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*With the Compliments*

*Pa*

*of the*

*British Broadcasting Corporation*

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1. Let me open by stating that the existing services should have no fear of the future: New technology offers the prospect of additional television services and the extension of choice for the viewer. If Britain follows the pattern of the United States, the viewing share of our existing channels may decline from almost 100% now to perhaps 70% in 10 years time.

2. It is probable that the British public will continue to patronise existing channels at such a level. New entrepreneurial activity will build the new sector and should offer a genuine extension of consumer choice. In the United States, this has been most successful commercially in the form of channels dedicated to specific interests - all Sport, all Movies, all News. They are well supported by both advertisers and subscribers. Attempts to replicate the existing network programmes have not been viable due to high entry costs, economies of scale and existing viewer loyalty. The lesson appears to be that in America the consumer values new services as an addition to existing services.

3. I see no reason to believe that this pattern will not apply in the UK. This does not of course mean that the existing broadcasters - with their privileged positions - should be free from scrutiny of their efficiency. The indexed Licence Fee and the move towards more independent production have already squeezed savings out of the BBC system and there's more to come. But three other factors should be borne in mind:



a) our television industry maintains a strong British production base generating substantial overseas sales in a very tough international market; (BBC Enterprises and ITV have more than doubled their export income in the last 5 years);

b) we should not underestimate the added value to the image of Britain abroad which is enhanced by the distribution of high quality British television drama, for example;

c) the British viewer will demand adequate protection from the uncontrolled invasion of violent, pornographic or otherwise unsuitable material from overseas, especially beamed by satellite.

Any rearrangement of British broadcasting should therefore seek to ensure that British quality and British standards are maintained. We should beware promises of multi-channel television services which cannot identify the source and quality of the programmes that they will carry.

4. Within this context I believe that the viewer will expect the BBC to maintain the existing range, quality and standard of its home-produced programmes, available in every home in the land universality. The licence payer will expect the BBC to make every effort to maximise its commercial opportunities. One attractive possibility is the exploitation of the overnight hours for so-called "downloading" enterprises, including perhaps subscription services and availability to closed-user groups such as the BMA.

But until technology allows a cheaper form of direct payment by the general consumer to the producer, the licence fee remains for the present an effective way of turning the public's money directly into programmes, radio as well as television. It also satisfies a proven public preference for important elements of programming to be free



from interruption by advertisements (This was incidentally the unique marketing proposition of the highly successful Home Box Office operation in America: to watch feature films without commercial breaks). The BBC can continue to offer the viewer the choice, amid all the new enterprises, of a universal service without advertisements. The BBC is now of course conscious that the further expansion of broadcasting services is the business of the marketplace. In Michael Checkland's words, we have put away the begging bowl. The BBC has always tried to achieve the highest standards of programme quality: it now understands that it must achieve equally high standards of economic efficiency. We have no ambition to have a stake in the new services. But we will talk to anyone who wants to buy our programmes, or our programme making skill - but beware, we will know how to charge!

5. But however well the BBC performs, it faces a threat, not from the competition of new technology, but from the widening gap between its income and that of the ITV companies. The increasing income of ITV and Channel 4 from advertising pushes up the costs of the entire industry, especially its wages. Senior producers are leaving the BBC on salaries of £21,000 to do the same work in ITV at £34,000. To make matters worse, the BBC bears most of the cost of training within British television. We face the same problem with technicians, writers and artistes.

If this gap is allowed to widen, the BBC faces two choices: To stand by and watch its best and its brightest depart, or respond to the pressure and see its own costs rise with a consequent cut-back in original programming.

No doubt we can go on to discuss various scenarios within which the problem of this gap might be solved.

Michael Grade  
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