

PRIME MINISTER

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MISC 128 - BROADCASTING REFORMS: THE STRATEGIC FRAMEWORK

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The Home Secretary's paper shows how much broadcasting policy has changed in the past 12 months. Your seminar of last September was crucial in setting a new direction to the Government's thinking. Douglas Hurd deserves considerable credit for accepting a change in approach and developing a coherent framework for broadcasting.

The result is the basis for a White Paper which encourages competition, involves less detailed interference by Government over the ITV companies yet accepts certain restrictions as necessary in the interests of programme diversity and consumer protection.

The Basis of the White Paper

Paragraph 21 outlines five major points - which together constitute a major step forward but details of which need to be questioned.

(i) A new ITA to replace the IBA

There is widespread criticism of the present IBA from its members: although for obvious reasons most of it is muted. Most MD's of ITV companies with whom I have talked think it essential that a new body should have a lighter touch and different personnel.

The pitfall which must be avoided is changing the name of the IBA but little else.

Recommendation

Accept the proposal, emphasising the importance of new senior management for ITA. Details need to be worked out.

- (ii) A lighter regulatory framework for ITV (Channel 3) with contracts awarded by competitive tender

The new framework would retain consumer protection provisions:-

- impartial and accurate news
- content not offensive to taste and decency
- oversight of advertising.

In addition its public service obligations would require:

- (a) regional programming
- (b) news and current affairs
- (c) a diversity of programmes
- (d) 25% of original programming coming from independent producers.

Of these (a) and (d) are much easier to define and measure than (b) and (c).

You may wish to raise the question whether (b) is necessary if a substantial amount of time on Channel 5 is given to news (such as ITN). If you wish to retain

(b) it might still be better to opt for a very light requirement. Similarly (c) - production of diverse programmes by the network - is best left as a very light touch. If not we shall be back in no time to the kind of detailed supervision carried out by the IBA.

Recommendation

Accept this proposal, stressing the lightness of touch required.

(iii) C4 to be a non-profit body with its existing remit

The key assumption is that C4 can only meet its remit if its income is independent of its own advertising revenue: otherwise it will be forced to show popular programmes. C4 is seen as the only competition in public service broadcasting to the BBC.

Recommendation

The key assumption can be disputed: however as there are so many extra channels likely the fight to privatise C4 is not worth it.

(iv) The introduction of Channel 5 from the beginning of 1993

Channel 5 is proposed as very similar to the existing ITV system and is made up of regional companies. It is questionable whether it should be a regional system for two reasons:

(a) as it covers only 60 - 70% of the country, the existing regions would not be relevant and so a


new regional map would have to be drawn: this in itself would be confusing.

- (b) given BBC's increased emphasis on its regions, the continuing commitment of Channel 3 to the regions and the prospect of local television through MVDS and Cable it seems highly doubtful whether another channel should be regional.

One issue which is mentioned but not developed is the franchising of part of C5 for news and current affairs. It is important that officials be asked to work up details.

DTI advise strongly that Channels 5 and 6 should be planned together: so far C6 has been neglected. It is crucial that this be ready for the White Paper and that serious work therefore starts immediately.

Recommendation

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- C5 should not be regional
  - a news and current affairs proposal for C5 needs to be worked up
  - C6 should proceed alongside C5.

- (v) Allocation of DBS channels as soon as the moratorium expires

At present BSB has been allocated three of the DBS channels. The proposal is that the remaining two should be allocated when the moratorium expires. The moratorium is for three years, ending in December 1992. If extra DBS channels are to be used in 1993 then the

allocation of additional franchises should take place in 1990 or 1991. It is suggested they should be by competitive tender. While this would be consistent with the approach to C3 it would not be consistent with our approach to BSB, who would be receiving an effective subsidy.

Recommendation

The White Paper should offer details as to the future of the extra DBS channels: these need to be thought out in detail.

OTHER MATTERS

Some important issues are tucked away in small paragraphs.

Subscription on Channels 3, 5 and 6

(Paragraph 18)

This proposes delaying the right of C3, C5 and C6 to offer subscription until 1995 because of BSB's commitment to a subscription film channel.

If this proposal were accepted BSB would have a 6 year advantage over its rivals. All private companies consider a subscription film channel the most attractive commercial possibility of all. The crucial issue is whether it is necessary. BSB already has a 3 year lead on its competitors (C3, C5 and C6) in introducing subscription. If it cannot make a go of it with this lead, it is very doubtful it can survive.

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I suspect that this proposal reflects the intense lobbying of the Home Office by BSB and in particular the attitude of Granada and Anglia, major shareholders who are not sympathetic to the direction in which policy is moving and who hanker after the restrictions of a previous age.

## Recommendation

All restrictions to the advantage of BSB should last no more than 3 years.

## TRANSMISSION ARRANGEMENTS

The transmission and equipment of the BBC and the IBA are valuable. There is no reason why they should not be privatised and run on commercial lines. The IBA have already informed the Home Secretary that they would like to separate their transmission arrangements into a separate company run by a commercial manager.

## Recommendation

In considering options for the future of the transmission system, why not invite officials to draw up possibilities for privatising BBC's transmission and selling off the IBA transmission assets?

## CONCLUSION

The basic framework proposed here is good and deserves support. Many individual proposals however still require a good deal of work. Some proposals still involve unnecessary restrictions.

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