

15 December 1989

DOES THE BROADCASTING BILL LOWER QUALITY?

- 1 While C3 will be deregulated, numerous safeguards have been built-in to preserve quality. All applicants for C3 franchises will have to pass a quality hurdle (a Beechers Brook) before putting in a financial bid. All C3 companies will be required:
 - a. to devote sufficient time to regional programming;
 - b. to show high quality news and current affairs;
 - c. to devote a sufficient amount of time to programmes (other than news and current affairs) which are of high quality;
 - d. to provide a diverse programme service;
 - e. to observe the usual "consumer protection requirements", such as due impartiality, nothing offensive against taste or decency, content of advertising.
- 2 Channel 4 is not being privatised but set up as a public trust at arms length from Government, with its existing remit remaining (and that is as interpreted by Jeremy Isaacs - which is in fact much stricter than the remit itself).
- 3 Cable and Satellite TV will also be subject to regulation but of a slightly lighter form. That does not mean worse TV:
 - In the US, the free market in Cable TV has produced excellent programming for high quality channels, eg CNN, FNN Discovery Channel;

- Sky News is a new 24 hour news channel in the UK;
 - the only full-time broadcasting of parliament in the UK comes from satellite not BBC or ITV.
- 4 To maintain standards in matters relating to violence, sex and language, the Broadcasting Standards Council is being given a statutory basis.
- 5 The Bill does not affect BBC - which provides two channels of public service broadcasting.

Conclusion

The Broadcasting Bill is a response to rapidly changing technology. All of our major competitors (eg USA, Canada, France, Italy) have accepted the greater choice afforded by technology.

And Britain must do the same.

But the Bill introduces more restrictions to preserve quality than any of these countries. There is, therefore, no reason why the Bill should lead to lower quality.

Policy Unit
10 Downing Street

15 December 1989

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The answer must be a resounding **NO**.

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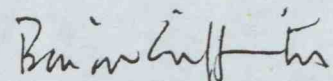
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Conclusion

The Broadcasting Bill is a response to rapidly changing technology. All of our major competitors (eg USA, Canada, France, Italy) have accepted the greater choice afforded by technology.

Now we must.

But we shall have introduced more restrictions to preserve quality than any of these other countries.



BRIAN GRIFFITHS

PRIME MINISTER

Prime Minister (2)
RCCG
15/12

→ Brian Griffiths ^{cc CF}
BCCG
15 December 1989 18/12

BROADCASTING BILL

George Russell has just sent me the IBA's views on the Broadcasting Bill which have also been sent today to all MPs in advance of the Second Reading on Monday.

Quite apart from any question of propriety, I find it interesting that virtually all of the IBA's recommendations as to how the Bill should be changed would:

- either protect the position of existing ITV companies;
- or enhance the power of the ITC.

This makes it even more imperative to ensure that the members of the ITC are chosen carefully!

BG

BRIAN GRIFFITHS

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BROADCASTING BILL

In relation to the Second Reading of the Broadcasting Bill (Monday 18 December) the IBA from its initial study of the Bill believes the following points to be of significance. The IBA is already in discussion with Government about them.

Broadcasting in the '90s

The IBA supports Government's wish to secure competition, choice and quality in broadcasting in the 1990s and looks forward to the introduction of new commercially funded services in television and radio.

The primary source of revenue for them will be advertising. Income from advertising was buoyant in the '80s and supported a new terrestrial channel (Channel 4), 24 hour television including breakfast time services and an expansion in independent radio. It is expected to grow more slowly in the '90s. Subscription and sponsorship will grow but are unlikely to be significant sources of income, at least for terrestrial television.

A strong UK programme production sector is a basic safeguard for the quality of British television. British audiences like home-grown programmes. While research confirms a wish for increased choice, this is rejected if it is at the expense of quality. The new regulatory bodies, the Independent Television Commission and the Radio Authority, should strive to ensure that the total revenues available to independent broadcasting are used as efficiently and effectively as possible in viewers' and listeners' interests.

A. ITV and Channel 3

ITV is a federation of 15 regional television contractors and a national breakfast-time contractor, referred to in the White Paper, and subsequently as Channel 3.

1. Quality Threshold (Clause 16 (2))

The Government has stated that the quality threshold which applicants must pass before their bid for a Channel 3 licence is eligible should be "a rigorous test" (a Becher's Brook). The IBA recognises that Government has strengthened its initial proposals but believes that further clarification is desirable in the Bill. The threshold should be as high as is possible in the more competitive circumstances of the 1990s and should only be passed by applicants equipped and prepared to commit themselves to put the necessary resources into programmes.

The Bill requires that "a sufficient amount of time is given to high quality programmes" (Clause 16 (2) (b)) but the ITC needs to ensure that the Channel 3 is a quality service throughout as well as high quality in parts and suggests that this should be made clear in Clause 16(2) (d).

The IBA would expect a diverse programme service to include a full range of present much appreciated programme streams. For a service to be wide-ranging (Clause 16 (2) (d)) in terms of tastes and interests, there should also be a requirement for a range of programmes within main viewing hours.

2. Exceptional Circumstances (Clause 17 (1) (3))

We support a system of competitive tender for Channel 3 (Channel 5 and national radio) licences but share the concern expressed by many others that the provision that the ITC should be able to reject the highest bid in "exceptional circumstances" is likely to be too limited in practice. The ITC may need some further flexibility.

If a suitable formula cannot be found it may be worth reconsidering the proposal in the Peacock Report (published, July 86) that the regulator should have the ability to accept a lower price if this gives more "value for money" in terms of the programme service for viewers, as long it states fully its reasons for doing so.

