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PRIME MINISTER

MINISTERIAL GROUP ON BROADCASTING SERVICES (MISC 128)

The attached briefs for the meeting on 20 April are based on the assumption that the Home Secretary's proposals for an early statement on local services, set out in his minute to the Trade and Industry Secretary of 10 April, will be cleared in correspondence before the meeting. These proposals (including allowing local operators to retail programmes as well as deliver them; dropping the idea of a levy on local services; and a substantial liberalisation of SMATV systems) have been agreed between departments at official level, and on present advice we do not foresee difficulties being raised by other Ministers. If there should be any problems on local services, however, they will have to be discussed at the meeting on 20 April, since the Government is committed to make a further statement on local services before the end of the month.

2. Item 1 is simply an opportunity for taking stock and establishing the ground-rules for the Group's remaining work, and it does not call for any substantive decisions. You may particularly wish to use it, however, in order to establish with the Home Secretary how the presentation of these second-stage decisions should be handled. Unless there are very strong operational reasons for earlier announcements on individual topics - and we are not aware of any - there seems everything to be said for making a single comprehensive announcement of all the Government's second thoughts on the White Paper in, say, mid-June.

3. Item 2, on ownership requirements, is reasonably freestanding, and you may be content for the Group to take a

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provisional decision on it. But all the outstanding points inter-react with each other, and you will probably wish to withhold final agreement until you can see the total shape of the package that is emerging.

4. Item 3, on the financial arrangements for Channel 4, is much more difficult, since the Home Secretary is seeking MISC 128's agreement for the least competitive of the options canvassed in the White Paper. You may wish to ask the Home Secretary to work up some further possibilities for putting efficiency pressure on Channel 4, for consideration at the next meeting. In any event, final decisions could not possibly be taken on Channel 4 until the shape of Channel 3 is clearer, and that will depend on the Group's later consideration of the competitive tendering machinery for franchises, on which the Home Secretary will be bringing Mr George Russell to make a presentation.

5. Following the 20 April meeting you will probably need at least two further meetings of the Group to agree a total package, but you will be able to form a better idea of that in the light of this first meeting. Apart from competitive tendering and Channel 4, the most difficult remaining subject is probably transmission.

A.J.L.

A J LANGDON

14 April 1989

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PRIME MINISTER

MINISTERIAL GROUP ON BROADCASTING SERVICES (MISC 128)
CHANNEL 4: MISC 128(89)3

OBJECTIVES AND DECISIONS

1. The basic question posed by the White Paper was how Channel 4's remit could be best maintained and the Channel sell its own advertising during a period when there would be greatly increased competition and Channel 4's close supportive links with ITV would almost certainly be eroded. The Home Secretary argues that developments on the ground since MISC 128 last considered this topic, and the overwhelming response to the White Paper, support his preferred White Paper option, as against full privatisation which has hitherto been favoured by the Chancellor of the Exchequer.

No

2. The main decision that the Home Secretary seeks is that Channel 4 should be established as a non-profit-making subsidiary of the ITC with a ^{Mo} guaranteed minimum income of 14% of the previous year's total Net Advertising Revenue (NAR). You may wish to ask the Home Secretary to consider, in consultation with the Chancellor of the Exchequer, whether it is possible to devise a modification that will provide more incentive to efficiency, and less of a cushion against inefficiency.

3. On ways in which the other channels might support Channel 4, the Home Secretary is also proposing that there should be no obstacle to Channel 4's regional advertising (though not its national advertising) being sold by Channel 3, and that there should be a requirement on Channels 3 and 5 to undertake the promotion of Channel 4, although they will not derive any direct profit from it.

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4. You will also wish to obtain the Group's preliminary view on the proposal that the Welsh fourth channel should be funded by the ITC out of the money raised by competitive tender, and not by way of a direct subscription by the other independent companies.

