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28 September 1987

Rt Hon Margaret Thatcher FRS MP
10 Downing Street
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Dear Prime Minister,

Following last week's seminar on broadcasting, my Chairman, Sir Ian Trethowan, told me it might be helpful to you if I set out the Thames experience of dealing with problems of rising costs, restrictive practices, and union militancy.

I have done so as briefly as I can, and I do hope you will be able to find time to read the attached report.

*Yours sincerely,
Richard Dunn*

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Managing Director

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ITV RESTRICTIVE PRACTICES

During the sixties and seventies our four staff unions - ACTT, BETA, EEPTU and NUJ - achieved inflationary national pay deals and built up local restrictive practices whenever managements were prepared to buy peace.

THAMES STRATEGY

In July 1983, my Board agreed a very detailed "Strategy for Cost Effective Production" to reverse the tide. Crucially, it decided that "we should continue to take strong action to reduce manning and improve working practices without fear of the consequences of industrial action." With that Board backing, Thames took on ACTT in its own power-base, leading inevitably to two major transmission strikes in Autumn 1984. By successfully resisting the first, we broke a web of restrictive practices in our transmission centre; the second, over a sectional claim, led to our management service.

"FORT EUSTON," THE 1984 THAMES MANAGEMENT SERVICE

"This is totally unprecedented in the history of ITV's industrial relations," said ACTT's Alan Sapper when 45 managers put Thames back on air on 22 October 1984. "Thames is the first company to try to break the 'tyranny' of control of the screens by ACTT," said the Financial Times the next day. "If the company succeeds ... it will be a serious blow to ACTT's power throughout the network."

The two-week Thames management service shattered the myth that a blank screen was an ultimate weapon in union hands. When 1,000 ACTT members came back to work on management's terms, the Daily Telegraph described it as "another victory for the Thames management in its determination to introduce more profitable modes of operation and reduce manning levels" and the Financial Times concluded "the company has ... pioneered an historic breakthrough in ITV labour relations which will echo round the network for years." Since then, ITV unions have won nothing while losing restrictive practices in droves.

National pay awards in the last three years have been 6%, 5.5% and 5%, each without substantive concessions and each below the Industrial Services Sector average. The 1985 settlement at 6% was critical. ACTT, always the leading union, and sore after its defeats, balloted its members for recommended strike action. The companies refused to budge, and the strike call was rejected. Reporting on the ballot, the Financial Times said, "Last year's dispute at Thames TV where the management put out a service without the ACTT appears to have been a turning-point."

OTHER FACTORS

It would be wrong to claim the 1984 Thames management service as the only turning-point. Other factors inducing a fundamental shift included 1) new legislation, especially on balloting and secondary picketing, 2) progress made by other ITV companies, 3) Channel 4's creation of a competitive independent production industry, 4) the change in union attitudes during the miners' strike, and later as a result of the News International dispute.

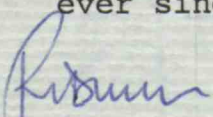
ACTION AT THAMES TO CUT RESTRICTIVE PRACTICES

1. Since 1984, we have not lost a day's production or an hour's transmission, and have resisted every sectional claim except those concerned with equal pay.
2. In our Euston transmission centre, the hub of ITV's weekday networking, we have a) reduced staff by 10%, b) regained management's right to roster to need, c) drastically reduced overtime and various 'old Spanish customs', d) eliminated the demarcation between film and tape engineers, e) reduced the minimum crew from 32 to 5, f) as a result, in this one area, produced savings of some £500,000 per annum.
3. Having solved that minimum crew problem, Thames then cracked the notorious "golden hours" provisions of the National Agreement by negotiating a night shift of time-and-a-half, or double-time maximum, enabling it to become the first ITV contractor to transmit 24 hours a day (excluding TVAM's time). The 32% increase in transmission output has been achieved with only 3 additional staff. "The whole thing is done by a staff you could count on one hand," as the Sunday Times reported yesterday. "Gone is the union-enforced overmanning that has bedevilled television as much as Fleet Street."
4. Demarcation between film and tape technicians has also disappeared on location. The restrictive practice of 4 person film units has been replaced with normal crews of 2 for tape and 3 for film. Savings are projected of some £700,000 per annum. Interestingly, the final breakthrough came in response to our threat to commission a major series from an independent if the new tape technology and manning levels were not given approval quickly.
5. Our news operations were converted to a wholly competitive ENG system in 1983.

6. BETA staff accepted full rosterability after a strike in 1981. As a consequence, the construction shop was re-sited, restrictive practices eliminated, productivity improved and identifiable cost savings to the order of £500,000 per annum were achieved.
7. As a result of dealing with restrictive practices, we now have far less difficulty introducing new technology than in the past. Thames was the first British broadcaster to use the new M-format component-coded 1/2 inch videotape recorders, introduced on our new "CITY PROGRAMME" two weeks ago.
8. Our unit costs of production are falling, and last year saw a reduction of 40 ACTT staff and 47 BETA staff, and significantly lower earnings in certain areas.

SUMMARY

1. The scalpel has been at the fat at least since 1984. There is more to come, but we are a good bit leaner and the remaining restrictive practices should be easier to tackle. Thames is by no means unique. Many other ITV contractors have achieved as much, if less dramatically.
2. To confront union restrictive practices Thames has accepted lost advertising income and cancelled production costs.
3. I attach great importance to the fact that since 1983, between 50%-60% of our staff have been shareholders, with voting rights since July 1986 in a fully-listed PLC. Considerable advantage has been taken of approved schemes for share acquisition.
4. The IBA's requirements for independent production, backed by the Government's manifesto, are a further incentive to change.
5. Several factors, including most visibly our management service, made 1984 a major turning-point in ITV industrial relations. The power of our unions, and the scale of restrictive practices, have been in decline ever since.


RICHARD DUNN
Managing Director, Thames Television PLC
28 September 1987



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From the Chairman

28 September 1987

STRICTLY CONFIDENTIAL

Rt Hon Margaret Thatcher FRS MP
10 Downing Street
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Dear Prime Minister

Thank you for a very agreeable lunch on Monday, after a seminar which was immensely valuable. Everyone had a fair hearing, and I am sure that it was greatly appreciated that you found the time amid so many other pressing problems.

You said at the end that you would consider any further thoughts we might have. I came away feeling that, while the advertisers and the independent producers underestimated the speed with which the satellite development will ease their present frustrations, the broadcasters did not address the complexity of safeguarding standards amid this rapid expansion. Later this week I am attending a conference in Strasbourg about the problems of controlling trans-frontier satellite broadcasting, and I will then, if I may, send you some further ideas on structures.

In the meantime, you may remember that over lunch I mentioned some of the steps taken by Thames to control costs and deal with union militancy. I have asked the Managing Director, Richard Dunn, to send you a short note on these points. The "bastions" are crumbling, not least under the psychological as well as the legal impact of the Government's legislation. On the very day of the Seminar Thames was threatened by a strike over the showing of an American news programme said to be made by a non-union company. The management stood firm, and the union backed down. Only two or three years ago we would probably have had a damaging stoppage.

*Yours sincerely
La Feltore*