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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 October 1987

Sir Ian Trethowan

The Home Secretary and other members of MISC 128 may be interested to see the note enclosed which has been sent to the Prime Minister by Sir Ian Trethowan.

I am copying this letter and enclosure to the Private Secretaries to members of MISC 128 and to Sir Robert Armstrong.

(DAVID NORGROVE)

Philip Mawer, Esq.,
Home Office.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 October 1987

Thank you for your note to the Prime
Minister of 22 October. I am sure she
will be interested to see this.

(DAVID NORGROVE)

Sir Ian Trethowan



Thames Television PLC
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From the Chairman

22 October 1987

STRICTLY CONFIDENTIAL

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

At the end of the Seminar on 21 September you very kindly offered to consider any further thoughts the participants might have. I realise you must have many much more weighty matters before you, but I am taking the liberty of sending you a note on certain issues which arose and one which surprisingly did not.

Yours sincerely

Laurence

NOTE BY SIR IAN TRETOWAN

We tend to use the word "standards" in two different senses:

Minimum standards - trying to ensure that all programmes, however trivial, do not fall below certain minimum standards with regard to violence, explicit sex and bad language.

High standards - trying to ensure that the programme services achieve high standards in both range and quality.

Domestically, it is presumably hoped that the preservation of minimum standards will be ensured through the Broadcasting Standards Council. If so, the Council will need to be armed with an effective, continuous monitoring system.

Internationally, the problem is more complex. I recently attended an European conference at Strasbourg to consider how to control trans-border satellite services. In varying degrees all countries had the same objective: - to maximise choice but to preserve standards.

There was general support for the proposed Council of European convention, (less for the EEC draft directive), always provided that it is supported by an efficient monitoring system.

In fact, some of the satellites will have built-in safeguards. The Astra satellite, for instance, in which Thames has a shareholding, is owned by the Luxembourg Government, and their lease includes requirements on taste and standards similar to those laid down by own IBA.

How to secure high standards is less obvious. With the proliferation of advertising - supported channels over the next two years, pessimists forecast a decline in standards in the commercial sector. My own view is that the new satellite channels will bring in innovation, particularly when targetting specific interest groups. Of the existing ITV companies I can only speak for Thames, but while we do not underestimate the coming pressures of competition, we believe we can maintain standards and satisfy our shareholders.

The one certain area where high standards can be assumed is in the one financially protected area, the BBC. I am afraid I believe strongly that the BBC should continue to be financed by a licence fee, and that BBC1 should be allowed to offer a general entertainment service to satisfy all the licence payers.

BBC2, however, should leave snooker, athletics and the like to BBC1 and provide a cultural and minority service of the highest quality. Such a service could not be commercially viable

and so would be a justification for the licence fee. This service, could, I believe, become a Television equivalent of the Third Programme, quite distinct from the more general channel, and earning, I am sure, great international distinction.

ITN

Various proposals are being made for the future of ITN. I must declare my strong prejudice in its favour: I came into TV through ITN 30 years ago, I hired David Nicholas as a young sub-editor, and I believe that ITN represents the single most beneficial effect of breaking the BBC's monopoly.

But ITN is having to adapt itself to wider commercial opportunities. One possibility would be to sell it off to outside shareholders. If this were felt to put its editorial independence too much at risk, then it could remain owned by the ITV companies, but as a Holding Company, with two subsidiaries - one to provide the existing news service to ITN, the other to take over all the present and prospective commercial activities. The Board of this second subsidiary could be reinforced by outsiders with commercial backgrounds. The opportunities are there. For instance, the only 24 hour TV news service available in Britain is the American CNN. ITN could match that, and should be encouraged to do so, provided it could be made financially viable.

PROGRAMME PRODUCTION

It would be difficult to exaggerate the value of the development of independent production. As Richard Dunn explained in his earlier note, the emergence of a viable independent sector has been one of the two main weapons in forcing the TV unions to accept more sensible manning levels. (The other weapon, of course, has been the Government's trade union legislation).

The independent producers have also brought in a number of fresh, creative ideas, and will continue to do so. The proposal to introduce a statutory quota of 25%, however, apart from being difficult to define, could well prove counter-productive. With such a guaranteed market, the independent producers are tempted to form their own cartel, and in turn become the prey of stronger union demands.

Everyone accepts that ITV's monopoly of TV advertising creates an artificial market, but that is not cured by superimposing another artificial market on top of it. The way to deal with a monopoly is to abolish it, and this is now inexorably happening. The satellite development of the next two years will create such a widening of choice that by 1990/1 the problem will be not how to deal with a monopoly of advertising but how to secure enough advertising to finance all the channels which will then be available.

The problem will not be whether the independent producers have a sufficient place in the sun, but whether there are enough of them to provide all the programmes that will be needed.

The scenario depends, of course, on the satellites working, and the Government might be advised to arm itself with some machinery for continuously monitoring the rapidly changing scene, either by extending the remit of the BSC, or by setting up a separate representative advisory group on the lines of the Seminar.

FRANCHISES

I was surprised this was not mentioned at the seminar. No one much likes the present system. It is like a cross between Miss World and Mastermind, conducted in the secrecy of a papal conclave. Lord Thomson said soon after the last round that a better way should be found.

The fact that neither he nor anyone else has so far succeeded is the measure of the difficulty. A straight auctioning of the franchises would inevitably lead to some of them falling into the hands of very rich men ready to pay almost anything, however uneconomic, to secure such power and personal aggrandisement.

It is this risk which has led to the proposal of a two-tier system: an initial sifting by the IBA, and then some form of auction amongst those deemed worthy of a franchise.

But even then, there is bound to be an element of subjective judgement. When one is hiring builders to mend the roof of a house, one does not necessarily choose the lowest tender, but rather the one which offers the best balance of price and reliability. After their disastrous initial experiences with LWT and TV-AM, the IBA is bound to look cautiously at all submissions, however attractive the financial offers might be.

If one wants to safeguard standards, it may be necessary to fall back on something like the existing system, but it could perhaps be made more viable, and could specifically include the negotiation of an annual rental.

21.10.1987