5. On the handling of announcements the Home Secretary proposes that the Group's eventual decisions will need to be announced by way of reply to the Home Affairs Committee. In accordance with the line recommended under Item 1, you may wish to say that even if protocol requires a reply to the Home Affairs Committee, this should be managed as part of a simultaneous announcement of decisions on all the outstanding issues, for which the target date might be around mid-June.

BACKGROUND

6. Channel 4, with its special remit to cater for interests that would not otherwise be met, is presently a wholly-owned subsidiary of the IBA, financed by a subscription levied on the independent TV companies, who sell the advertising on Channel 4 and retain the revenue that it raises. One of the central themes throughout MISC 128's earlier round of discussion was the high cost of television advertising, and one of the Group's basic tenets was that Channel 4 should sell its own advertising in order to introduce more competition. On the other hand, the Group fully accepted that maintaining the Channel 4 remit would be a very important part of the guarantees of quality that needed to be built into the White Paper prospectus, to balance the extensive deregulation that was envisaged elsewhere in the system. On one side of the argument, the Chancellor of the Exchequer felt that full privatisation was the only means of exposing Channel 4 to the drive for efficiency that underlay the whole of this policy review, and that the maintenance of the Channel's distinctive remit could be achieved through policing by the ITC. On the other side of the argument, the Home Secretary and the Trade and Industry Secretary felt that profit-seeking under a full privatisation model would inevitably drive the

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channel down-market in pursuit of a mass audience, and that the achievement of Channel 4's admittedly nebulous programming requirement could not be imposed by a regulatory body that was designed to operate with a light touch. The Home Secretary put forward various new models for a non-profit-seeking Channel 4, and he ultimately settled on the proposal that it should be a wholly-owned subsidiary of the ITC, with some form of guaranteed minimum income.

7. Although you were uneasy at the Home Secretary's proposals, which you thought might encourage Channel 4 to indulge in extravagance at other people's expense, it was not possible to resolve the evenly balanced views in the Group on this issue. Accordingly, the White Paper committed the Government to maintaining the Channel 4 remit and to the Channel's sale of its own advertising but canvassed both possible options for the Channel's new financial structure. In addition, the White Paper floated the possibility of constructing some form of link between Channel 4 and Channel 5, which was an idea that had first been floated by Mr Michael Grade and which had found some favour on the ground that it would help to establish a "third force" standing against both the BBC and Channel 3.

MAIN ISSUES

a. A link with Channel 5

8. You may be prepared to agree at the outset that the third White Paper option, of a link with Channel 5, may be discarded with no further discussion. This option seems to have had absolutely no friends among those who responded to the White Paper and, whatever Mr Grade might have thought of the idea at one time, he vigorously repudiates it now. The basic objection to the idea is that Channel 5 is a totally unknown quantity and, in the short and medium term, a close relationship with it would be likely to be a liability on Channel 4 rather than a help.

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- b. Privatisation or non-profit-making status with a guarantee?
9. If the idea of a link with the fifth channel is discarded, the argument is back where it was before the White Paper, with a choice between privatisation and some form of guaranteed non-profit-making status.
10. On the one hand, Mr Hurd can point to developments in the last year that do weaken the case for privatising Channel 4. The whole television industry now seems leaner and more efficient than it was when MISC 128 first addressed these questions, and the increased competition now predicted from a fifth channel and satellite services means that less of the weight of introducing competition now needs to be placed on Channel 4. The responses to the White Paper were certainly weighted heavily against privatising Channel 4, and this itself might make it politically difficult to pursue that option when, as Mr Hurd would say, Channel 4 is assuming even greater importance as a quality guarantee in the context of the very widespread competition that is now foreseen. Finally, it should be borne in mind that Channel 4 operates by commissioning programmes rather than by making them itself, and that it has never been vulnerable to extravagance and inefficiency on the scale that has affected the BBC and ITV systems.
11. On the other hand, the Incorporated Society of British Advertisers believe that full privatisation would be viable and that non-profit-making status under the ITC would be too similar to the present arrangements, and you may wish to probe this with the Trade and Industry Secretary in particular. The Home Secretary's paper quotes the IBA and National Economic Research Associates as predicting that Channel 4's audience share will drop from the present 9% to as low as 6%. But audience share is not a complete guide to profitability, especially when the audiences in question tend to be highly specialised ones in the upper socio-economic groups. You may wish to confirm that the

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Trade and Industry Secretary agrees with the Home Secretary that these "niche audiences" could not support a privatised service without damaging the remit.

