

MR WICKS

ITN PROPOSALS

I have spoken to Alastair Burnet, ITN, who is content for me to pass the attached papers (as underlined by the Prime Minister) to the Home Secretary on a restricted basis.

Can I suggest you pass on the paper with something like the following note:

"The Prime Minister has read (and underlined) the attached note about the future of ITN which Alastair Burnet gave to Bernard Ingham last week. She has commented: "Has Douglas Hurd seen this paper? It is most impressive".

"Our understanding is that the paper is Alastair Burnet's own work and is not yet formal ITN policy. It does however seem to represent thinking in ITN."

"Alastair Burnet is anxious that the paper should be kept to a close circle but he is aware that I am passing it to the Home Secretary. I would be grateful if you would treat it as Personal in Confidence".



BERNARD INGHAM

2 June 1988

THE PROBLEM:

There is a growing possibility that the increased competition in television, encouraged by the Government, will lead in Independent Television, at least initially, to a reduction in existing programme standards, innovation and variety in news and current affairs.

The impetus towards cost-cutting which the Government has fostered is welcome all round. ITN is itself the product of competition. But the commercial companies' first, and in a sense understandable, reaction to speculation about the future has been visibly negative.

- * Thus, the ITV companies and Channel 4 have decided not to give live coverage of the party conferences this year. A feed from the BBC is being negotiated for ITN's and the regional news summaries.
- * The ITV companies and Channel 4 have indicated that they will not broadcast a nightly round-up of Parliament, even after the cameras are introduced into the Commons.
- * London Weekend is scrapping its "Weekend World" flagship programme on Sunday mornings.
- * No coverage of the 1988 local government elections was carried in London or in several other regions; where there was coverage it was criticised as recognisably superficial.
- * The ITV companies have refused to broadcast President Reagan's speech at the Guildhall on his return from the Moscow summit.
- * Central TV has just approached the Prime Minister with a proposal to cut the English television companies to five, to cut costs.
- * ITN's Super Channel News to more than 20 countries in Europe, and to Japan, faces closure for lack of £900,000 (or less) to give it a second year to establish itself financially.
- * The new satellite company, BSB, has said that its news operation will be down-market compared with ITN and the BBC. No one has said there will be a more up-market news. It is sensible to expect, initially, an increase in triviality and the dilution of information.

The Government has still to decide on the Peacock idea of tendering for franchises and separating Channel 4 from ITV. It has not yet given the go-ahead for a Channel 5. Even so, the spur of competition, of tendering, of talk of new channels and, indeed, of more uncertainty, have made many of the present companies highly defensive about anything that is not part of their main core business and responsibility.

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In this atmosphere it seems sensible to suggest a plan for, say, the first seven years after 1992 (or the end of Peacock stage 1), which will take ITV through to the next stage, when new terrestrial channels, satellite and cable, and international competition will actually be upon us. The proposal will leave the companies to do what they do best under a new regime, and allow ITN to do what it does best, including care for public affairs and similar programmes on which both the public appreciation of any television network, and the collective benefit of access to matters of serious national concern will depend.

THE AIM:

To identify the advertising revenue that the ITN news, especially News at Ten, brings into the ITV system, and use it

- 1) to foster ITN's national and international development; and
- 2) to encourage public service broadcasting in a more competitive television world.

Although the ITV companies have chosen to regard ITN as a cost centre, advertising agency estimates put the ITV revenue from the premium slots around and in News at Ten at more than double ITN's present budget. A neutral analysis of the ITV network revenue from slots in and around News at Ten -- especially the premium slots in the centre break which earn £60,000 per 30 seconds -- is £120 million a year. ITN's total budget from ITV is £45 million. This subsidising of entertainment by news is anomalous in broadcasting. It is not, by any stretch of the imagination, an efficient allocation of resources.

THE METHOD:

To introduce a separate Through-the-Night Franchise on ITV-1 at the next franchise review.

The criteria (see Peacock recommendation 10) for it would include a clear responsibility for providing regular news, coverage of special events, and time for a late-night parliamentary report -- besides entertainment. ITN already earns the advertising income to finance such a franchise. What the franchise would also provide is the second necessity in television: control of air time -- to use for public affairs broadcasting whenever necessary.

