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INSTITUTE of PRACTITIONERS in ADVERTISING

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The Rt. Hon. Margaret Thatcher, MP., FRS
10 Downing Street
London
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23rd September 1987

Dear Prime Minister

First I would like to thank you for inviting me to be present at Monday's seminar and to say how valuable I found it.

Secondly, you did invite us to write to you should there be any points we might like to amplify or for which the discussion did not provide adequate time. I tried to catch your eye towards the end of the Channel Four discussion but I realised that this could hold up the introduction of the final session. I therefore welcome this opportunity of making the points I would have made then.

The suggestion has been made that the separate selling of Channel Four advertising airtime would place in jeopardy the quality and distinctive character of the Channel. This is a view which advertising agencies would contest for the reasons set out in the attached memorandum.

This memorandum suggests a means by which the unique character of Channel Four would be preserved and yet additional resources made available to it. At the same time it would remove the ITV companies from any connection with the selling of Channel Four advertising airtime.

While, as the seminar illustrated, the prospects for more choice and competition in television are very encouraging from, say, 1993 onwards, advertisers and their agencies are alarmed at the prospect of a continuation of present arrangements with its absence of competition in the interim. The enclosed proposals are an attempt to introduce at least some measure of change at an earlier date. Similar proposals could be applied to the selling of advertising in late night ITV programmes.

Again, I am most grateful for the opportunity of being involved in these discussions.

Yours sincerely

David Wheeler
Director General

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INSTITUTE OF PRACTITIONERS IN ADVERTISING

THE SEPARATE SELLING OF CHANNEL FOUR ADVERTISING AIRTIME

1. Advertising airtime on Channel Four, with the exception of a few television areas, has been very inefficiently sold by the ITV companies.
2. Even so, Channel Four is now attracting advertising revenue in excess of its costs of operation.
3. If the sale of Channel Four advertising airtime were in the hands of a separate dedicated sales company it would generate more revenue from the existing Channel Four programme format.
4. Channel Four is potentially a valuable advertising vehicle for advertising agencies because of its special properties. It should be enjoying a premium value. Its ability to command a premium value would disappear if its character were to change. This would not be in the interests of either Channel Four or advertisers.
5. The additional revenue arising from more effective selling would provide Channel Four with greater resources to invest in programmes particularly via independent production companies. This leaves the critical question of how can this be achieved without undermining programme content?
6. Currently Channel Four is a separate subsidiary of the IBA. The IBA receives revenue from the ITV companies and, in effect, hands it over to the Channel Four Company for its working funds.
7. We suggest that the IBA should make available a separate franchise, for which tenders would be invited, to operate a separate and independent Channel Four Advertising Sales Company. Existing ITV companies should not be permitted to bid for this franchise. Instead we believe there is sufficient entrepreneurial talent combined with sales experience of media marketing to attract a number of companies, and no doubt several new ones, to bid for this new franchise.
8. The revenue from the sales generated by the Channel Four Advertising Sales Company would be handed over (after deduction of management fees and selling costs) to the IBA. Acting as a filter, the IBA would make this revenue available to the existing Channel Four Company to meet its costs of operation.
9. In this way the management of Channel Four would not be diluted by the need to manage a sales operation, while the IBA, in properly exercising its responsibilities under the Broadcasting Act and from its central position, would be expected to see that the independence of the Channel Four Company was preserved.
10. There would be no management connection between the Channel Four Advertising Sales Company and the Channel Four Company itself.
11. The function of the advertising sales company would be to take the commercial airtime within the programme schedules drawn up by the Channel Four Company and sell them to its best ability.
12. The additional revenue which effective selling would generate would more than cover any extra costs involved in operating the new advertising sales company and therefore increase the revenue available to the Channel Four Company.

23rd September 1987

David Wheeler
Director General