12. Turning to the Home Secretary's proposals - which are supported by Channel 4 itself, the IBA and the Home Affairs Committee - your basic concern will still be that they give Channel 4 very little incentive to efficiency. Mr Hurd suggests that the Government should now commit itself to a guarantee to Channel 4 of 14% of the total Net Advertising Revenue (NAR) of the independent terrestrial services, which compares with the Channel's present proportion of about 14.9% when various facilities currently provided free are taken into account. This would represent a squeeze on Channel 4 of about 7%, but it is the only spur to efficiency in Mr Hurd's proposals. Under his scheme, Channel 4 would not have the incentive of being allowed to keep any of its advertising revenue above the target figure, and it would be fully reimbursed for the whole of any shortfall. Furthermore, any such reimbursement would be provided by the ITC out of the proceeds of competitive tendering, and hence at the taxpayer's expense.

13. If the Group is minded to move in the direction of Mr Hurd's proposal there are two basic points that need further examination.

(i) Given the likely volatility of the television scene in the 1990's, and the difficulty of predicting Channel 4's performance in such an uncertain context, is it realistic to pin the Government to a specific 14% guarantee at this stage?

(ii) Is it possible to devise modified proposals that would inject more incentives to efficiency. One possible approach might be to introduce a proportional element at each end of the scale so that Channel 4 would be allowed to keep part of

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any surplus that it made and would itself have to meet the first part of any shortfall of its revenue against a target figure.

You may wish to ask the Home Secretary to consider both these points in consultation with the Chancellor.

c. How far should Channel 3 continue to support Channel 4?

14. Nobody is questioning that Channel 4 should itself sell its own national advertising under the new dispensation. But Channel 4, the IBA and the Home Affairs Committee all argue that it would be impracticable for Channel 4 to set up its own rival selling organisation for regional advertising. The Home Secretary comes down in favour of the compromise that Channel 4 should be allowed to sell its regional advertising through Channel 3 if it wishes to make such an arrangement on a commercial basis, and this proposal does not greatly damage the Government's basic insistence on separate sale of advertising.

15. There is a much more fundamental problem on the extent to which the other independent terrestrial channels should support Channel 4 by way of cross-promotion. At present the independent TV companies have considerable incentive to co-operate with Channel 4 on scheduling and cross-promotion, since they keep the advertising revenue that Channel 4 generates. In effect, Channel 4 rides on the back of a mass audience channel. Under the new regime, however, the other independent companies will be fierce competitors with Channel 4, rather than partners, and the fear is that a specialist interest channel could not survive in that climate without damage to the remit. The Home Affairs Committee concluded that the prospects for Channel 4 would only be good if a measure of co-operation between Channel 4 and Channel 3 could be achieved, and they recommended that the legislation should in some way require such co-operation. The Home Secretary now develops this idea so as to place an obligation on both Channel 3 and Channel 5 franchisees to promote Channel 4, but he explicitly

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recommends against Channel 4 being placed under any reciprocal duty.

16. The idea of such heavy co-operation between commercial rivals was not, however, received with equanimity by the ITV Association, representing the ITV companies. In evidence to the Home Affairs Committee Mr Richard Dunn (Chairman of the Association) said that the Association was profoundly doubtful about Channel 4's proposals for co-operation and that, in his view, any attempt to impose such a duty of co-operation in the new legislation would "fall apart under pressure, and we know there is going to be pressure".

