

010

BROOK HOUSE · PARK LANE

LONDON W1Y 4DX

Telephone: 01-408 2288

ccBCG

mf

from LORD BUXTON

The Rt Hon Margaret Thatcher, MP  
10 Downing Street  
London SW1

28th April 1988

Dear Prime Minister

Since I have now retired as Chairman of Anglia Television, may I write as a Conservative backbencher and mention a vital aspect concerning the future of ITV which I believe is being overlooked.

I am all in favour of change because it is inevitable for technological reasons. I am also in favour of change for economic and labour relations reasons, and I am convinced that the ITV companies have all come to terms with the necessity for change. Changes are already coming about in ITV and will continue to come about. They will evolve inevitably through market and other forces, but by forcing the pace too hard I believe we may do far more harm than good.

What I am deeply concerned about are the consequences for the Conservative Party of some of the published proposals. In the rest of industry the rush for competition, savage pruning of costs, and putting financial and commercial factors above all else, is usually right. But with broadcasting, and television in particular, it is surely very dangerous to overlook the other vital side of the coin, the political factor.

If independent television is weakened, and therefore the regional ITV service throughout the UK put at risk, stable government and the Conservatives will probably have lost their best ally. Unbridled competition may not only force the companies to go downmarket, but if the enormously popular regional service is diminished, with its vast impact on the electorate, then Conservatives will truly have thrown the baby out with the bath water.

Imagine the country with only the BBC in the prime position (the BBC having a very weak regional coverage). If the pace of change goes too fast, so that competition comes before service and responsibility, and so that numerous new channels, cable systems, and mini-stations are orientated on purely commercial lines, having been bid for or taken over

by any sort of entrepreneur, the television scene could in due course resemble Fleet Street. Every channel might be politically irresponsible or biased in one way or another. (Incidentally I suspect that little radio stations will certainly attract the activists who may well trot out all sorts of outrageous stuff.)

It is therefore imperative to recognise what it is that ensures the comparative responsibility and loyalty to the country and constitution of ITV and ITN. It is in fact the careful selection by the IBA of the initial directors and proprietors. You have only to peruse the list of directors of all the ITV companies to know where on balance the loyalty and commitment of most of them lie. If we diminish the authority and responsibility of the 150 or more ITV directors, and therefore their regional services so faithfully sustained throughout the country, that to my mind would constitute the greatest act of folly for the Party.

As you know I was chairman of ITN for many years and throughout the Falklands war, and I never had the slightest difficulty in requiring absolute ITN support of government and country. My authority in ITN derived from the ITV system, knowing that the ITV boards would give one unqualified backing. This was not so with the BBC and would not be so in a broadcasting system savaged in the cause of competition, with a multitude of new entrepreneurs in new channels who might not feel the same allegiance. Over-competitive television could devalue the quality of news services and probably your own coverage, which would be disastrous for us all.

I simply do not think it is worth it, or that the DTI's objectives are politically sound. There is a critical difference between ordinary business and broadcasting which we can ignore at our peril. The fact is that the ITV regional service is vastly popular; the other fact is that the country can afford it. It provides the Government, its leaders and MPs with the most effective means of communication with the electorate. The Government can take for the public purse every penny it wants, but that does not mean that the regional service, a Conservative luxury if you like, has to be put at risk.

Regarding the Central Television idea for merging ITV companies, this is an old notion usually trotted out during a recession or slump, but it is not in the best interests of the viewers, the electorate or the Conservative Party. When the economy is strong, and the country can afford "the Conservative luxury" of regional television, the reduction of stations is floated only by those who want to increase the size of their businesses. "Central" is not really a

region, that is the problem. If there were to be mergers I believe Anglia would certainly bid for the East Midlands which it partly serves already, and somebody else would go for the West Midlands. The mosaic will probably change one day, but it should be brought about by competition (not over-competition) and evolution, and not imposed to please financial ambitions.

