

PRIME MINISTER

LETTERS FROM ITV COMPANIES

Mr Wicks

Rease note PM's comment  
in margin; and see Para 5 of  
attached paper. This is however  
in the past. Technology is  
breaking any resistance  
down. No action?  
ms  
Bernard Ingham

You should be aware that over recent months I have been approached by a number of regional TV companies concerned about the suggestion, put to you during your visit to Central TV, that the number of ITV companies should be reduced.

Channel TV's managing director, John Henwood, has written to you claiming that the smaller companies have had greater incentive than the five "majors" to keep efficient and adopt new technology. He says the swallowing up of the small companies by the large would seriously damage the TV service outside the conurbations.

The new managing director of Yorkshire TV, Clive Leach, has also written to you accepting that the ITV companies have been guilty of tolerating restrictive practices but pleads three points in mitigation.

1. Because advertising time is rationed the effect of restrictive practices has been to cost the ITV companies profits rather than the advertiser higher charges.
2. The IBA led the companies to believe that they would not look favourably on companies with a record of confrontation with unions when it came to allocation of franchises.  
ITV companies have been protected from takeover bids.

If there is  
concern, we  
should take  
some action.

He goes on to claim that things are changing as the companies become more commercially minded. But he argues strongly against:

- the auctioning of franchises because the Government, concerned with quality, could not allow a truly free auction; instead he suggests a more open system of public criticism and correction of existing franchise holders.
- a levy on profits; he thinks a levy on revenue would produce a more efficient industry.

I have acknowledged their letters and have copies if you wish to see them.

BERNARD INGHAM

28 June 1988