17. There may well be an element of exaggeration in the ITV Association's evidence to the Home Affairs Committee on this point, since their main object was to argue in favour of the status quo. Nevertheless, it might be somewhat uneasy to include provisions for such duties in a Bill that is dedicated to encouraging competition in a deregulated environment. On the other hand, the promotion of Channel 4 on ITV is a key feature of their operations, worth about £20 million a year, and Mr Hurd will argue that if it were to disappear under the new regime it would need to be replaced at Exchequer expense.

d. The Welsh Fourth Channel

18. At present the Welsh fourth channel is financed by a direct subscription from the other commercial television operators, and the White Paper proposed that this arrangement should continue unchanged. The IBA has now argued that such arrangements would be anomalous under a competitive system, and that it would be cleaner and healthier for the ITC to finance the Welsh fourth channel directly from the money received from the competition for franchises.

19. We understand that neither the Chancellor of the Exchequer nor the Welsh Secretary were consulted much in advance on this

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proposal, and we do not know their views. At first sight the proposal looks attractive, and it might certainly be the best way of lessening the aggravation felt in Scotland by the overt subscriptions that their regional services have to make to the Welsh fourth channel. But the essential point is whether the Chancellor of the Exchequer accepts the Home Secretary's argument that the proposed arrangements would not markedly affect the return to the exchequer and that is the point on which you may wish to concentrate.

c. Handling of announcements

20. The Home Secretary makes numerous references in his paper to the report by the Home Affairs Committee, and he proposes that the Group's conclusions on Channel 4 will need to be announced by way of a formal reply to the Committee. For the reasons set out in the brief on Item 1, however, you may be reluctant for the Group's remaining decisions to be announced piecemeal. Even if it is necessary, as a matter of courtesy, to announce the conclusions on Channel 4 in the form of a formal response to the Committee, this should probably be done at the same time as the other announcements, and with some sort of cross-reference between the two.

HANDLING

21. You may wish to invite the HOME SECRETARY to introduce his paper, and then ask the CHANCELLOR OF THE EXCHEQUER to make the first comment on it. The TRADE AND INDUSTRY SECRETARY might then be invited to make any general comments, and you might then take the meeting through the main issues set out above.

22. The WELSH SECRETARY (and also the SCOTTISH SECRETARY) will have particular comments on the Welsh fourth channel.

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14 April 1989

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PRIME MINISTER

MINISTERIAL GROUP ON BROADCASTING SERVICES

OWNERSHIP (MISC 128(89) 2)

DECISIONS

1. You will wish the Group to reach a clear view on:
 - i. the proposed rules on ownership set out at Annex A to the Home Secretary's Memorandum; and
 - ii. whether the Home Secretary should make an announcement about the new rules on ownership at the end of April or whether this should be deferred until the Group has taken decisions on all outstanding issues relating to independent television.

BACKGROUND AND MAIN ISSUES

2. Most of those who commented on the White Paper proposals on ownership (paragraphs 6.48-6.53) welcomed the commitment to impose limits on the concentration of ownership and on excessive cross media ownership. However, there has been a good deal of comment about the undesirability of media barons, such as Mr Maxwell or Mr Murdoch, being able to acquire control over an excessive number of broadcasting outlets; and a large number of respondents and of those who spoke in the Commons and Lords debates have called for some further tightening up of the controls proposed in the White Paper. The Home Secretary

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believes it important for the Government to be seen to respond to these concerns.

Proposed Rules on Ownership

3. The rules on ownership which the Home Secretary now proposes are set out at Annex A to his Memorandum. The main proposals are as follows.

(i) Rules 13 and 13(a) provide that no newspaper should have a holding of more than 10% in a broadcasting licensee (or vice versa) where the Independent Television Commission (ITC)/Radio Authority (RA) considers this would be against the public interest; and provide an absolute bar on any national newspaper having a holding of more than 25% in a Channel 3, Channel 5 or national radio licensee (or vice versa). This differs from the White Paper which suggested a bar on holdings above 20% (a proposal which has been endorsed by the IBA). I understand that the proposed limit was increased to 25% at the suggestion of DTI officials in order to bring it into line with the trigger point in mergers legislation. However, you may feel that it would be politically unwise for the Government to propose a less restrictive control in this sensitive area than that canvassed in the White Paper.