*I thought  
this letter  
explained clearly  
other competition  
see p. 1.*

I do pray we shall not put an important Conservative asset in jeopardy, by following blindly economic objectives in the theoretical cause of breaking up some phantom niggers in the woodpile (old-fashioned notions like "printing money", "sitting tenants", "a contract for life" and all that).

May I also enclose a memorandum to Lord Young in which I have pointed out how some of the Government's published ideas for ITV are directly hostile to your present policies, and could in fact undermine your own objectives. I apologise for the length of this letter, but I can think of nothing more important than this issue. I do hope the above is helpful.

*Yours sincerely*

*Avery Brundage*

## Summary of Points for Lord Young

### 1) Television Contracts

A franchise affair no longer makes sense because ITV contractors are public companies or controlled by public companies.

Competitive tendering for contracts will produce as many defects and injustices, or even more, as the Plowden fiasco.

Franchise affairs, especially with competitive tendering, are directly hostile to this Government's policy of popular capitalism (see paper attached).

### 2) Regional Television

Undermining the ITV regional system is directly hostile to Conservative interests and national stability. The BBC and future more local stations (MMDS) would be no substitute and there might be no match for subversive broadcasters.

Undermining the ITV regional system is also directly hostile to the present Government's policies for the provinces, inner cities, etc. If the Government fail to think this through, it could finish by provincial centres of culture and excellence, and production centres moving to the south-east, and independent producers moving to Soho. (See paper attached.)

### 3) Channel 5

If the Government permits subscription television on C5, they will have changed the goal-posts since BSB applied for the DBS franchise, and the BSB venture will probably collapse. The Government itself would therefore have destroyed Britain's ambitions in space.

But this point does not go far enough. If C5 is operational, whether advertising or subscription, it may badly damage the viability of BSB.

was

C5 was never hinted at when the DBS contract discussed, offered or accepted. ^

### 4) Channel 4

If C4 has to compete commercially for advertising, it is completely naive to think that its programme remit can survive.

If C4 breaks off from ITV there will be a sharp advertising revenue shift from the north and from the small regionals.

ITV left as a single-channel service, competing with multi-channel services of BBC and BSB, etc., would be at a serious

competitive disadvantage.

*So he does believe in competition when it suits!*

There would be no advantage for the advertisers because there would be no increase in minutage.

#### 5) ITN

When Chairman of ITN, I myself initiated and pressed the case for ITN to go out and compete for news contracts universally. But I never suggested that it should lose its secure base and outlet with ITV. This could lead possibly to collapse.

There are only five major news creating organisations in the world: ITN, BBC, and the three American networks. To weaken ITN by loosening the relationship with ITV could not only prove disastrous, but seriously diminish the United Kingdom's standing and authority in Europe and the USA.

Every world broadcasting system of consequence has to have its own news creating organisation. If ITN is dismembered from ITV, the industry would have to start up its own new news organisation in its place.

#### Comment

Over the last thirty years, Governments have consistently intervened in ITV whenever advertising revenue was seen to be booming.

They have never properly considered the cyclical nature of revenue, nor the consequences of any new measures in changed circumstances.

When in due course revenue declined the previous measures were found to be unsound. It became at one time a sort of joke that every time the Chancellor increased the TV levy, revenue fell, and every time he reduced the levy revenue promptly increased.

Thus there is a proven risk in basing expansive legislation too hastily on the assumption that advertising revenue is bound to increase over the next decade, and that a surplus can be creamed off for new channels. The reverse has proved to be the case in the past, and it is possible that new ventures could collapse and the viability of the whole system would be weakened unless changes are prudent and very carefully calculated.

AB

Private Note by Lord Buxton on Television Legislation.

A NEW MASOCHISM?

(Doing Things Which are Unnecessary and Unpopular)

We are all in favour of change, provided the pace of change is soundly judged. There is the clear impression that the drive for change is somewhat fanatical, without serious thought or understanding of the consequences, particularly social or electoral.