This is a better solution to the problem which Peacock recognised (paras 682-689) but to which the report failed to give a convincing answer. There is no need to go the cumbersome (and readily misconstrued) way of a public

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subsidy, plus an accompanying regulatory body, for news or current affairs.

THE ARGUMENT:

There are four main grounds for such a service:

- 1) It's an opportunity to start something recognisably new. Up to now the handful of companies who patronise a night-time service have not seemed to approach it as other than the fag-end of a normal day.
- 2) It would be a national service. That is to say, it would be available to smaller companies, which now opt out of night-time, at a cheap rate, allowing them to give an extra service to their viewers, without drawing on the local advertising which matters to them at other times.
- 3) It would be a public service, open for flexible programming whenever good or bad news required it. Its priorities would put breaking news, sport and major national and international events on a par with films, music and light entertainment.
- 4) It would provide ITN with a form of financial and scheduling independence which could be made complementary to the ITV companies' interests.

THE TIME:

The definition of Through-the-Night should start with known viewing habits. The normal breakpoint for the normal family, especially north of the Trent, is 10.30pm. This is exemplified by the programme companies' own reluctance to schedule network programmes after that time.

Naturally, major sports occasions and programmes like the South Bank Show on Sunday nights would be accommodated if the originating ITV companies so wished.

If 10.30pm is the natural end to evening viewing, and as News at Ten occupies the preceding half-hour, there is a clear merit in starting Through-the-Night at 10pm.

THIS ENSURES:

- 1) A guaranteed future for the main ITV news in years when the programme companies can, understandably, be expected to concentrate more on

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entertainment programmes.

- 2) The advertising attracted by News at Ten, and so available to the new company, would repair the historical ITV failure to see news as a profit centre rather than a cost centre.
- 3) For those companies who wish to continue to see news as a cost, it is a relief from a responsibility. For those companies who go along with the NERA suggestion ("1992 and Beyond ... Options for ITV", page 155) that ITN should be sold, it offers a way out. For the more purposeful it offers a way of getting back in with quotable shares.
- 4) For all ITV companies faced with increasing, popular competition at peak times, it frees the evening to 10pm for the films and light entertainment that they say they will need to keep their ratings.
- 5) It would free them from those remaining current affairs slots, which lose peak-time audiences. The current affairs people -- especially, say, This Week, -- could now be redeployed, normally, on follow-up programmes on Thursday nights (which is what Thames asked the IBA to approve three years ago).
- 6) But the chief executive of Through-the-Night would have the ability to postpone current affairs and entertainment if actuality (Zeebrugge, King's Cross, Belfast, a summit, a hanging debate, a Falklands war) dictated. British and American elections and by-elections, American Conventions, Japanese and Australian events, sports and markets offer other excellent opportunities for a service starting at 10pm.
- 7) This would allow a regular 11pm - 11.15pm start to a daily review of Parliament, precisely at the time when MPs would be able to see it. The more Channel 4 decides it would rather not know, as it is saying now, the better the argument for a Through-the-Night franchise.
- 8) Besides enabling the provision of breaking news, it would exploit ITN's ability to provide a backbone of news-updates through the night hours.
- 9) ITN would also provide a first-class news for early-morning viewers from 5.30am with contributions which would really set the news agenda for the rest of the morning -- so providing immediate competition for the Breakfast Time company.
- 10) The franchise would, of course, supply films, light entertainment, popular music etc, especially on Friday, Saturday and Sunday nights when the demand would be most evident. There may even be a case for a split franchise, dividing authority between weekday and weekend programmes.

But it should also offer clear opportunities for minority and specialised

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interests, allowing for personal recording of such programmes ("downline loading") in the deepest night hours. It should also offer more than 25 per cent of the viewing time to independent producers, for whom the scope to test consumer taste would be valuable.