We understand that the Treasury are briefing the Chancellor to argue that the 25% rule should not apply to a proprietor who owns only one national newspaper. However, such a newspaper (which might conceivably, in future, come out on all seven days of the week) could exercise a powerful influence on public opinion and you may feel that it would

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not be acceptable to relax the White Paper proposals by exempting such a proprietor from the cross ownership rules.

(ii) The White Paper proposal that the same group could hold two (but not more than two) Channel 3 licences has attracted a good deal of criticism from those who maintain that it would be wrong for a single interest to control either two contiguous regions (which might, for example, amount to the whole of Scotland) or two large regions. Rule 7 accordingly provides that no group may hold more than one licence except where the ITC considers this would not be against the public interest. It is envisaged that the ITC might allow this where, say, the only group interested in one of the less attractive franchise regions was the franchise holder for a neighbouring region. You may feel that there would be advantage in tightening up the reference to "not against the public interest" to specify the restricted circumstances in which the ITC might exercise their discretion. It might also be prudent for the rules to set an absolute limit, probably of two, on the number of licences which any one group could hold.

(iii) Rule 8 empowers the Secretary of State to establish limits on the ownership of satellite channels uplinked from the United Kingdom. This is designed as a safety net against the possibility that a single entrepreneur might acquire a large number of channels, eg on ASTRA, which together accounted for a large share of the United Kingdom's television audience. It seems doubtful whether the proposed controls would do much to redress such a situation since the entrepreneur in question would be free to uplink his channels from other European countries. Such a power

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might have presentational attractions, however, though you may feel that the Government ought to give some broad indication of the circumstances in which it would be exercised so that satellite channel owners could plan accordingly.

(iv) Rules 1 and 2 prevent non-EC control of ITC/RA licenses except that, as agreed between the Home Secretary and Lord Young in correspondence (the Home Secretary's letter of 14 March and Lord Young's reply of 28 March), the present prohibition on non-EC control of cable, in which various American interests are keen to invest, should be lifted. You may wish to check that other members of the Group are content with these proposals.

(v) Rule 15 provides a three year moratorium on hostile takeovers from the time when the licence is awarded. This picks up a proposal by Mr Russell, chairman of the IBA and chairman-designate of the ITC, which was endorsed in many of the responses to the White Paper. The arguments for a moratorium are that new licence holders will need an initial period of stability in which to find their feet and that, without a moratorium, some of those interested in acquiring franchises might hold back from the tendering process with the aim of taking over one of the successful bidders. Lord Young, however, may argue that it would be wrong to protect licence holders from the disciplines of the market even during the initial period.

There is clearly a risk that, under the sort of moratorium proposed by the Home Secretary, some franchise holders might limp along for the initial period without any real prospect

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of ever performing successfully. On the other hand, if some of those interested in acquiring a franchise were to stand back from the tendering process in the way which the Home Secretary foreshadows, this might reduce the size of the eventually successful tenders; and if there were a spate of takeovers shortly after the licences were awarded, the whole procedure might be brought into disrepute. You may wish to seek the Group's views on the balance of these arguments.

Judicial Review

4. A number of the proposed rules require the ITC/RA to take a view of the public interest. While this requirement is well precedented, being based on provisions in the Cable and Broadcasting Act 1984 which govern the conduct of the Cable Authority, the concept of "public interest" is pretty nebulous and there must be a risk of unsuccessful applicants challenging decisions of the ITC/RA by way of judicial review. Moreover, of course, there can be no guarantee that the ITC/RA will interpret "the public interest" in the way envisaged by the Government. You may accordingly wish the Home Secretary to consider whether the rules can set out rather more precisely the considerations which the ITC/RA should apply. You may also wish to ask him to consult the Attorney General about the scope for reducing the risks of judicial review.

