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26 September 1989

Dear Paul

ITV AND INDEPENDENT PRODUCERS

Thank you for your letter of 6 September enclosing the article by Mr Eddy Shah in the "Sunday Times" of 2 July.

We have made enquiries of the IBA into the background to this case, and they have a rather different story to tell. According to the IBA, "Capstick's Law" was not cheaper to produce than comparable in-house products; for example ITV make "Rumpole" and "Minder" at much the same price. ITV does pay more to independent producers when the quality so justifies, e.g. £800,000 an episode for "A Piece of Cake". "Capstick's Law" was dropped because, although it started with high ratings, it lost 40% of them in the first four weeks. The decision to drop was taken only after careful consideration; and indeed it was because they wished to give the series every chance that the ITV controllers did not decide to drop the series before they reached the point at which they had to explore with individual companies what might replace it in the autumn. Mr Shah was asked to spend more simply to improve the quality of the programme. ITV companies are not relying on more repeats (indeed the existing "repeat fees and consents" agreement has not yet been terminated); the IBA watch cases like this one very closely in order to ensure that the companies properly fulfil their existing contracts and treat independent producers fairly.

Mr Shah's conclusion is that the ITV companies are trying to squeeze out the larger independents so that, if they fail to win contracts under the new broadcasting regime, they can become major programme suppliers themselves with little competition. As regards competition, there is, of course, no reason why former ITV companies should not seek to become programme suppliers under the new regime - indeed they will have substantial facilities and pools of expertise and it would be wrong to exclude them from competing in that market. But if their products were unreasonably expensive they would not long survive; even if the larger independents had somehow been displaced in the run-up to 1993 (in fact Mr Shah's companies has been generally quite successful) market forces would lead to fresh competition arising.

It does seem, therefore, that Mr Shah's diagnosis was inspired primarily by disappointment about the fate of his own company's programme. Nevertheless, the Home Secretary recognises the Prime Minister's concern that the 25% independent production initiative should be properly carried out and that independent production should be correctly defined. The independent television companies are in fact making good progress towards the target of 25% by the end of 1992. The IBA believe that their commissioning rate for the

current year will be about 12%; and both they and the Home Office are monitoring progress to ensure that the contracts relate to a wide range of programmes.

The Prime Minister also referred to the definition of the 25% requirement, with particular reference to the exclusion of news and current affairs programmes. There have been a number of points which required clarification since the beginning of the initiative and the Home Office is well advanced with a set of guidelines on what may be counted as independent production within the terms of the initiative, and what may not. These have been worked out in consultation with the BBC, the IBA and the Department of Trade & Industry. As to the exclusions, it was made clear from the outset that the 25% initiative would exclude, amongst other things, news and news-related daily current affairs programmes (other current affairs programmes are, however, included). These were excluded because news gathering requires a large central resource, is very expensive and calls for a more integrated editorial approach. Broadcasting organisations use their news service as a means of establishing an identity with their public, and this is particularly so in the case of regional services. This exclusion did not evoke much controversy at the time; but representatives of the independent producers are now beginning to argue that the exclusion has the effect of shutting them out of a major segment of the broadcasting market. There is nothing to stop the broadcasters contracting out news and similar programmes if they wish, but since they have strong reasons for wanting to make them their own way this is likely to be rare in practice. This point has recently been put to Mr Renton by IPPA, and he in turn has undertaken to consult the broadcasters and consider the representations made. These were to the effect that either there should be no such exclusion, or that the target should be to commission 25% of total output by finding programmes from within the approximately 60% of the total which does not fall within the excluded categories. Either adjustment would, of course, be a major change to the initiative, causing the broadcasters substantial upheaval. We are nevertheless considering the arguments seriously and will be responding to IPPA. I will report to you the conclusions of this consideration.

Paul,
see
the
relevant
documents

.... Finally, the Prime Minister may find it of interest to have the enclosed riposte to Mr Shah from Mr Greg Dyke at LWT.

A copy of this letter and enclosure goes to Neil Thornton (DTI).

Yours
C J Bannister

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SUNDAY TIMES

Why Shah's show came unstuck

GREG DYKE, director of programmes at LWT, answers accusations about Capstick's Law

IN LAST week's Sunday Times, Eddy Shah was at his Machiavellian best. According to him, the reason the ITV controllers are likely to reject a second series of his drama series, Capstick's Law, was as part of a campaign against the government's plans to reform broadcasting.

There is a much simpler answer: Capstick's Law was simply not successful enough.

Let me explain. In his article, Shah said that ITV controllers expected a 6m audience for Capstick, and that it was a success because it achieved an average of 8.8m. To suggest we expected 6m is ludicrous, because that would have been the lowest-rated early evening drama series in recent memory.

When we examine what actually happened, we find that, of all the new drama introduced on ITV at the weekend this winter and spring, Capstick had the smallest average audience, the oldest audience and the highest proportion of DEs.

Thanks to good publicity and promotion, nearly 12m watched the first episode, but this dropped every week for four weeks, to a low of 7m. In other words, it lost 40% of its audience in just four weeks. And compared with the other two dramas which played in the same slot - Wish Me Luck (average 10.9m) and Forever Green (13.4m) - Capstick's 8.8m looks a bit sick.

Shah claims that Capstick was head to head with the might of All Creatures Great and Small on BBC1, and performed well against such tough opposition. Not true. It was against repeats of All Creatures Great and Small - and no programmes are as strong second time round.

Shah also claims that its audience appreciation index rating was high. The actual figures show that Capstick achieved a rating of 73 (out of 100), against 78 for Wish Me Luck and 80 for Forever Green. And while it is true

that its appreciation figures went up during its run, that almost always happens when the audience starts to desert a series, leaving behind just the people who enjoy it most.

Now, as part of his conspiracy theory, Eddy claims the ITV controllers urged him to spend more money on the series, because we feared he would produce a great success at far less than ITV spends making its own drama series. The real story is that we *did* urge him to spend more money, but only after we'd seen the first episode and had the results of independent research on it. We believed that the production values needed enhancing - and we were right. ITV paid £60,000 an hour *more* for the likes of Forever Green, Wish Me Luck and A Bit of a Do than for Capstick. In strict financial terms, all were far better value.

Contrary to Shah's article, the ITV controllers have yet to decide whether or not to renew Capstick. We had earmarked a slot for 10 episodes in the autumn, but it is clearly not strong enough to take on the might of the BBC1 autumn Sunday schedule. If we decide against renewal, it will not be as a campaign against the government's plans for broadcasting, nor as a blow against independent production. It will be because we don't believe that Capstick has shown the potential to be a big success.



BROADCASTING: Policy pr 9

