	3.6	4.0	14.6	6.5
	At end of the year	50.6	54.2	58.2	72.8	79.3
Advertising Revenue						
B)	Total ITV & C4 NAR (excluding TV-am)	722.1	850.3	903.3	1,034.0	1,212.7
C)	NAR attributable to Channel 4 <i>net Adv. rev.</i>			75.2	112.6	155.2
D)	Percentage of total NAR attributable to Channel 4			8.3%	10.9%	12.8%
E)	Channel 4 subscription as a percentage of total NAR in the current year	11.6%	12.3%	12.3%	12.5%	11.2%
Audience						
F)	Channel 4 audience as a percentage of the total commercial television audience	7.6%	8.9%	12.2%	13.9%	14.8%

OF COMMERCIAL TELEVISION AUDIENCE

