

PRIME MINISTER

cc Professor Griffiths

BROADCASTING

*Your views on these proposals please*

Jeffrey Sterling came to see me this afternoon to let me have his views on the Broadcasting White Paper. His main thesis accords with the approach which you have been developing with the Home Secretary, but he had one or two new points.

1) For there to be real competition, there needs to be "three forces" active in terrestrial television. The risk was that the Government's approach would produce a duopoly - a BBC whose position had been buttressed for all the reasons which Brian Griffiths has set out in his papers and an independent sector of three or four dominant television companies formed after a series of takeovers which would be permitted under the new regime. These three or four companies would, no doubt, work closely together over such matters as scheduling.

This led Jeffrey Sterling to see considerable merit in Michael Grade's ideas for combining Channel 4 and Channel 5. This would create a commercially viable third force able to stand alongside the BBC and the independent sector based on Channel 3. It would have an added advantage in permitting Channel 4 to retain its present public service remit without either subvention from public funds or from the ITC.

2) BT's fibre optic network would provide a powerful medium for competition if television companies were given access to it.

3) No-one could foresee the likely development of technology and the market over the next decade. The new statutory framework needed therefore to retain maximum flexibility to deal with new circumstances as they arose.

4) His free market principles applauded the tendering process for the commercial television franchises. But he feared that someone like Robert Maxwell might, through takeover, seek a commanding position in the industry. He had no ready ideas on how to prevent this.

5) Speaking as a businessman he wondered whether the demand for satellite television was as great as some made out. Trevor Holdsworth's BSB had an uphill task, especially with Murdoch as their competitor.

6) David Young believed that there was a pent up demand for television advertising. Jeffrey Sterling did not believe that the demand was so great. He foresaw the situation where advertisers would be operating in a seller's market in the '90s. Increasingly, advertisers would be able to demand that their advertising was directed to particular segments of the market. This would, in Jeffrey's view, help improve the quality of television programmes as the programme makers produced programmes designed to attract particular audiences. So advertisers would be instrumental in forcing up quality as they forced the programme managers to chase audiences.

7) He saw considerable attraction in the US practice of vesting, after a certain time, the rights to programmes in the independent producers who had made them.

8) The best way of cutting the BBC down to size was through an indirect approach - preventing the Corporation expanding into other areas, a tighter RPI constraint and creating a third force described in paragraph (1) above.

9) If a new Chairman for the IBA was necessary, John Birt was a possibility.

N.L.W.

N.L. Wicks

30 September 1988