THE ADVANTAGES:

- 1) For the Government, it answers the numerous critics who argue and will argue that the new ideas about broadcasting are unlikely to pay sufficient attention to quality or public service.
- 2) It also provides new resources for the development of British international broadcasting by satellite without calling on a penny of public money. This is essential for the 1990s.
- 3) For the IBA, it gives the opportunity to back a radically new programme idea, which would help to give it a new lease of life and reputation in licensing and regulating broadcasting.
- 4) For the companies who choose to look on ITN as a burden, it ends tedious arguments over budgeting and scheduling. For those that want to take a financial and programme interest it is likely to prove a profitable opportunity.
- 5) For ITN it is an overdue release from colonial status within ITV.

(It is pertinent to add that the franchise would, for the first time, (1) allow ITN employees to acquire shares in the company they work for and (2) link ITN management's remuneration to their financial performance. That these incentives do not exist now is another anomaly of the existing system.)

SOME OBJECTIONS — AND ANSWERS:

- 1) Isn't this something that plainly protects ITN, or is devised to do so, at a time when the Government wishes to see more open competition?

A: News has never before, in the United States or here, offered to take the risk of living on its own earnings -- in return for control of its own time on the network. How much more competitive can one get?

Second, there is going to be distinct public and political disquiet at the signs that ITV companies will go down-market, as Peacock admits.

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Third, a particular merit of ITN is that it has developed assets of experience and scale in covering news world-wide. This will be difficult to imitate, far less to replace. It is not like covering business and local or regional news, which can be done by new companies which simply would not have the resources to cover the Gulf or Central America or South-East Asia, or even a hijack anywhere, at a minute's notice.

Fourth, the BBC (which is not being invited to introduce internal competition within the airtime of its news system) has said it will now deliberately spend more money on more news bureaux and more specialist reporters.

It cannot be to anyone's interest to have a national broadcasting market which deliberately allowed the BBC, financed by a national levy, to retain 50 per cent of the market, while the private half alone were subjected to intense competition and down-market pressure. That would be so lop-sided a result to be a denial of consumer sovereignty.

2) How can a news organisation hope to cope with a franchise which also depends on entertainment?

A: It is not difficult to hire expert help in the entertainment field. Indeed, what is needed in the ITV companies who accept a Through-the-Night service now is, precisely, more enthusiasm and coherence for such a service. The IBA, belatedly, has now approached the companies to try to correct this.

There could be no difficulty in ITN sharing with, or sub-contracting to, another group for entertainment -- provided the Chief Executive of ITN had the authority to put entertainment aside on those occasions when he considered the gravity of the news, or its aftermath, justified it.

3) Has ITN's present management the ability to take on such new responsibilities?

A: ITN will naturally react to whatever the situation needs. There is no shortage of talent. If it's needed it will be brought in.

4) Would this service really pay its way? Crude budget figures do not include ITV rentals, levy or the cost of getting advertising in.

A: The IBA has a practice already of setting its rentals to suit companies that need time to establish themselves. The question of a levy on profit answers itself. A national franchise would not need the expense of branch offices in Aberdeen or Plymouth -- though it could always pay an agent's fee -- and if there were a sound national breakfast-time contractor there might be grounds for a joint arrangement.

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5) Doesn't this remove from the companies the opportunity of doing something different in their regions after 10.30pm?

A: Yes, but the advantage the companies take of this opportunity under the present system, where it is not derisory, is less than impressive. The companies will have the best broadcasting hours, from 9.30am to 10pm to show their best to their local audiences. If they had confidence in their local production, why not add local current affairs or arts programmes after the regional news at 6pm, lasting to 7pm? BBC competition is not especially aggressive from 6.30pm to 7pm. It is common practice in the United States to have an hour or even two of local news and similar public events at such a time in the early evening.

ITN could not have any objection to a five-minute local news update at 10.30pm in regional opt-outs. The trouble is that, apart from the weather, there is often a dearth of new local news at that time.

6) What will happen to other news broadcasts on ITV?

A: ITN will be glad to tender for the 5.45pm news slot, and, from a secure base, is confident of giving any competitor a beating.

ITN will also tender for the 1pm news slot, although it would be prepared to provide the service, and news flashes through the day, free.