1) The Government are living in the past, likewise the Peacock Report belongs to a past era, in thinking that a "franchise affair" still makes sense.

The factors which have transformed the situation today are:

(a) parties used to apply for a franchise initially, or for its renewal, because that was the only way to be in ITV.

Now anybody can get into ITV by buying shares in public companies. It is rubbish for people like Michael Green to say otherwise. He is already in Central; Maxwell, D.C. Thomson, Ladbrokes and thousands of others are all in ITV without having ever applied for or won a contract. Luckwell is trying to buy into TV-AM.

(b) Independent producers are guaranteed exposure.

(c) Somebody referred recently to "profits going into too few hands". This is also rubbish; Anglia alone has over 2000 shareholders including all staff.

(d) The "sitting tenant" syndrome is now virtually a myth.

2) Syndrome I - The "Sitting Tenant".

Who are the sitting tenants in an ITV public company? They are:

- a) founder shareholders (if still in)
- b) staff shareholders (1000 or more)
- c) market shareholders (numerous)

It is clear today that members of a) and c) may not necessarily be involved throughout the franchise term.

The only firm sitting tenants are the permanent staff, and it is disgraceful and unjust if they are dispossessed by an IBA whim or by a competitive tender, when they are defenceless and can do nothing to protect their jobs and their livelihood. The injustice would be so blatant that this would be unlikely to get through

Parliament.

3) The sudden award of a franchise to a new bidder is now hostile to Government policy. Most ITV companies introduced share-participation schemes some time ago and all staff are now shareholders. Most companies have several thousand shareholders.

If a competitive tender for Anglia was won by a single bidder or conglomerate therefore, the shareholders could in theory be reduced from 2000 to only one. In the extreme theoretical case, they could be reduced in ITV from say, 40,000 to fifteen. How is this reconciled with this Government's aim of popular capitalism?

#### 4) IBA Powers

Although the Authority has legal power to retain and control the shareholders awarded a contract, in practice it has not always proved realistic in a crisis, even less so today. If a company has been in financial difficulties or if a main shareholder has had to sell out, then the IBA has been apparently powerless and its profile and authority has been discredited.

This was due to putting financial stability ahead of the programme service, which is what normally happened. In the future there would have to be legislative controls monitored by the IBA including the maximum shareholding factor, foreign investment, media concentration, etc. But otherwise the market would have freer rein, and the IBA would ensure the national and regional service.

The franchise affair was suspect enough in the past, it will now become simply a charade or farce, because within months of an award the partners or shareholders could be different parties.

In an open market system the IBA would draw up the programme requirements and contract specification and ensure that they were carried out. They would terminate contracts if Companies did not comply. They would have power to change the geography of the ITV areas if the economics required it. Contracts would have terminal dates but there should be no requirement on the IBA to advertise expired contracts.

#### 5) Syndrome II - "A franchise must not be seen as a licence for life."

This posture no longer makes sense if shares are interchangeable on the market. Given the controls over shareholders mentioned above, shares could be freely interchangeable and the IBA could exercise appropriate control over management by displaying a yellow card, etc.

(The problem here arises from the fact that the Government do not know who it is they are trying to get at and who it is they might like to see dispossessed. Questions to ministers recently have

failed to get enlightenment on this aspect and it is clear that the answer is not established.)

6) Syndrome III - "There must be a better way."  
(Lord Thomson of Monifieth)

Whether Lord Thomson was right or wrong, a better way or another way is unnecessary.

We are twisting and turning trying to find an alternative to the Plowden fiasco when it is really unnecessary. It is worth recalling the actual consequences of that franchise affair, which could hardly be more embarrassing for the system (and would apply equally with competitive tendering).

a) Southern and Westward lost their contracts to new consortia, Television South and Television South West. The result was that shareholders lost valuable assets and senior managers, at the height of their careers, were made redundant with no right of appeal. There then followed a sort of musical chairs where the new companies employed senior managers and programme-makers from other ITV companies and the BBC.

