

PRIME MINISTER

ITN SHAREHOLDINGS

You saw last night Bernard's note at Flag A. I subsequently reported to you this morning that I understood from David Waddington's office that the intention was to stand firm on a majority 51 per cent external shareholding in ITN.

But I have now received during the day the Hansard for the Broadcasting Bill Committee last Thursday when David Mellor covered this point (Flag B). You will see from the highlighted passages that in fact his support for the provision in the Bill was decidedly lukewarm; this may have been what stimulated the phone call to you over the weekend.

A further development during the day is that George Russell has contacted Bernard to say that he will be going to see David Mellor about the ITN position on Thursday. As we understand it, George Russell is keen to move towards external shareholdings in ITN. But he is now worried that the Bill as currently drafted, although it wills the end, does not provide the ITC with the necessary means of securing divestment by the ITV franchise companies.

Having now seen the Hansard for the Committee discussions, do you want me to write to the Home Office saying:

(i) you were a little surprised at the comments made;

(ii) MISC 128 clearly decided in favour of 51 per cent external shareholding and this must be maintained, together with the ITC having the necessary means to secure it?

HCG.
PAUL GRAY
20 February 1990

Yes
ms

David Mellor has
felt it the wrong way
round. It is the 51%

Independent shareholders that will
make it a profitable efficient company.

In answer to the hon. Member for Caithness and Sutherland (Mr. MacIennan), I reiterate our commitment to high quality Channel 3 news gathering and reporting organisations that will be independent of the BBC but able to compete on equal terms. That is clearly written into the Bill. There is a dilemma between competition in the supply of news and providing high quality news. We want legitimate competition and I accepted the spirit of the helpful amendments of the hon. Member for Caithness and Sutherland.

The ITC should invite applicants to apply for nomination as news providers in an open way. A Government amendment on Report will require the ITC to nominate all news providers that they consider to be adequately financed and equipped to provide high quality news unless it considers that to nominate further news providers would be prejudicial to the supply of high quality news. That is a difficult balance to achieve.

There are talented people outside the main news organisations. The early reports from Ethiopia five years ago that so stirred all our consciences were first shown on BBC news with Michael Buerk, but the crew was from Visnews.

The ITC must strike a balance. It will not operate a cosy monopoly because it must assess the performance of incumbents and replace them if it believes that another news supplier would be better able to provide the service. I have been asked about how the negotiations will be conducted and whether the new arrangements will be worse than those that now exist. The discussions about the cost of ITN's Romanian coverage show that the existing arrangements are not faultless. I believe that the new ones will work well. The price charged for the news service will be a matter for negotiation between the news provider and the licensee, with a possible role for the Office of Fair Trading in the event of a complaint of monopoly pricing. The ITC will have to be satisfied that the news provider is properly financed and will have the duty to ensure that high-quality news can be provided. It is likely to take account of intended pricing policy when it first considers a nomination. In due time, the arrangements will work well.

The hon. Members for Edinburgh, Central (Mr. Darling) and for Dundee, East (Mr. McAllion) asked whether licencees could show high-quality news not taken from a nominated news supplier. I considered that question during the luncheon adjournment. Clause 29(1) makes it clear that the ITC can require the licensee to provide a high-quality news service and that the news service must be supplied by a nominated news supplier. In essence, the ITC would need to be satisfied that there were sufficient programmes to cater for the high-quality news requirement. It would not be open to a licensee to take the news service from a non-nominated news supplier rather than a nominated supplier. That would be contrary to the principle established in clause 29. The ITC could nominate more than one supplier, in which case, there would be an alternative nominated news supplier. I reiterate what I said this morning. There would be no problem in a licensee taking additional news programmes from a non-nominated supplier provided it met the high-quality require-

ment. Once the licensee had discharged his licence requirement under clause 29(1), he would be free to put additional news programmes in his schedule if he so wished. Provided they were of high quality, they could come from any source.

That may not be quite the answer that the hon. Member for Edinburgh, Central wanted to hear, but, as often happens in such debates, one is caught between a rock and a hard place. One has to ensure that Channel 3 carries a first class national and international news service—people think that it is imperative and I rather agree with them. That requires firm arrangements to be made. In the limited example given by the hon. Gentleman, that will have the effect of knocking out some of the ambitions of one or two Scottish broadcasters.

Mr. Darling: The Minister seems to have discovered over lunch no more than what I said earlier. I am well aware that regional companies can provide their own local news magazine programmes—most of them do. After the main news, they opt out. I accept that once one starts to undermine ITN, there is the risk that there will no longer be an international organisation to compete with the BBC and others. It would do no harm for ITN to show some flexibility, allowing Scotland, a separate country, to take a different view.

I refer again to the example I have this morning of the BBC's radio news programme "Good Morning Scotland". Today, a local broadcast at the same time used similar material but gave a different slant to the news. The Bill will prevent that. I have not tabled an amendment because I am alive to the risks pointed out by the Minister. Whoever, becomes the nominated carrier should give the matter some thought. I do not ask for it to be done now, but it would be good for the news service generally to show such flexibility.

Mr. Mellor: I shall do the hon. Gentleman that service, even if it merely confirms that the Bill does not make it easy. Of course, that does not rule out ITN and STV coming to an arrangement between themselves, as commended by the hon. Gentleman.

