



QUEEN ANNE'S GATE LONDON SW1H 9AT

NBP at this stage

20 September 1987

Dear Lord Young,

NETWORKING OF ITV PROGRAMMES

Thank you for your letter of 10 August. I have also seen Nigel Lawson's letter of 9 September and the Prime Minister's views as recorded in her Private Secretary's letter of 21 September.

In my paper MISC 128(87)2 I suggested that the ITV networking arrangements needed to be reformed, and that I should invite the IBA to undertake this task against four objectives intended to make the arrangements more competitive, flexible and fair. You and colleagues have suggested that the IBA cannot be relied upon to meet these objectives, and have suggested alternative approaches.

I believe that in this respect the IBA's commitment to change may have been underestimated. The IBA is already well down the road of introducing changes to the present networking system, which it has told the ITV companies is insufficiently competitive. The IBA has been discussing with the companies plans which will reduce the degree of guaranteed access to the network of the five major companies, introduce the principle of a common tariff for programme exchange between all companies, and give regional companies representation in the machinery for deciding the make up of the network schedule. The IBA expects implementation of these new arrangements, which will take full account of our independent production initiative, to begin next year, and to be fully effective for the 3 year contract extension starting in 1990.

There is a wide recognition within the ITV industry that reforms are needed, and much has in fact already been achieved. In the last 5 years there has been a 52% increase in regional access to the network, and a 173% increase in payments from the major to the regional companies. The new ITV daytime schedules are providing the regional companies with a much fairer share of the new service. All this is happening with the co-operation of the ITV companies.

/We shall

The Rt Hon Lord Young of Graffham

We shall obviously want to look with care at the IBA's plans once they are finalised and announced; but I can see little advantage in setting up now an internal review which would duplicate this work and which would require a detailed knowledge of the programme planning cycle which officials lack.

So far as the period after 1992 is concerned - and it is of course with that period that our legislation will be concerned, additional reforms may well be needed. I fully take Nigel Lawson's point about the interrelationship with competitive tender and the levy. In offering contracts for competitive tender the IBA will have to make it clear what if any networking obligations they carry and what financial arrangements should be. Neither the Government nor the IBA are yet in a position to do this, and I am, in any event, doubtful whether it would be right for us in Government to attempt to design a network system, or whether there is any need for us to do so. Our task is to make sure that the statutory framework - biting as from 1 January 1993 - is such as to ensure that the IBA produces the right result.

Against that background I suggest that the necessary steps are these.

- (i) we keep in touch with the IBA's initiative (which as explained is already under way) to reform the networking system under the present contracts, and their extensions to the end of 1992, making it clear that we are concerned to achieve the objectives I set out in MISC 128(87)2;
- (ii) as soon as we are able to, we inform the IBA of the reforms we have in mind to competitive tender, to the levy system and to Channel 4. We should invite them to propose what arrangements they think would be sensible, in the light of those reforms, for networking arrangements from 1 January 1993;
- (iii) in the light of their response we decide what if any new provisions we need in our Bill to ensure that the arrangements applying meet our objectives. I envisage that the Bill may need to lay down certain crucial strategic issues - perhaps for example to spell out the objectives mentioned above - while necessarily leaving the precise details to the IBA.

I am now asking the IBA for a full and up-to-date account of how their current work is proceeding. As I have already said my understanding is that the changes they have in mind are radical,

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but we must keep in mind that as the law now stands these matters fall entirely within the IBA's powers, though they in turn depend beyond a certain point on the co-operation of the ITV companies. I will report the outcome in due course and hope that you and other colleagues would agree that the right course is to proceed as I have suggested above.

I am copying this letter to the Prime Minister, to other members of MISC 128 and to Sir Robert Armstrong.

Yours sincerely,

Colin R. Miller

Approved by the Home Secretary
and signed in his absence.

28. X. 1 PM

BROADCASTING: FINANCES pt 4.