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PRIME MINISTER

20 May 1987

Independent Producers

The minute from the Home Secretary outlines the responses from the IBA and BBC to his request that 25% of their programmes should be produced by independent producers. He puts forward two possible courses of action, and comes down strongly in favour of making an announcement that we are "broadly content" with the present state of affairs.

I have considerable reservation about his interpretation of what is happening, cannot see why we need to make any announcement at present, and would seriously question the favoured way forward.

The BBC and IBA Proposals

Both BBC and IBA have proposed moving to the 25% target in two stages: an initial move to 8% over a period of 2 to 3 years, followed by a subsequent review in 1989.

Although the BBC and the IBA openly welcome independents, their producers nevertheless constitute a great threat to their present method of operation. If independent producers are to have a major impact on our television industry (which is the reason for the 25% figure) then both BBC and the ITV companies need to take two crucial steps:

- a. release cash roughly equal to 25% of programme production cost which would enable them to finance independent producers: to achieve this they would need to reduce in-house production correspondingly;

- b. use that money not for co-production (where e.g. they may put up £50,000 for a programme costing £1 million) but to commission programmes (for example by putting out to tender a weekly series on sport and quoting a figure of £50-60,000 per programme as the available budget).

Unless these conditions are met, the real benefits of admitting independent producers will not be realised. If independents are required to use existing in-house facilities, then they will be subject to in-house unions and costs will therefore be higher. And if they are offered co-production facilities, they will find it difficult to expand existing activities, because of the high risk to private investors of putting money into for example a possible drama series.

Present Discussions

At present discussions are taking place between the independent producers (IPPA) and the two major networks - the BBC and the independent TV companies (ITCA).

The major opposition to change is coming from the companies themselves. As para 5 of this minute makes clear, the BBC would like to see all of the extra 500 hours which will be commissioned from independents being produced within the BBC. Some of the ITV companies (Yorkshire especially but also to a lesser extent Granada) see no need for change at all and are doing their best to drag their feet. Hence the IBA does not necessarily represent fully the views of the companies.

Whatever figures the BBC and IBA may quote in terms of programmes produced by independents, the grip of unions on the duopoly is such that they will find the managerial

problems of delivering their side of the bargain very difficult.

For example

- The Chart Show (an ITV version of Top of the Pops) was recently put out to tender and was awarded to Tyne Tees, with apparently fierce opposition to it being given to an independent producer.
- LWT recently put out to tender regional news: Thames opposed the plan - and the tender has now been withdrawn.

The Options Facing Us

Nowhere in the Home Secretary's minute is a case argued for making an announcement now.

In addition the two options put forward represent two extreme priorities, neither of which are desirable. It is quite wrong to infer as the Home Secretary does that because "these two sets of proposals represent a major shift in practice and in thinking the initiative is now likely to develop its own momentum" (para 6). The problem is likely to be a lack of momentum for the reasons outlined.

Far more likely is that the strategy of the BBC and ITV companies is to accept some independent production but then attempt

- (a) to stick to the proposal of 8% over 2-3 years but then add very little in the future;
- (b) put in as much co-production and as little commissioning of programmes as possible;

(c) insist on using in-house facilities wherever possible.

Recommendation

An early announcement on this subject should be questioned.

If an announcement is necessary before 11th June it should make the following points:

1. We are delighted that talks are taking place between the BBC, ITCA and IPPA with a view to implementing our decision on independent producers.
2. We have made a firm commitment in the Manifesto to ensure that this is implemented.
3. We prefer not to introduce legislation but recognise that it may be necessary - the Broadcasting Act 1981 is a precedent.
4. The process of monitoring the implementation of these proposals is important. It will need to ensure that the might of the duopoly is not used unfairly against independent producers. One possible institution for this purpose is the Office of Fair Trading.

If an announcement could be delayed until after 11th June, it would be best to have this whole matter discussed in MISC 128.

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