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LONDON SW1A 2AA

From the Private Secretary

18 January, 1989.

MEETING WITH THE CHAIRMAN OF THE IBA

The Prime Minister saw George Russell yesterday evening. Bernard Ingham has done the attached note of the discussion which you ought to see, particularly in view of the request for action on the possible sale of the IBA transmission system and on the ITC right of preview.

I should be grateful if you could ensure that this letter is copied outside your office only to those with a strict operational need to know.

I am copying this letter together with its enclosure to Neil Thornton (Department of Trade and Industry).

Dominic Morris

Philip Mawer, Esq.,
Home Office.

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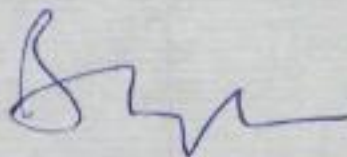
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cc. Professor Griffiths

MR MORRIS

MEETING WITH GEORGE RUSSELL, IBA

I have done a note for the record on the Prime Minister's meeting with the above this evening. You may care to send it to the appropriate Departments.



BERNARD INGHAM
17 January 1989

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NOTE FOR THE RECORD

The Prime Minister this evening met for some 45 minutes George Russell, the new chairman of the Independent Broadcasting Authority. Professor Brian Griffiths and I were also present.

The meeting was conducted at a very brisk, executive pace and the Prime Minister showed a lively and sympathetic interest in Mr Russell's ideas. She said she was delighted he had accepted the IBA chairmanship.

Mr Russell thanked the Prime Minister for meeting him so early in his chairmanship of the IBA. He wanted to report on how he saw things in the light of the Broadcasting White Paper and to get a steer on a number of ideas on which he was working.

He explained that his business philosophy had always been to look at a situation positively and see what could be made of it. He saw the White Paper as a catalyst for change. The competitive environment was to be welcomed. He was now trying to generate a positive approach to the future in commercial television and he had persuaded a lot of inventive people to apply their minds to working out a way forward.

He had persuaded the IBA and the Cable Authority that he was there to take them into the Independent Television Commission (ITC). Morale in the IBA had risen and they were considering how to make the White Paper work. It was important to analyse its implications as a whole in order to ensure that they concentrated on serious and real problems.

Mr Russell then turned to a number of issues. The discussion is summarised below point by point, concluding with the Prime Minister's observations or the action she asked to be set in hand.

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Channel 4

Mr Russell said that he would like to sell off the IBA transmission system as soon as possible rather than in 1992 in order to provide a contingency fund for Channel 4, operating under the umbrella of the IBA, so that it could absorb a bad year without recourse to public funds. He envisaged a moratorium on the repayment of the capital to the Treasury. In the interim the proceeds from the investment and any residue after repayment of capital would form the contingency fund. He believed that a major engineering company would be interested in the purchase and that their acquisition would lead to better provision for R&D.

Some 200 redundancies could result from the sale of the transmission system and it would be better to resolve the employees' position sooner rather than later. Work was also going ahead on the idea of Channel 4 retaining a national sales force but employing the regional companies to perform the function locally on commission.

Mr Russell acknowledged that the IBA and BBC transmission systems were intertwined and noted that the BBC system could not be sold before 1996. He was however convinced that they should be separated to minimise the risk of interruption by industrial action. The Prime Minister expressed sympathy for this point of view.

Note: The Prime Minister felt the early sale of the IBA transmission system should be investigated.

Right of preview

Mr Russell said that the IBA had the right of preview and this should be carried through to the ITC. Quite apart from this being an effective blocking mechanism, he felt it would be much better for the companies to know that the ITC was keeping a watchful eye over their programmes. It would be easier to show them the yellow card if they had previously had private warnings.

Note: The Prime Minister expressed the view that it would be "absurd" if the ITC did not have the right of preview.

Period of Stability

Mr Russell said that he would probably recommend that after the new franchises had been let and "in exchange for the levy" there should be a 2-3 year period of stability in which the companies could settle down without fear of predators. He advised a period of two years but in response to the Prime Minister's suggestion that it should be longer he put the period at a maximum of 3 years.

Note: The Prime Minister felt that the new system should have time to settle down so that the companies could show what they were made of.

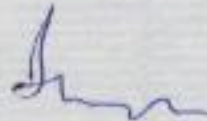
ITC Discretion

Mr Russell said that the real talking point in television over the next 12 months would be the extent to which the ITC should exercise discretion in evaluating tenders for franchises. He had no difficulties with the system of tendering, but in the end the ITC would have to exercise some judgment in awarding franchises. Some existing TV companies - he instanced Central and TVS - had by any standards earned the right to continue but could fail to win a franchise if they were outbid. But should the ITC in those circumstances take account solely of the highest bid or should it satisfy itself that the highest bidder had the necessary resources to make a success of its franchise? If so, this would need to be reflected in the legislation.

Note: The Prime Minister asked Mr Russell to provide a note on what, in his view, needed to be included in a Broadcasting Bill to deal with this issue.

For the rest, Mr Russell said that he believed he could see his way through to 1992. He would not however be able to secure agreement among 15 individual companies. This was not physically possible. He had recently had to insist, in the face of strong opposition, that they should advertise Sky and BSB as services as distinct from their detailed programming.

There was also a possible difficulty for some companies in tendering for a new franchise in that they might legally be required to secure the approval of their bid from an annual general meeting of the company. This would of course render their position impossible and make nonsense of confidential bidding. More work needed to be done on this and the Prime Minister asked to be kept informed.



BERNARD INGHAM
January 18, 1989