

Prime Minister

This arrived out of the
blue from David McCall, with
no covering letter.

cc Blue
BS

He will be at the
seminar.

WHERE STANDS ITV?

Briefing note for the Prime Minister
for the seminar to be held at 12 Downing Street
on Monday 21 September 1987

JS
18/9.

The purpose of this note is to outline our thoughts on the
challenges which face our industry.

1. We are in a period of accelerating change. It was
reassuring, therefore, to see the firm commitment to quality
and standards in the Conservative Party Manifesto and to
hear the Home Secretary echoing and underlining these
views in his speech to the Royal Television Society this
morning. We also welcome his acknowledgement of the quality
and diversity of the existing services.
2. The ITV Companies are thinking long-term in order to:
 - (a) see how we need to adjust to operate effectively in a
broadcasting environment affected by the new technology
and the resultant widening of consumer choice.
 - (b) identify ways and means of maintaining and improving
programme standards.
 - (c) continue to export British programmes to the financial
and cultural benefit of the nation.

3. The gathering competition is formidable. In 1988 Astra plans to bring in 8 English-language channels, and a year later the 3 BSB channels are scheduled to commence DBS transmissions. The Irish and others may augment these arrangements. When the impact of VCR ownership (50% of UK homes), national commercial radio and cable are also taken into consideration it is clear that, when the next ITV contracts take effect on 1 January 1993, there will be much greater consumer choice and competition for advertising revenue.
4. We in ITV believe that, if commercial television is to maintain and improve its service to the viewer, a vital prerequisite will be the retention of the present two-channel system, in order to compete with the two-channel BBC and multi-channel satellite systems.
5. Some may feel that it would be healthy for there to be even more competition than two BBC, two IBA, VCR, three BSB, 8 Astra, etc. In that case the Government will have further options, such as MMDS and a 'Fifth Channel' derived from spare UHF frequencies. The latter could increase both choice for the viewer and provide even greater opportunities for the advertiser.

6. Analysis of the Channel Four situation reveals that:

- a separated Channel Four, with increased advertising revenue and able to keep to its programme remit would (as we said in our submission to Peacock) drain money away from parts of ITV, to the point where a number of regional companies would be unable to continue the regional service to their viewers.
- alternatively, if a separated Channel Four failed to gain the necessary revenue, its programme remit would go by default. The resulting fight for audiences with ITV would drive programming down market.
- in each of the above scenarios (and we would inevitably have one or the other) the viewer would suffer - either through no longer having a regional ITV station or being unable to watch on Channel Four the minority, innovative and special interest programmes it was set up to provide.
- the advertiser would gain little of value. The airtime on Channel Four would cost more and there would be no additional advertising minutage.

7. The various forms of competition which will already exist in 1993 could call into doubt any justification for the

Exchequer to extract monopoly rent from the ITV Companies, whether in the form of the levy or tendering for contracts. A system of rolling contracts, with full accountability to the regulatory body, would allow the IBA to maintain effective control of the system and its programme standards.

8. We have concentrated so far in this note on the future. Often overlooked are the measures already being taken to open up and increase the efficiency of the ITV system. Four areas stand out:

- (a) The opening of the new daytime service, extension into the night hours, and the IBA's agreement to increase the average advertising minutage to 7 minutes per hour are all providing increased opportunities for advertisers.
- (b) Arrangements for access for the independent producers are well advanced, and already over £20 m of commissions are in hand and the figure is growing each week. We fully expect the independent sector to supply sufficient programmes of the necessary range, quality and cost-effectiveness for them to attain the Home Secretary's targets.
- (c) Internal discussions are also in hand about the loosening up of the networking arrangements in order to

generate greater competition between the companies for the supply of network programmes.

- (d) The regionally-based ITV system inevitably bears additional expense, but we are aware that the cost in some areas of our operation have been too high. However, the companies have been making determined efforts to manage the 'people' aspects of their businesses more professionally, to contain their costs and to introduce a greater sense of realism in Industrial Relations. Achievements include:

- Tighter manning arrangements and a corresponding increase in productivity, eg local settlements for late-night broadcasting, eliminating excessive payments.
- New technology introduced more efficiently, sometimes involving the breaking down of traditional levels of demarcation, eg the widespread use of portable single cameras and the amalgamation of film and video operations.
- A determination to confront trade union resistance to change, eg Olympic Games coverage in 1984, management services at Thames (1984) and Ulster

(1987) and Central's injunction (1987) to have lifted the blacking of South African commercials.

- Annual negotiations at national level, with three consecutive pay settlements of 6%, 5 % and 5%, all of which are on or below the going rate, and no significant concessions on conditions since 1981.
- The development of profit-sharing schemes and greater emphasis on employee involvement. As a result of the introduction of share schemes, most ITV employees are now shareholders in their companies.

9. Since the advent of Channel Four, and the spur given by the introduction of independent production on that Channel, the ITV Companies have improved productivity to the point where the independents' claims to greater cost-effectiveness are no longer valid in many areas of programme making. The picture which is so frequently painted, therefore, by a largely hostile press, is out of date. Considerable changes have been made and the relationship between management and staff is now more enlightened and realistic. Both sides recognise that improvements in productivity are a continuing process.

10. We expect to receive shortly a report by NERA on the range of options and opportunities in the period beyond 1992. From this report we will determine our strategy and submit it to the Home Secretary this Autumn. We look forward to an exciting future.

David McCall

Chairman, Independent Television Companies Association

18 September 1987

