



10 DOWNING STREET

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From the Principal Private Secretary

13 September 1988

1. CF *Dave*
 Pl send acc of
 letter ref to BI.

2. Tessa,
 Pl arrange meeting

Home Sec, PM, BI + me

asap.

N.C.W.

TELEVISION AND NEWS BROADCASTING

The Prime Minister has recently read a copy of a confidential paper prepared by Sir Alastair Burnet about the consequences as he sees them of the Government's proposals for broadcasting for television news in the United Kingdom. The analysis and conclusions of the paper cause her some concerns and she would like to discuss these with the Home Secretary. I shall be in touch with you shortly to arrange a date. Could I suggest that as a basis for the discussion you might prepare a commentary on Sir Alastair's paper.

A copy of the paper is attached. It was given to Bernard Ingham by Sir Alastair on a confidential basis. As you will see, the burden of his case is:

- the power, influence and resources of the BBC, with roughly half the national audience, will be entrenched through the taxpayer;
- commercial competitors will proliferate but the BBC's sole foreseeable nationally networked competitor - ITN - will be weakened and possibly eliminated because Channel 3 will not be required to carry a national news service.

The Prime Minister would particularly like to consider with the Home Secretary the political implications of, in effect, presenting a national television network news monopoly to the BBC on a plate. She doubts whether that is sensible.

You will see from the attached paper that Alastair Burnet suggests that ITN, presumably floated free of the 15 ITV companies, should be allowed to bid for a Channel 3 news franchise from 10pm to midnight. The Prime Minister would be interested to have the Home Secretary's views on this possibility, which may be one of the alternatives to ending the ITV companies' requirement to carry a national news programme. Another approach might be to require franchise holders to broadcast a national news programme or programmes.

Philip Mawer, Esq.,
 Home Office.

(N. L. WICKS)

The proposed changes in the White Paper on broadcasting will (if reports are true) encourage greater competition in television. This is highly desirable, and will be very welcome. However, the draft proposals, as understood, will have one unintended and highly undesirable effect: to give to the BBC (BBC1 and BBC2 together) a virtual monopoly in nationally-transmitted national news.

Instead of challenging the BBC's privileged position, the effects of the changes will actually strengthen it.

While the BBC will retain access to 100 per cent of the national audience on two channels, and to its assured income, other national news services will be fragmented, able to reach only restricted sections of the audience, and weakened in authority and resources.

The prospect for ITN is that it may even disintegrate and disappear.

There will be serious political consequences and repercussions for the Government if competition in national news is actually reduced -- in the name of competition.

No Government should place its future in the hands of one predominant broadcasting authority, or encourage that authority's ambitions and influence.

The White Paper proposals apparently do not address this problem.

Nor do they address the anomaly of a national news service earning £138 million (on a budget of £48 million) being relieved, at a stroke, of 35 per cent of its potential audience.

Apparently no opportunity is being given to ITN plc to bid for a national news franchise, where ITN would stand on its own, funded by its own efforts, and essentially independent of the ITV companies.

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The effects on the advertising industry, and on British commercial news broadcasting abroad will also be serious.

In the Government's own interest the White Paper should insist at a minimum on two scheduled, fully competitive and resourced half hours of national news on Channel 3 each night, as part of each new programme contractor's obligation after 1992.

The contractors would not lose. They could count on the lucrative, distinctive advertising that news programmes attract.

A further obligation should be placed on the contractors to carry special national events: election coverage, election results coverage, major royal and state occasions, and major occasions such as President Reagan's visit to Guildhall and the Prime Minister's speech to Congress. These occasions are rare: the obligation would not be heavy. The reluctance (and occasional ITV refusal) to carry such programmes is based more on political predisposition than on finance.

ITV is the most-watched channel of all. To have a franchise on it should entail public responsibilities as well as raising tax revenue.

But a better way for regular news would be a news franchise on Channel 3. It would (a) promote competition, (b) reduce political dependence on the BBC, (c) enhance the advertising opportunities of the growing financial and service industries, and indeed (d) improve national news broadcasting standards for an increasingly better-educated public.

The minimum time for such a franchise would be 10pm to midnight.

This would allow for (a) a half-hour national news, (b) an extension of the

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news on important occasions, (c) a current affairs opportunity to compete directly against Newsnight, and (d) provision for a balanced parliamentary survey if the cameras are in the Commons.

Our research shows that this ITN plc would be self-supporting. It further shows that the addition of the hours midnight to 6 am would make it even more self-supporting, with an income rivalling those of the middle-sized ITV contractors.