Timing of an Announcement

5. The Home Secretary would prefer to announce the Government's conclusions on ownership at the end of April together with the announcement on local services which the Government has undertaken to make at that time. However, any such announcement is bound to provoke questions about related matters which the

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Group have not yet considered, for example whether Channel 3 licences will be of fixed or indefinite length. For the reasons given in the brief on the previous item, you may feel that it would be prudent to delay an announcement on ownership until the Group has taken decisions on other aspects of the independent television regime.

HANDLING

6. You will wish to invite the HOME SECRETARY to introduce his Memorandum.

7. You may then wish to go through the various points in the order set out in this brief (which broadly follows the order of the Memorandum). The TRADE AND INDUSTRY SECRETARY and the CHANCELLOR OF THE EXCHEQUER, in particular, will have comments.

A. J. C.

A J LANGDON

14 April 1989

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PRIME MINISTER

MINISTERIAL GROUP ON BROADCASTING SERVICES (MISC 128)
IMPLEMENTING THE BROADCASTING WHITE PAPER
HOME SECRETARY'S MINUTE OF 28 MARCH

OBJECTIVES AND DECISIONS

This overview paper by the Home Secretary is on the agenda simply to enable the Home Secretary to bring the Group up to date and set the scene for the final round of decision-making on broadcasting policy. No substantive decisions are required. You may, however, wish to use this item to establish that the Group's target should be a comprehensive announcement of the Government's decisions on all outstanding points in, say, mid-June. That would keep the initiative firmly in the hands of the Government and it would enable you and the Group to review the balance of the package as a whole before you become finally committed to particular components of it.

BACKGROUND

maintainance?
2. Stripped to its essentials, MISC 128's main preoccupation has been to encourage the greatest consumer choice, competition and efficiency in British broadcasting that is compatible with adequate guarantees for the maintenance of quality. On the one hand, the BBC will continue to provide the cornerstone of public service broadcasting (though it will be brought under increasing pressure to finance itself through subscription from 1991) and the Channel 4 remit will be preserved (though a new financial structure for Channel 4 remains to be settled). On the other hand, Channel 3; the new fifth channel; services on Direct Broadcasting by Satellite (DBS); and local services provided by Cable and/or MVDS will all be operated under a much lighter touch than that of the IBA's current regime. In addition, satellite services, such as Sky - which are up-linked from the UK but not broadcast on UK frequencies - will simply be subject to basic consumer protection requirements of taste and decency.

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The summary of the White Paper's proposals is attached, for convenience, as an Annex to this brief.

3. Among the Home Secretary's list of issues which now need to be reconsidered by MISC 128 there are three that go to the heart of the argument about quality. They are

- i. the quality threshold, competitive tender and the levy (primarily affecting Channel 3 and the fifth channel but also relevant to local services);
- ii. the funding and structure of Channel 4;
- iii. ownership.

The fourth issue - use of night hours - does not stir up the quality debate as directly as do the previous three issues, but it brings into question both the competitive position of the BBC under the new regime and also the rate at which the BBC can reasonably be expected to move to subscription financing. The issue has the potential, therefore, of being quite sensitive.

Finally, there is the separate issue of transmission, which is a highly complicated field in its own right. The Group will need to review in more depth the full implications of regionalising the present national transmission systems.

MAIN ISSUES

4. The general line of the Home Secretary's minute is to argue that even in the few months since the White Paper was prepared it has become apparent that the forthcoming competition in television services will be more determined in character, and on a wider scale, than had previously been envisaged. There will therefore be relentless pressure for revenue, and quality requirements will come under heavy pressure. The Home Secretary

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argues that the lesson of all this is to review the adequacy of the White Paper safeguards for quality programming on Channel 3 and Channel 5, and the best way of safeguarding the Channel 4 remit, and he reminds you of his view that the Broadcasting Bill should be seen as a centrepiece of a legislative programme in which the main theme will be the quality of life and service to the public.

