



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-270 0189

Nigel Wicks Esq CBE
10 Downing Street

23 September 1988

Dear Nigel,

BROADCASTING WHITE PAPER

Thank you for sending me a copy of the Home Secretary's letter to Professor Griffiths. The following comments are simply my first reactions, but I am passing them on to you so that you can draw on them in briefing the Prime Minister over the weekend.

News provision

2. In essence, the Home Secretary is proposing to maintain public service broadcasting requirements for news on Channel 3, and to maintain the substance of the existing statutory arrangements under which ITN operates. That would go as far as one could to protect ITN's position on Channel 3, short of specifically entrenching ITN on the face of the statute.

3. If the Prime Minister accepts what is proposed for news on Channel 3, she will wish to consider whether to allow the Home Secretary to relinquish his earlier proposal that there should be a special segment of Channel 5 for a service containing a substantial proportion of news and current affairs. The idea behind this was that ITN would be very well placed to obtain that contract, though it could obviously not be guaranteed. On the other hand, an ITN that provided the news on Channels 3 and 4 and 5 might itself raise problems of undue dominance.

4. The Prime Minister will wish to bear in mind that in the earlier MISC 128 discussions it was the Chancellor of the Exchequer who was especially keen to untie the ITV contractors from a compulsory involvement in ITN.

BBC night hours

5. The main issue here is whether the BBC should be allowed to retain only one channel of night hours (as MISC 128 has hitherto agreed) or whether they should keep both. The argument for letting them have both is that this would put the Government in a better position to argue in the mid 1990s that the BBC should have made appreciable headway with subscription, and that this could be reflected in the licence fee. In the shorter term, the BBC would

enjoy the use of night hours on both channels, and their dominance would thus be strengthened. Lord Young certainly feels strongly that the earlier MISC 128 decision to restrict the BBC night hours to one channel should be maintained and I would expect the Chancellor to take the same view.

6. There is a less important point on whether it is appropriate to allow the BBC to operate specialised services (such as their proposed service for doctors) during the night hours. Lord Young has questioned this, but the Home Secretary is inclined to leave the matter open. The Prime Minister may simply wish to explore whether this is a matter that needs to be dealt with in the White Paper.

Transmission

7. I understand that the Home Office may have hitherto over-estimated the problems caused by the BBC Charter. While legislation that contradicted the Charter would not be viable, it is quite feasible to impose obligations on the BBC that are compatible with the Charter. It should therefore be technically possible, as the Home Secretary says, to include a provision in the Bill to require the BBC to contract out its transmission functions so far as possible, if that appears necessary in the light of the reaction to the White Paper.

8. The Home Secretary's present proposal goes a good deal further than his earlier ones towards clipping the BBC's wings on transmission, and it will therefore be welcome to Lord Young. It is possible, however, that Lord Young may wish to go still further, for example by excluding the BBC from being involved in the transmission of the new local services.

Channel 4

9. This is a key decision. As matters stand, MISC 128 have decided that Channel 4 should sell its own advertising, but no specific decision was taken on whether or not it should be profit-making. The Chancellor has consistently argued that it should be fully privatised and profit-making. The Home Secretary and Lord Young have argued that the search for profit would certainly drive Channel 4 down market.

10. If the Prime Minister is concerned that the overall balance of the White Paper package might be seen as being tilted too far away from quality broadcasting, then the maintenance of Channel 4 as a non-profit-making body would be one of the most obvious ways of redressing the balance. Equally, a strong Channel 4 would have an important role in preventing the BBC from cornering the quality end of the market. For these reasons, the Prime Minister may wish to agree with the Home Secretary that Channel 4 should be non-profit-making.

11. The next question is whether to go further than this, and to accept the Home Secretary's proposal that there should be a power for the Independent Television Commission (ITC) to require the other independent television companies to make financial

contributions to Channel 4 if that was necessary to maintain its standards. This is a new proposal and the Chancellor of the Exchequer, in particular, may not relish it. Neither will the other independent companies who will have obtained their franchises by competitive tender. On the other hand, it might help to reassure any public anxiety about the maintenance of quality standards under the post-1992 regime.

The third force

12. I think that the Prime Minister will wish to stand back and review whether anything further is needed to balance the package when she has reached a view on all the points above. There would only be a need to consider further machinery to support quality programming if it were judged that the maintenance of public service broadcasting requirements on the BBC, plus the decisions on ITN and Channel 4, were insufficient to ensure a sufficiently large segment of quality television in a largely deregulated environment. The Home Secretary is quite right to say that the Peacock Report envisaged some kind of Public Service Broadcasting Council in the long term, but MISC 128 has not given any thought to these ideas, which would represent a very significant change in the balance of the White Paper.

13. Even if the Prime Minister were persuaded by the new proposition that the White Paper model needed to be strengthened so as to underwrite quality television in the commercial sector, she might well not wish to accept the particular model sketched in by the Home Secretary. It would, frankly, look very peculiar to jettison the existing public service broadcasting requirement on ITV and in exchange to take power to subsidise sporadic quality programmes on Channels 4 and 5 (the latter of which would only have patchy geographical coverage). If there is real fear that a largely deregulated Channel 3 would plunge down market, the most obvious thing to do would be to preserve more of the existing public service broadcasting requirements than the current draft White Paper envisages.

14. I think that any idea of a "third force" or reserve powers to support quality programming, would require careful preparation with MISC 128 members and very full discussion. The Chancellor of the Exchequer would, of course, be a key figure in that, since he would be concerned not only with the general balance of the package but with the specific proposal for the ITC to be empowered to subsidise programmes - at the eventual expense of the taxpayer via a reduction in the levy.

Handling

15. You mentioned that you would be doing a note for the Prime Minister summarising the timing etc considerations that bear on when this should go to MISC 128 and to Cabinet. As you know, the operational requirement is simply that the White Paper should be issued on a timetable that will enable sufficient consultation for the drafting of the Bill, and publication at the turn of the year would probably be adequate for that. The political and presentational requirement, however, is for something much sooner. If

CONFIDENTIAL

the Prime Minister concludes that it would be impracticable to settle the final drafting of the White Paper at a MISC 128 meeting on 4 October, and then have it circulated to Cabinet and ratified at the meeting on 6 October, she may particularly wish to explore with the Home Secretary how he would propose to handle the matter during the Conservative Party Conference.

*Yours
Anthony*

A J LANGDON

CONFIDENTIAL

BROADCASTING: BBC finances Pt 6

