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The Prime Minister
10 Downing Street
London W1

Dear Prime Minister,

You should find this brief paper very useful for your meeting on Monday to discuss options for broadcasting policy.

I am convinced that the market needs more local broadcasting, not the fifth national channel proposed by ITV. I am also certain that the major cities in the UK could sustain privately financed television stations, that could be viable without being part of a national network or federation, provided the broadcasters were free to serve their market.

Each of the people invited to your meeting has a copy of my proposal and I aim to begin a wider debate at the Royal Television Society convention in Cambridge this weekend.

Yours faithfully,

James Lee
Director

Enc

PROPOSAL TO CREATE METROPOLITAN TELEVISION STATIONS

By James Lee

The recent study of subscription television for the Home Office confirmed that there is capacity to extend the terrestrial broadcasting system by at least one channel.

The study recommended that this capacity should be used to broadcast a national pay television channel. It has been reported that the ITV companies have responded in favour of a fifth national channel financed by advertising.

This memorandum recommends a different approach - independent city based stations financed by advertising. The first such metropolitan TV station should serve London.

THE LONDON METROPOLITAN STATION

The new station serving the London metropolis would have the following characteristics:

1. Its aim would be to satisfy the special interests and needs of the population of the capital city.
2. It would not be distracted from this aim, by conflicting responsibilities to serve a network or fit within a national framework.
3. It would be free to determine the appropriate balance between entertainment and information programming, and would not be required (by any regulations) to serve any predetermined special interest groups within the city.
4. It would broadcast in UHF and be received by every existing standard TV receiver without encoding, or any other form of limited access.
5. It would be available free and supported wholly by advertising.
6. It would commission and acquire the majority of its programming from independent producers in the same way as Channel 4.

RATIONALE

There are powerful arguments that justify both the need for such a station and prove its economic viability.

1. The population of London have distinctive needs for both information about the affairs of the city, and entertainment that reflects the more cosmopolitan lifestyle of its people.
2. The existing ITV stations (Thames and LWT) do not and cannot serve these needs because of the network structure of ITV. The vast majority of prime time viewing is the same as that offered to the rest of the nation.
3. The London area can generate sufficient advertising revenue to finance acquisition and commissioning of programming in an open market.
4. There is room for two broadcasters competing for audience and advertising in London, although Thames and LWT might have to merge to become more cost effective.

Furthermore, if the London service proves viable, and as the broadcasting market develops further, the concept of metropolitan broadcasting can be extended in time to other major cities.

CITY VERSUS NATIONAL

There are a number of other good reasons why a city by city approach would be a better use of the available frequencies than a fifth national network.

1. DBS will be aimed at a national audience and would be severely damaged by another national competitor particularly with superior coverage.
2. There is no identifiable need for an additional network serving a national audience that will be well served by ITV, Channel 4, and three new channels from BSB.
3. If city based broadcasting is extended gradually over time, ITV can be exposed to gradually increasing competition rather than the broadcasting equivalent of the "Big Bang". London is the richest market and hence the obvious one to be developed first.
4. New technology such as ENG is reducing the minimum scale required to produce and broadcast, hence future trends will be towards serving smaller rather than larger population groups.
5. As a practical matter, it will be simpler to release frequencies on a city by city basis.

ADVERTISING VERSUS SUBSCRIPTION


There are also compelling reasons for encouraging the development of advertising based rivalry, rather than additional competition for the emerging subscription market.

1. Satellite broadcasting can use the new MAC standards, and is therefore the appropriate technology for pay television, with the added advantage of enhanced picture quality.
2. The economic viability of BSB is crucially dependent on subscription revenues, and a national terrestrial pay television service would ruin that already very risky venture.
3. All the evidence suggests that pay television is most relevant to the distribution of films and sporting events. That market is likely to be over-supplied by other means during the next decade.
4. An increasing degree of competition for air time is essential to contain broadcasting inflation, and maintain the competitive position of the BBC.

ACTION

On the assumption that it would be appropriate for the IBA to oversee the development of Metropolitan Broadcasting, the Prime Minister should encourage the Authority to conduct a feasibility study in time for recommendations to be incorporated in the proposed Broadcasting Bill.

JAMES LEE


DIRECTOR
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