*ie. BBC & Channel 3 & 4 should be
much better than now.*

20 5. You may wish to indicate whether you accept the Home Secretary's broad overview of the situation, with its implication that the quality-related issues are the points on which the Group will need to focus. You may also wish to confirm that the other members of the Group accept the Home Secretary's minute as a full list of the main points that now need to be reviewed. You may also wish to make some comments on the following specific points.

a. The scale of increased competition

6. As the Group recommences work, you may wish to bring yourself up to date on developments since last autumn. The very high numbers of new channels quoted in paragraph 4 of the Home Secretary's minute are on the assumption that there will be a second Astra satellite next year and that the second Eutelsat satellite will be launched this year. These eventualities seem perfectly likely, so far as we can judge, and they certainly support Mr Hurd's general arguments about increasing competition. No other player seems to be entering the satellite scene on the scale of Mr Rupert Murdoch's Sky channel, however, and the main point of current interest is the degree of success that Sky is achieving, and the prospects of BSB, which is currently gearing itself up to launch services on its three DBS channels in September. You may wish to ask the Home Secretary and the Trade and Industry Secretary to bring the meeting up to date on this.

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7. You will also wish to note that the Trade and Industry Secretary has recently written to report that the technical studies on a possible sixth channel have shown that this would not be a practicable option. This conclusion, which can be announced this month along with the decisions on local services, is not unexpected, and it does not greatly affect the picture of increased competition on which the White Paper was based.

b. The Home Affairs Committee

8. You may want to make some comment on the Home Secretary's suggestion that particular importance should now be attached to the views of the Home Affairs Committee, which has been broadly supportive of the White Paper policy, but has taken a line of its own on one or two topics. In particular, the Committee has recently produced a report on the financing of Channel 4 in which it unreservedly supports the option for which the Home Secretary is seeking MISC 128's agreement. If you accepted under this item that the Home Affairs Committee was an especially important commentator, then that might limit the discussion of the option for Channel 4 later in the meeting. You may therefore wish to comment that, while the Home Affairs Committee's general support is very welcome, the Committee is not necessarily right in every particular.

c. Presentation of any changes to White Paper policy

9. The Home Secretary's other two papers seem to contemplate a piecemeal series of announcements as the Group take decisions. Apart from the question of local services, which is being dealt with separately, there is, however, no compelling operational requirement for early announcements. (The Home Secretary argues in the paper on ownership that the announcement of the decisions on ownership of local services will have to be held over until a more general announcement can be made on ownership questions, and that the separate announcement on other aspects of local services will generate some expectation on that score. But those with a particular interest in the ownership of local services are not an

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especially significant part of the scene, and there seems no reason why they should not wait until a more general announcement.)

10. We have had an initial word about this with Mr Ingham and, subject to any more detailed advice that he may wish to put to you, we would recommend that it would be far better to hold over any further announcements until the whole package can be seen in the round, which would probably mean a comprehensive announcement in about mid-June. You may wish to remind the Group that in their previous round of discussions they found that all the main issues inter-reacted on each other, and that it was not possible to take final decisions until the whole of a draft White Paper was before them. The Group will probably have the same experience on the second stage decisions that now need to be taken.

HANDLING

11. You may wish to ask the HOME SECRETARY to introduce his minute, as a general introduction to the Group's new phase of work for which they are being joined by the Scottish Secretary. You may then wish to ask the TRADE AND INDUSTRY SECRETARY and the CHANCELLOR OF THE EXCHEQUER if they have any general points, and you may particularly wish to register your views on managing the announcement of the Group's decisions, as in the previous paragraph of this brief.

A.J.L.

A J LANGDON

14 April 1989

I Summary

1.1 This White Paper sets out the Government's proposals for broadcasting in the UK in the 1990s.

1.2 The Government places the viewer and listener at the centre of broadcasting policy. Because of technological, international and other developments, change is inevitable. It is also desirable: only through change will the individual be able to exercise the much wider choice which will soon become possible. The Government's aim is to open the doors so that individuals can choose for themselves from a much wider range of programmes and types of broadcasting. In this as in other fields consumers will rightly insist on safeguards which will protect them and their families from shoddy wares and from exploitation. But the Government believes that, with the right enabling framework, a more open and competitive broadcasting market can be attained without detriment to programme standards and quality. Its single biggest advantage will be to give the viewer and listener a greater choice and a greater say. The Government is also clear that there need be no contradiction between the desire to increase competition and widen choice and concern that programme standards on good taste and decency should be maintained. Both are essential if the quality of British broadcasting is to be safeguarded and enhanced into the next century.

