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PRIME MINISTER

17 July 1987

MISC 128 : Broadcasting

The Agenda covers four items.

1. Proposals for Broadcasting Legislation

The proposals contained in this paper are, not unsurprisingly, rather vague and ill-defined.

Recommendation

The coverage of the proposed White Paper is admirable. The only point that really needs to be made at this stage is that colleagues should have ample opportunity to discuss the specific ideas of the White Paper and not have it bounced on them.

2. The Independent Television System

ITV: Levy and Auction

The present financing of the ITV companies needs a major shake-up for the reasons put forward by Peacock. Now that the government has grasped the nettle of the BBC's finances by indexing the licence fee, the current and potential growth of advertising (estimated by Saatchi's earlier this week as 25% over the next four years) will create a very uneven playing field between the BBC and the ITV companies.

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The growth of revenue on this scale will only consolidate restrictive practices in ITV and transform the television industry into a pre-Wapping version of Fleet Street. The suggestion in the paper is for officials to develop the proposal of a mixed system of auction and levy.

Recommendation

This is a good suggestion but perhaps you might wish that does not reject the idea of the auction system (which has worked well in the North has for oil) quite so quickly.

Networking

This is a practice which certainly needs to be examined.

But not by the IBA - it is already too much under the influence of the large companies.

Recommendation

It would be far better if it were done by a committee of say three independent minded people, including at least one businessman.

Channel 4

C4 has been a great success, both in terms of audience (rising from 9% to 15% of the commercial viewing audience) and in terms of advertising revenue.

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We now have three options for C4:

- (a) keep it as it is - owned by the IBA;
- (b) allow IBA to retain current ownership but permit C4 to advertise directly and not indirectly via the ITV companies as at present;
- (c) privatise it.

The Home Secretary opts for the second. But privatisation would be a far bigger prize. The ITV companies would not like privatisation but the management of C4 would and believe it to be perfectly feasible. Last week the Managing Director of C4 came to see me and argued that it was perfectly feasible. Others (such as Michael Grade) have argued exactly the same. I am told that Sir Richard Attenborough (Chairman C4) also favours privatisation. (However as the Board is made up of representatives of the ITV companies it is hardly surprising they remain officially opposed).

The major argument against privatisation would be that C4 would no longer be able to carry out its remit in terms of its quality of broadcasting. It is interesting to note however that over the past five years its share of audience has increased as well as its advertising revenue, even though it has kept to its remit meticulously.

Recommendation

It is worth asking the Treasury to work up a paper examining the case for privatisation.

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3. Independent Producers

The present negotiations between the independent producers and the BBC and ITV companies are not going well. I enclose two letters dated the 7th and 15th July from the Head of Negotiations for the independent producers.

Contrary to the Home Office's memorandum of 26th May, the ITV companies are far worse than the BBC.

The case made by the independents is that

- (a) the BBC and ITV offer of 500 hours is just about one-fifth of what the government intended - this means an extremely difficult and in fact unlikely second stage;
- (b) their offer of cash is equally derisory;
- (c) they are not prepared to allow the independents the right to exploit intellectual property (e.g. if an independent developed a highly successful cartoon series - the continuing profits would go to BBC or ITV and not the independents).

Recommendation

Do not accept the Home Office recommendation that the attainment of a 25% target should be left to BBC, ITV companies or the independents. It is virtually certain never to happen.

The Government must step in and enshrine its commitment in law and make a statement now to that effect.

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4. ITN

The one issue not discussed in the paper is ITN. This was dealt with extensively at the dinner earlier in the year.

Recommendation

Why not ask the Home Office with DTI to work up a paper on alternative structures for the future of ITN.

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