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Prime Minister  
Brian Griffiths (not Selar)  
supports this proposed transitional  
~~strategic~~ networking arrangements

CCP/PL

subject to: ① stressing it is strictly time-limited  
② no discrimination against medium-sized  
companies or independent.

PRIME MINISTER

Contact to agree on that basis?

BROADCASTING BILL:  
TRANSITIONAL NETWORKING ARRANGEMENTS

Recc  
4/4

As you know, the Bill makes no provision for a Channel 3 programme network. When we discussed this in MISC 128, the Group was clear that licensees must be left to make their own arrangements for the supply and acquisition of programmes, and that there should be no role for the ITC in specifying or regulating the form of such arrangements.

I accept that this is the right approach to follow once the new Channel 3 system is firmly in place. But I am concerned about how, in the absence of any known and enforceable system for programme sharing, it will be possible to manage the period of transition from the present system to the new Channel 3 regime.

In the regionally based federal system which we envisage for Channel 3, no single licensee will be able to supply all his own programmes. The system will continue to be inter-dependent. Even the largest of the present ITV companies makes or commissions only about 30% of its scheduled output itself, and much of this is only undertaken in the knowledge that production costs can be recouped from the network. The smaller the company the more it depends on an agreed and reliable basis of network supply. Many of the smaller companies make very little more than six or so hours a week of regional programming. By contrast, about 150 hours of programming a week is taken from the network.

Satisfactory federal programming arrangements will be crucial to the way in which Channel 3 generates the flow of new material which is essential to a quality network. Because programmes commissioned to be shown on the network have the assurance of reaching a nationwide audience, they will have higher production values, and greater attractions for writers and

performers. They will therefore represent the big earners on which the Channel will rely, and which of course appeal to viewers and advertisers alike. Any delay in creating a national network on Channel 3 would give a massive competitive advantage to the BBC, who could negotiate for artists, writers and producers, and acquire film rights, secure in the knowledge that they, unlike an individual Channel 3 licensee, could automatically guarantee nationwide exposure. In this situation Channel 3 would inevitably lose audience share to the BBC, and past experience suggests that it would not be won back quickly.

It is therefore of the utmost importance that there should be no hiatus in establishing a satisfactory network on Channel 3. Up to now, our assumption has been that we can safely leave this to the licensees, once selected, to sort out among themselves on fair and competitive principles. But I see a number of problems about this in the short term. In particular:

- (a) the bidding process will be made difficult and unstable if applicants do not know what, if any, federal programming arrangements there will be. They will be unable to make realistic calculations about the prices they would pay or receive for programming, or to offer meaningful undertakings about the character of their proposed programme service as a whole. This uncertainty could be expected to depress the financial bids;
- (b) the short timescale - about a year - between the announcement of the award of licences and the commencement of broadcasting might not be sufficient for adequate networking arrangements to be determined, if all licensees had to start network negotiations from scratch. Uncertainty as to the identity of the eventual licence holders will limit the scope for any provisional agreements made at the bidding stage;

- (c) those licensees with a stronger market position would be able to hold out for an arrangement which suited them best. Smaller licensees, and those who had not previously held a television franchise, under pressure to acquire programmes quickly in order to meet their programme undertakings, could find themselves obliged to accept unsatisfactory conditions.

Considerable concern has been expressed in Committee about these matters, and the arguments will inevitably be raised again on Report and in the Lords.

I regard the problem entirely as a transitional issue, since in the longer term I am sure that MISC 128 is right that these matters are best left to commercial negotiation. But to avoid the dangers I have indicated I believe that there is a strong case for including in the Bill a strictly time-limited transitional power for the ITC to specify the shape of a network lasting for at most the first two years of the new licence period, or such shorter period as may be agreed by the licensees themselves. Once the transitional networking arrangement came to an end, licensees would be entirely free to make any alternative arrangements they wished.

I should make it quite clear that the ITC, under this proposal, would play no part in the actual operation of the networking arrangements. They would not be involved in any way with decisions about the commissioning or scheduling of programmes on the network, which would remain matters for the licensees alone. All they would be able to do would be to include in the licence specifications three basic parameters:

- (a) the minimum number of hours to be supplied federally, which the licensees would be able to allocate to specific types of programme on the basis of collective agreement;

*By powers*

- (b) the proportion of his total revenue which each licensee would be expected to contribute to federal programme expenditure;
- (c) the power for the ITC to approve (or in the absence of agreement between licensees to settle) the practical arrangements for the operation of the network during the transitional period.

why?

I believe that arrangements of this kind are essential if we are to achieve an orderly transition to the new system and to get Channel 3 off to the best possible start. The additional powers which the ITC would be given would be limited, and would in no way resemble the IBA's present powers over the schedules. Nor is there any question here of providing an inside track for existing ITV companies. All the new licensees, whether incumbent companies or newcomers, stand to suffer if we do not get this aspect of the new regime right. The main losers, however, will be the viewers, who could find themselves deprived of a strong and competitive national commercial channel.

I hope, therefore, that you will agree that we should introduce amendments on Report to give effect to this proposal.

I am copying this minute to other members of MISC 128, to Malcolm Rifkind and Peter Brooke, and to Sir Robin Butler.

There are max  
big powers for ITC.

Why should their approval  
be required? Is it to

*fw*

30 March 1990

restoring the big Co's? <sup>not</sup>  
But it seems to me that  
if ITC are already being influenced  
by the big Co's. <sup>not</sup>