The main financial outcome, with no public advantage whatever, was that the leaders of the TVS consortium became millionaires and those at TSW half-millionaires.

b) Trident held two contracts, Tyne Tees and Yorkshire, which made them a sizeable network group able to compete aggressively from the northern-based programme network areas. Trident was a dual region with a financial base which enabled them to make programmes of distinction. They were allowed to merge by the IBA because it was recognised that separately both companies were financially too weak to carry out their required role.

In the event Plowden required them to separate, the result being that Yorkshire, with networking responsibilities, is now smaller than the largest regional company, and Tyne Tees is too small to be a large region, and too large to be a small region.

The Plowden achievement was to severely damage the system.

c) ATV had been taken over by the Australian Holmes a'Court and the IBA decided that the Holmes a'Court organisation could hold only 20%. There then followed an unseemly scramble to obtain suitable shareholders, which included Robert Maxwell (described by a former Prime Minister as being "unsuitable to run a public company".), Ladbrokes, reputable bookmakers hardly likely to contribute new creative programme ideas; and D.C. Thomson, publisher of childrens comics in Dundee, who were one of the three Southern shareholders sacked by Plowden and considered unsuitable to run the Southern contract. Having been sacked from a region, they finish up promoted in a network company.



7) It hardly seems necessary to say more about the impractical nature of a franchise affair, after most contractors have become public companies.

The auctioning of franchises would produce all the same defects, contain greater injustices, and introduce more instability and considerable disruption into a service that is very popular with the electorate.

8) The present dilemma is that the Government are trying to find a new style of franchise affair, based on a previous era which no longer exists, and arising from Peacock which was academic and theoretical, (worked out by people with negligible practical or broadcasting experience, and constituting only half the committee. Three Peacock members were in favour of auctioning franchises, and three were against. The so-called majority was a phoney because Peacock obtained on the telephone the vote of one absentee, who did not properly understand the issue and might just as easily have given his vote to the opposition.)

If Government could now recognise that the whole scene is totally changed since the contractors became public companies, and the IBA has all but lost financial control to the market, progress in devising the future could be rapid.

9) There is little way ownership can be effectively contained or tightly controlled once the market is involved. This in itself makes a franchise affair obsolete. On the other hand it is perfectly possible for the IBA to devise ways of exercising strict control and supervision over performance, which is all the electorate and the public are concerned about.

If therefore the Government could recognise that wrestling with the "Syndromes" is living in the past, and accept that Peacock was academic and belonged to a past era - in other words forget about franchise affairs altogether - it would be comparatively simple to devise satisfactory legislation whereby all Government departments could be satisfied, and the public would not suffer deprivation.

#### 10) Regional Television

Here the Government is both on a banana-skin run, and at the same time directly threatening its own objectives.

a) The regional structure of ITV is one of the bastions of stability. Take it away, and there is no substitute, either in the far weaker BBC regional coverage, or in any new more localised future stations. A Conservative Government would be masochistically disrupting one of its more secure lines of communication with the electorate.

b) The regional service is one of the obligations of ITV and is granted substantial financial priority throughout the industry. For

example very small regional companies are not viable in strict commercial terms and their overheads are partly carried by the industry. If ITV is forced to go totally commercial and is controlled by the highest bidders, regionalism will be dispensed with and regionals will soon or gradually become insolvent.

c) The Government should assess far more thoroughly the possible consequences and the reactions of both Houses of Parliament and local government to the prospect of any weakening of the ITV regional service.

A good example for research and study is the "Belmont Affair," which took place in the early 1970's, when the ITA planned to switch Lincolnshire from Anglia to Yorkshire. An all-party Committee of MPs was formed, chaired by Tony Crosland (then a minister), and the twenty or so members included Harry Legge-Bourke (chairman of the 22 Committee), Jim Johnston of Hull, Jeffrey Archer, Peter Tapsell, Dick Taverne, and so on, from all parties.