3. Regional issues (Clause 16 (2) (c))

ITV is unique in being a regional and federal service and viewers value this. In determining the map and licensees' regional obligations, the ITC must be able to select an applicant with a genuine commitment to the region. We welcome the requirements in the Bill for 'a suitable range' of regional programmes (including regional news) and that 'a suitable proportion' of these should be made within the region. However we consider the Bill would be improved by a requirement for each licensee to have a genuine regional presence, for regional news to be of high quality and for some regional programmes to be broadcast at main viewing hours.

4. Networking

No ITV company produces more than 30% of the programmes it shows. The ITV network enables a range of high quality programmes to be shown throughout the UK (regardless of the size of individual ITV companies), provides strong competition for the BBC and large audiences for advertisers.

For applicants for Channel 3 licences to submit realistic business and programme proposals, calculate their bids, and to honour their commitments if they win a licence, they need to know what sort of network will operate in 1993 and the early years of their licence. Government believes licensees should be left to make networking arrangements as they see fit. We believe that the Bill must make suitable provision for a network.

There should be a power to require ^a transitional network as part of the franchise round. Without it the process of bidding and selection would lack credibility. The licensees may, after a period, wish to change or vary the network arrangements. This they should be entitled to do provided they honour their licence obligations.

5. Multiple bidding

Although limits are proposed on the number of Channel 3 licences any one 'person' may own (not more than two, with no stipulation on size as yet), nothing in the Bill prevents multiple bidding. Given past history we can understand Government's desire not to limit bids. However the ability of ITV companies to bid for each other's areas could seriously undermine their working together in a federal system up to January 1993 and beyond in terms of forward planning and investment in programme production. Multiple bidding could have a major destabilising effect on ITV.

6. Moratorium on takeovers

At the end of a detailed and testing selection process, it would be inappropriate if the winners could be taken over the next day. We believe a moratorium on takeovers is necessary up to and including the licensees' first year of broadcasting.

B. Channel 4 (Clauses 21-25)

We welcome Government's proposals that the Channel which will become a statutory corporation sells its own advertising time but has a financial safety net for its distinctive programme remit. We agree that the Board should consist of a majority of appointed Directors and a minority of executive Directors and consider that its total size should be set by Parliament at between 14 and 18 members. For regulatory purposes, the ITC needs to be able to nominate, appoint and (if need arises) remove the non-executive Directors and the Bill does not seem to make the ITC's powers in this area clear.

C. Channel 5 (Clauses 26-28)

We welcome the opportunity of a further commercially funded terrestrial channel. To expedite its early start (ie in 1993) we would urge that Government makes provision for the planning of and capital investment in its transmission system.

D. Consumer Protection Standards & Sanctions (Clauses 7, 9 & 35-37)

We welcome the requirements that the ITC and the Radio Authority should draw up codes on a wide range of programme and advertising matters. It is helpful that the Bill gives the regulators a range of sanctions against licensees to be applied in a form and on a scale (apologies, fines, revocation or shortening of the licence) appropriate to the offence.

It is important that the BSC in carrying out its duties does not cut across the ITC or Radio Authority's ability to regulate effectively.

E. Ownership (Clause 5 and schedule 2)

We welcome the fact that the ITC and Radio Authority will have powers effectively to prevent takeover of licensees by bodies which they would not have considered suitable for the award of a licence.

Significant provisions on ownership are left for subordinate legislation and the effect as a whole will require detailed scrutiny. There is emphasis on numerical criteria and an absence of discretion for the regulatory bodies. Coupled with the methods proposed for the award of licences, this means that a situation could arise in which all licensees other than Channel 4 were controlled from outside the UK.

F. Local Delivery Services (eg Cable and MVDS)

These services relate to small areas and licences should be awarded not by competitive tender but in a similar way to that proposed for local radio licences (Clauses 97, 98). We regret that the Bill does not make provision for carrying forward the 'must carry' requirements.

G. Teletext

We regret that the Bill does not include a requirement for the continuation of publicly available teletext services on Channels 3 and 4.

H. Transmission and engineering matters

The IBA's responsibilities include the building and maintenance of the transmitters for ITV, Channel 4, S4C, ILR and the uplink to BSB's satellite. We welcome Government's proposals to privatise the IBA's transmission system on a national rather than a fragmented basis and are co-operating with the present enquiry by Price Waterhouse. We await Government's further provisions with keen interest. The quality and reliability of the system needs to be maintained.

Broadcasting technology is changing rapidly and the regulatory bodies will need to take account of this in licensing new services. Government has proposed (Clauses 62 and 115) that the ITC and the Radio Authority should commission research and development work. The ITC should have a power to include conditions in its licenses regarding technical standards similar to that proposed for the Radio Authority (Clause 80(i)(b)).

I. Training

In the broadcasting industry, certain skills shortages are predicted with the rapid expansion of channels and new services. Thought should be given to the future training needs of the industry and to whether the ITC should have a role in promoting this.

J. The new regulatory bodies

We await the transitional provisions in the Bill which will transform the IBA and Cable Authority into the successor bodies, the ITC and the Radio Authority. We endorse the fact that the ITC and the Radio Authority will not be the broadcaster or publisher and that this responsibility will rest with the licensees. Both must be the prime and credible regulators in their sphere, with adequate powers, flexibility and resources to ensure that efficient and competitive broadcasters provide a wide range of quality services to viewers and listeners. In some areas, notably competition matters, this is likely to entail some strengthening of the powers at present proposed.

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