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PRIME MINISTER

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Broadcasting Seminar: Review of the Issues

Last Monday Douglas Hurd held a broadcasting seminar at which David Young, Tim Renton and various officials and advisers were present.

The purpose of the seminar was to stake out the common ground between the Home Office and the DTI on broadcasting policy, preparatory to the Home Secretary drawing up proposals for the meeting of MISC 128 on 28th July. From the Home Secretary's point of view this meeting is crucial: he hopes that decisions taken at it will form the basis for the White Paper, which can then be drafted over the summer and issued in the autumn.

The seminar was an extremely useful occasion; and the spirit in which the meeting was conducted was excellent. What was most impressive was the commitment to face up to change, without throwing out the baby with the bath water. It was in marked contrast to the prevailing spirit a year ago and I believe reflects in large measure your highly successful seminar of last September.

The following were the major issues raised.

1. Reform of Commercial Television

The issues previously discussed in MISC 128 include the levy, competitive tendering for franchises, the possible redrawing of the ITV map, the IBA transmission system, C4,

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ITN, the future of the IBA and the public service broadcasting requirements appropriate to the ITV companies in a more competitive world.

(a) The future of public service broadcasting requirements

One issue raised was the public service obligation appropriate to the ITV companies after 1992. This will be a period of much greater competition, with the increased competition coming from an extra terrestrial channel(s), satellite, cable and MVDS. The reduced advertising revenue will make it very difficult for the ITV companies to maintain their existing requirements.

The main thrust of the discussion was:

(i) there would be a continuing case for some form of public service broadcasting, even in the more competitive environment of the 1990s;

(ii) there was some discussion as to whether this should take the form of an Arts Council of the Air or whether it should be provided through C4 (and the BBC): in general the latter alternative was preferable with C4 continuing to be funded by advertising revenue.

(My own view is that while these arrangements could work well during the transition from the existing duopoly to a competitive system, when the commercial sector is really competitive, it is highly doubtful if C4 will be able to finance itself given its existing remit: the length of the transition remains uncertain:)

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(iii) the likely public service requirements on the ITV companies as well as Channel 5 and any Channel 6 would be:

- a requirement to show a defined amount of regional programming;
- a requirement to show a minimum of news and current affairs;
- a requirement that 25% of output be from independent producers;
- an internal diversity requirement, similar to that for national commercial radio

(iv) if ITV companies operate within this much lighter regulatory regime, it was argued that the output of ITV will most probably include more quiz shows, soaps and old films than at present: Because BBC competes with ITV for audience share, the BBC will be under pressure to go down market as well. This raises the issue of public service broadcasting obligations of C4 and BBC should be made more explicit. However, it also raises the issue as to whether this prediction is correct. Evidence from America suggests that when subscription is introduced, there will be an increase in the diversity of programmes.

(b) Method of allocating franchises

Because of the lack of transparency in the existing method of allocating franchises, MISC 128 has provisionally agreed to move to auctions in which franchises are issued to the highest bidder, subject to (a) the applicants successfully meeting certain quality

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requirements, (b) their being subject to an additional taxation in the form of a levy.

Since this decision was taken (which is similar to one of Peacock's recommendations) most people have had second thoughts but for very different reasons:-

(i) the problem of ensuring that the companies adhere to the quality hurdles;

(ii) the problem, towards the end of a franchise, in which an existing ITV company which has failed to win the franchise for another term, and will inevitably be under a strong financial incentive to milk the system.

(iii) company A might secure a franchise by bidding £1 more than company B, even though its programme plans are inferior, providing it just scraped over the quality hurdle;

(iv) the existing proposal still implies heavy discretionary regulation by the IBA.

Everyone accepted the need to relax takeover restrictions for TV companies. Given this, the drift of the discussion was to offer fixed term licences but subject to periodic performance reviews (such as Australia and Canada) and with a presumption of continuity rather than a major upheaval towards the end of the period.

(c) Future of the IBA

All thought that the IBA was a wholly inappropriate body to regulate commercial television in this new

world. The light touch regulation which is proposed, suggests that the IBA should be replaced by a new Independent Television Authority (which might also include the Cable Authority).

2. Additional Programme Services

The major issues discussed so far have been additional terrestrial Channels (5 and 6), satellite (BSB, Astra etc), cable, MVDS, and the rising cost of TV advertising.

David Young withdrew his proposal to move BBC2 and C4 to DBS.

The main points which arose in discussion were that:

- (a) Channel 5 should be introduced as soon as possible (1st January 1993) and the two remaining DBS channels should be auctioned as soon as the moratorium ends (end 1992): this would have a beneficial impact on advertising rates;
- (b) further work was needed on the future of MVDS: environmental considerations needed to be taken into account but should not perhaps be decisive on their own; one possibility suggested for MVDS was as a means of providing local TV services (e.g. TV Brighton could be an experiment); some cable operators wished to use MVDS for trunking, others for pull-through; it was important to achieve maximum competition in the provision of programme services.

In summing-up the Home Secretary said that enabling provisions were needed in legislation rather than

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specific proposals which set existing technology in concrete.

Conclusion

Rapid and fundamental change is taking place in the broadcasting industry regardless of government policy. The task facing the government is to set the framework for broadcasting in a way which encourages change rather than either defending existing structures ~~and~~^{or} conceding to the advancing competition only when it has to.

As a result the White Paper should emphasise:

- (a) a lighter regulatory touch for ITV than at present;
- (b) an amended form of auctioning with a more explicit and objective quality test;
- (c) a replacement of the IBA;
- (d) Channel 5 and two new DBS channels by 1993;
- (e) proposals for cable and MVDS which create a more level playing field.

BG

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