Brian Griffiths cc CF file

Thanks. Given your advice I'm inclined not to bother the PM with this unless the N.I. Secretary raises major objection. RACG 14/12

PAUL GRAY

12 December 1989

BROADCASTING BILL: NORTHERN IRELAND LICENCE

I promised to find out a little more on the need for a possible subsidy for the Ulster franchise.

Apparently the IBA did some work earlier this year on the likely future Net Advertising Revenue [NAR] shares of the present licence areas. It concluded that Ulster, starting from a position in 1988 of 1.5% NAR share, would retain a 1.4% share during the period 1993 to 2002, even allowing for the erosion of existing terrestrial NAR by Channel 5 towards the end of that period.

They considered the position of Ulster in relation to a low and medium cost growth option. Under the former, they estimated that Ulster would need a subsidy of £1.9M a year and under the latter, one of £3.9M. This was based on an average NAR growth of 4% per annum. If that had risen to 5%, Ulster would still require an annual tender subsidy of £0.4M. In the period from 1993 onwards Ulster's NAR is projected to decline as a result of the incursion of Channel 5 which is capable of being received by 73% of households in Ulster.

All this, of course, is somewhat speculative, but the figures for the possible subsidy give a better feel for the scale of the problem. The IBA also believe there may be a possibility of reducing the cost per hour of Ulster's local programmes and the Managing Director of Ulster believes that there is scope for expanding the company's income, perhaps through sponsorship and sale of air-time in the Republic of Ireland.

On the basis of this forecast I suggest that we accept the Home Secretary's recommendation.

For the rest, I suggest asking the advice of Sir Percy Cradock.

Brian Griffiths

BRIAN GRIFFITHS