

B C.C.P.A.



HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

28 September 1989

Dear Paul

**BROADCASTING BILL: CHANNEL 4**

Thank you for your letter of 11 September in reply to mine of 17 August about the Home Secretary's proposals for Channel 4.

The Home Secretary was glad to note that the Prime Minister was content with the revised proposals for the procedure to be adopted if Channel 4 were to receive revenue in excess of its 14% budget baseline.

As regards the constitutional issues raised by the Prime Minister, the Home Secretary is content for Channel 4 to be reconstituted as a single entity. In effect, the existing Channel 4 company would be transferred from the IBA to the Trust, but would then cease to have a separate legal existence. Instead it would simply be absorbed into the Trust as the administrative and management arm responsible for the day to day operation of the Channel. The Trustees would therefore be entirely responsible for the whole of Channel 4. The Home Secretary remains concerned that the Trustees should not themselves be involved in the day to day management of Channel 4, and that this should be reflected in the statutory arrangements. He notes that this is also the Prime Minister's view. He now considers however that it will be sufficient for the legislation to require that the Trustees should appoint a Management Board including a Chairman and Chief Executive (who would serve as co-opted Trustees) to run Channel 4 on a day to day basis, but in doing so they would implement guidelines set down by the Trustees.

As regards the appointment of Trustees, the Home Secretary considers that the revised structure of Channel 4 makes it even more important that their appointment should be distanced from Government. Since the Trustees would not now constitute

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Paul Gray Esq  
Private Secretary  
10 Downing Street  
LONDON  
SW1A 2AA



an entity legally separate from the Channel 4 company, there is bound to be public concern if the Government proposes to appoint all the Trustees itself. It is of course true that the Governors of the BBC are appointed in this way. But the BBC is a broadcasting authority of many years standing governed by charter and licence, and with established conventions as to the respective spheres of operation of the Governors and Board of Management. The Channel 4 Trust, on the other hand, will be a newly created body which will not be a broadcasting authority, and whose Trustees will therefore be seen as having a potentially wider control over the editorial affairs of the channel. There is a real danger that the Government could lose this argument in circumstances which might be politically damaging.

There is also a further point of substance. If the Government were to appoint the Trustees it would be difficult for them to be dismissed without enormous controversy and claims of unwarranted Government interference in the affairs of a broadcaster. The sanction of dismissal is however regarded by Mr George Russell as an important reserve power which ought to be available to the ITC in the event that the Trustees failed to keep to the Channel 4 remit.

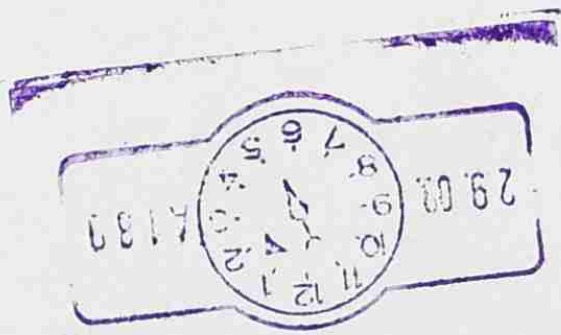
The Home Secretary therefore hopes that the Prime Minister would agree that his original proposal on appointments should stand: namely that two Trustees would be appointed by Government; two would be ex-officio members of the Board of Management; and the remainder (between 3 and 5) would be appointed by the ITC.

I am copying this letter to the Private Secretaries to members of MISC 128 and to Sir Robin Butler.

Yours

Althea

MISS C J BANNISTER



Broadcasting Pt 3  
legislation on  
Broadcasting.