1.3 Chapter II sets out the Government's general approach. It explains more fully why radical reform of the framework for broadcasting in the UK is both necessary and desirable. Chapters III to XI contain the Government's specific proposals. The main ones are these:

- Most viewers will have a major increase in choice with the authorisation of a new *fifth channel*, to be operated as a national channel, with different companies providing the services at different times of the day. A *sixth channel* will also be authorised should technical studies show this to be feasible.
- The present ITV system will be replaced by a regionally based *Channel 3* with positive programming obligations but also greater freedom to match its programming to market conditions.
- Provision will be made for at least one body which is effectively equipped to provide high quality *news* programmes on Channel 3.
- Options are canvassed for the future constitution of *Channel 4* on the basis that its distinctive remit is preserved and its advertising is sold separately from that on Channel 3. The *Welsh Fourth Channel Authority* will continue to provide the Fourth Channel in Wales.
- There will be a new flexible regime for the development of multi-channel *local services* through both *cable* and *microwave transmission (MVDS)*. This will provide a further major extension of viewer choice.
- The UK's two remaining *Direct Broadcasting by Satellite (DBS)* frequencies will be advertised by the Independent Broadcasting Authority (IBA) early next year. This will provide scope for two further UK DBS channels in addition to the three being provided by British Satellite Broadcasting (BSB).
- Viewers will continue to be able to receive *other satellite services* directly, including those from the proposed medium-powered *Astra* and *Eutelsat II* satellites. Steps will be taken to ensure that the programme content of all such services is supervised.

- All television services (including those of the British Broadcasting Corporation (BBC)) will be given freedom to raise finance through *subscription* and *sponsorship* (subject to proper safeguards). All services (except the BBC) will also be free to carry *advertising*.
- A new agency, the *Independent Television Commission* (ITC), will be established in place of the Independent Broadcasting Authority (IBA) and the Cable Authority to license and supervise all parts of a liberalised commercial television sector. It will operate with a lighter touch than the IBA but will have tough sanctions. Its functions are set out in the Annex to this White Paper.
- The *BBC* will continue as the cornerstone of public service broadcasting. The Government looks forward to the eventual replacement of the *licence fee* which will, however, continue for some time to come.
- The *night hours* from one of the BBC's channels will be assigned to the ITC. The BBC will be allowed to retain the other set on the basis that it uses it as fully as possible for developing subscription services.
- The part played by *independent producers* in programme making in the UK will continue to grow.
- The Government will proceed with its proposals for the deregulation and expansion of *independent radio*, under the light touch regulation of a new *Radio Authority*.
- All UK television and radio services will be subject to *consumer protection* obligations on such matters as taste, decency and balance.
- The *Broadcasting Standards Council* (BSC), established to reinforce standards on taste and decency and the portrayal of sex and violence, will be placed on a statutory footing.
- The exemption of broadcasting from the *obscenity* legislation will be removed.
- There will be a major reform of the *transmission* arrangements, giving scope for greater private sector involvement.

1.4 The likely timetable for the main additional television services in prospect is summarised in Table 1.

1.5 Comments on the Government's proposals should be made by 28 February 1989 to the Under Secretary of State, Broadcasting Department, Room 669, Home Office, 50 Queen Anne's Gate, London SW1. Thereafter, the Government intends to bring forward at the earliest opportunity legislation to give effect to those of the proposals in the White Paper for which legislation is needed. In framing the legislation the Government will have discussions with the relevant regulatory and other bodies, and will take account of any views on its proposals.