All Hell broke loose and there were numerous debates and the ITA was publicly battered for months on end. To quell the storm the ITA was forced in the end to make concessions by arranging an "opt-out" in the Yorkshire service to Lincolnshire, with news and local programmes provided from Anglia.

Before undermining or weakening the regional ITV service the Government would be wise to take full account of the feelings of MPs on this subject. It is abundantly clear that an MP is not going to be amused by being denied traditional access to a million or more citizens in his own region, even if compensated by more dubious BBC coverage or a pocket audience in a city on some future MMDS systems.

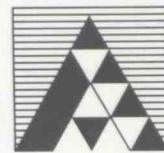
The regional system maintains and ensures provincial centres of culture and excellence, regional production centres which support communities, activity and employment on a scale difficult to calculate in provincial towns, inner cities and so on. The system directly supports the Government's objectives.

If the regional structure is weakened, the production centres will move to London and independent producers to Soho. How does that help?

I trust the Government is taking a hard look at the broad picture. The focus on a range of issues seems dangerously narrow at the present time.

AB

EXTRACT FROM THE CHAIRMAN'S STATEMENT  
BY LORD BUXTON  
ANGLIA TELEVISION GROUP  
*1987 Annual Report & Accounts*



‘I feel in all honesty that the Government need to reflect before including in the White Paper too much about selling ITV contracts to the highest bidder. Everyone agrees that the previous “franchise affair” was most unsatisfactory as manifested at the last round, but substituting money for talent and programme performance is simply leaping from one end of the same spectrum to the other. It is frankly worse, and furthermore who is it that the Government think the Authority might be getting rid of in accepting a superior cash bid?

Whom do they mean when they talk so freely about “sitting tenants” and so on? An ITV contractor consists first of the broad mass of production staff, nearly all of whom are now company shareholders. Do the Government mean these dedicated staffs with their families, who have given their working lives to ITV, when they make glib pronouncements about accepting the highest bid?

Or are they thinking about the management, the bright executives and controllers in their 40s and 50s who have made their careers in television, and who might suffer crucially in mid-career after being thrown on the scrapheap through the loss of a bid?

Or in truth is the Government really focused on big shareholders, the two or three main proprietors in a contracting company? It would certainly appear so, in which case it is surely cynical or indifferent to trifle with the welfare of 15,000 or more individuals with their dependents, and their aspirations. The Treasury exercised over the rich prospects of rival bids, the DTI obsessed with the dash for over-competition regardless of timing, and the Home Office showing little stomach for maintaining its traditional role as the champion of the best television in the world, is hardly a reassuring spectacle at present.

I feel sure that good sense will prevail, and justice and decent concern for the deserving individual will not be forgotten. After all if Government wants to change big

shareholders, there is precedent for doing so. One way might be to legislate that big shareholders can only remain in for ten years or whatever. Furthermore the price for a franchise, perhaps a steep price, could be advertised so that it could be weighed up by all interests concerned in a sober and businesslike manner, rather than playing a game of poker.

What conceivable merit could there be in inflicting anxiety, alarm, and nerve-wracking years on undeserving *and defenceless* individuals in the first instance; and then, ultimately, perhaps despair and ruin on some of them. The Government must make it clear whom they are trying to get at, and whether money for the Treasury and reckless competition is really all they believe the nation cares about.

There are tensions within the Government machine on these and many other issues concerning television, in the process of breaking up the duopoly and aiming for a free-for-all in broadcasting. There is a clear impression of one part of Government caring about standards and the commercial success of British product abroad, and another caring nothing about anything except the blind pursuit of competition, and of course the Treasury, looking for the loot. One must hope that a firm hand in the middle will emerge, to manage the transition deftly and with due care. Otherwise the imprudent might ultimately bring down some of the Government's own cherished aims, and furthermore the international reputation which this country has earned for “the best television in the world” will one day become a legend.’

**Aubrey Buxton**

Chairman  
Anglia Television Group PLC

2 March 1988