Our proposals on shareholding are that Channel 3 licencees should have a minority share of less than 50 per cent. That follows intensive discussions in which all relevant groups were consulted, including ITN, which was not backward in coming forward with its views. A majority shareholding by non-Channel 3 licencees has advantages. First, it assists in bringing pressure on the news organisations to act efficiently. Secondly, the wider share base gives scope for directors with relevant outside experience.

Dr. Dafydd Elis Thomas (Meirionnydd Nant Conwy): *rose*—

Mr. Mellor: I am sorry that those basic business propositions strike an alien chord with the hon. Gentleman.

Dr. Thomas: They certainly do when we are discussing the extremely delicate issue of news gathering. Will the Minister explain what he regards as inefficient

Dr. Thomas: in the current news operation? How does he intend to improve efficiency without effecting the quality of news bulletins?

Mr. Mellor: If there is no need for greater efficiency, such pressure will not be required. The hon. Gentleman must not personalise such matters vis-a-vis ITN or another existing news gatherer. For all I know, it is a veritable temple of efficiency—no doubt even as efficient as the administration of Plaid Cymru. I am not making a value judgment on that—it certainly seems to be run by the Taffia.

We have to look objectively at the pressures on a nominated news gatherer, which may, or may not, be ITN. Who knows what the future will hold? In the quest for greater openness and more involvement of other people in broadcasting, there is a case for divesting shares. A third advantage of diversification and expansion is the introduction of greater scope for risk capital for investment. Fourthly, the proposal would ameliorate the tensions that might exist because of a conflict of interests among Channel 3 licencees.

The provision is not the most self-evidently obvious part of the Bill. It is not a measure that makes me leap up and say that there is no room for an alternative view. Indeed, that does not apply to many provisions in the Bill. The measure is open to challenge. It is a modest provision as it would allow Channel 3 licencees to hold 49 per cent of the shares, which, in effect, is likely to be the controlling interest.

Mrs. Currie: Would not many ordinary people like to own shares in ITV plc? The more small shareholders there are, the more there will be a guarantee of independence. Will my hon. and learned Friend consider that? It will strengthen his case for making such changes, and make it possible for the public to support that excellent company in future.

Mr. Mellor: The past decade has demonstrated as insatiable demand for wider share ownership. I am grateful to my hon. Friend the Member for Derbyshire, South (Mrs. Currie) for raising the matter.

We do not want to exclude Channel 3 licencees from holding a controlling share of the news provider. We wish to ensure only that, in the event of other shareholders wishing the news provider to diversify, it is possible for them to achieve that objective. I am not in a position to recommend to my colleagues that they should alter the agreed arrangements. If one or two people who were previously in favour of one course of action have now changed their minds, they know through which doors they should go to re-open the matter. However, there is not a compelling case to alter the provision.

Mr. Corbett: Over what period will the transition will take place?

Mr. Mellor: I thought that I explained that at the outset. However, I must have done so in such delphic terms that it did not register. A two year period would be about right. It is for the ITC to decide but, in so far

as it needs help or advice from me, it is an eminently sensible proposal, which puts us at least *ad idem* in that regard.

5 pm

Dr. Thomas: It is important to proceed further with the argument. The structure of ITN was created in such a way as to provide necessary checks and balances between a commercial television system and a news gathering organisation that is free of external commercial pressures. ITN was created as a non-profit making organisation so that it should be seen to be independent in structure and operation.

We are dealing with an extremely sensitive area and that is why I became a little excited when the Minister talked about commercial pressures and efficiency. We need guarantees in the legislation to ensure that the alternative news-gathering system in United Kingdom television is as independent as possible. The Minister said that he would exercise a light touch, but for reasons that are becoming clearer, he is exercising a heavy hand on part of legislation.

The Minister told us that he will not defend the clauses absolutely and that there may be an opportunity for renegotiation. I wish to press him on that because the deregulation and commercialisation proposed in the clause for a news-gathering contractor is an example of the Government specifying, extremely tightly, what the ITC should be doing. In that sensitive area of television reporting, the relationship between the broadcasters, the state and commercial pressures needs to be carefully monitored.

One way to protect the independence of news gathering would be to build up the professional expertise of news gatherers and their commissioning managers. In debating that subject, we should not speak about objectivity or even balance, as those words tend to confuse rather than enlighten the debate. However, we can certainly discuss the independence of interpretation that journalists must retain when they operate under difficult conditions to send their news reports for editing and transmission. Their independence can best be guaranteed if they are convinced that they work for an organisation that has built up a respected tradition of editorial independence. That conviction exists in the news rooms of the BBC and ITN and although the latter is wholly owned by a commercial television company, its structure guarantees its independence.

The libertarian viewpoint of Opposition Members makes us concerned about the prospect of commercial capital controlling a news gathering service. Whatever else the Minister has said, he now tells us that 49 per cent may be owned by existing companies but not by outside capital. However, even the threat of light-touch intervention in the professional practice will make such a service aware that it cannot take certain risks, because of commercial pressures. That threat to the independence of news gathering represents a serious problem for those who are involved in it and that is why the IBA is not satisfied with the clause or with what the Government are saying.

An important issue is the timescale, and the Minister referred to two years. Changes in the licence structure,