This is not an appeal for a partial return to the old duopoly. Quite the reverse. It is a reminder that an inefficient market will merely resurrect the BBC's producer dominance.

It is not special pleading for what a market economist might call another rent-seeking producer interest. It simply points out what the full, unfortunate, and perhaps politically unexpected consequences of the changes in national news will be.

The intention in the draft White Paper on broadcasting is said to include the following:

(a) Channel 3 (the ITV channel), in keeping with tendering for franchises and a levy on turnover, not profits, is to be entertainment-driven. The new television authority is to have only a light regulatory power, and none over scheduling. It appears that national news on the channel is to be vestigial.

(b) Channel 4 is to be privatised.

(c) The new terrestrial Channel 5, with some technical improvement (or subsidiary channel) to enlarge its potential viewing audience above the present estimated 65 per cent of the country, is favoured to carry a national news ingredient.

If this is so, plainly the aim is to end the broadcasting duopoly, and encourage competition and consumer choice. These are necessary objectives for broadcasting in general.

In national news, however, such imminent proposals are more likely to produce a BBC hegemony in all significant news, a reduction in effective competition in such news, and only a superficial improvement in consumer choice.

1. The initial effect will be to leave BBC news, to which can be added BBC current affairs, in a newly predominant position. The BBC will be secure in:

(a) its two national, and complementary, channels, each able to broadcast national news to 100 per cent of the UK audience;

(b) its established finances -- effectively commanding a tax from the public and

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(c) its reliance on the national audience's awareness of how to get the BBC channels (without extra expense) and what to expect from them.

The contrast among the other suppliers is stark:

(a) ITV will be further encouraged to be a fragmented, regional service (up to 15 regions) with no requirement for a national news.

(b) Channel 4 will have no commitment to a national news -- or to ITN.

(c) The BSB Now channel is estimated to be available to only 15-20 per cent of the national audience in its first five years.

(d) The Murdoch news channel, on Astra, at its most optimistic estimate, hopes to be available to 30 per cent in five years.

(e) A new Channel 5, potentially available to only 65 per cent of the audience, will by no stretch of the imagination be a national channel.

(f) A new Channel 6, using MVDS, would be transmitted and received locally, not nationally.

Anyone who supposes that the BBC will not become the predominant force in news and current affairs broadcasting must believe that British Airways and Lord King really feel threatened by British Midland, Air UK, Virgin and Loganair.

What the proposals will do is award the BBC a five-year advantage over all its competition in mainstream news and current affairs. If the BBC uses that advantage properly it could hope to prolong it for a further five years.

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2. It is not good for any democratic society (or any democratic government) to rely on, or have to live with, one predominant source of television news.

When two-thirds of the society says, as it does, that television is its primary source of news, the press, whatever its merits, is not a sufficient counter-balance.

Television is a blunt instrument. Placed in any predominant set of hands it is a dangerous one.

3. Even the best BBC managerial efforts, when they are made, to control the BBC as a political power, let alone a cultural power, must be handicapped when significant news competition is diminished.

Any government must ask itself if it really believes BBC coverage of the Falklands war, or the miners' strike, or the American bombing of Libya would have been more balanced and responsible or less balanced and responsible had there not been a television competitor equivalent in both audiences and resources. Mr Norman Tebbit certainly had little doubt, after the Libyan bombing, about the usefulness of competition.

Any government's election managers must also ask themselves now if those employed by the BBC who will wish to exert political influence through the corporation in the general elections of 1991 and 1995 will be more arrogant or less as a result of the new advantage.

The best way of making the BBC's news accountable to the government and the public is simply to encourage effective competition -- not diminish it.

4. The Channel 5 option for ITN, however well-meant, is not a viable one if ITN is to compete professionally with the BBC. It would be a fallacy to
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suppose that a channel reaching 65 per cent -- or even 75 per cent -- of the country would be a national one, not least if it excluded the most go-ahead part of the country.

For reaching both audiences and advertisers such a restriction would be as invidious as saying independent schools and private hospitals should be allowed and even encouraged -- but not south of the Thames.

Plainly every new channel will have to work and invest for years to get itself known and encourage new viewing habits. But the public's loyalty to existing media, or its own inertia, in the past suggests it would be wishful thinking to suppose that a new channel would readily attract anything like the national political, economic or demographic audience that the News at Ten, say, now commands on ITV.

One agency estimates that a news programme restricted to Channel 5 could not expect a regular audience of more than 5 per cent of the market after five years.

That is, 2,750,000, compared with News at Ten's average audience (35 weeks of 1988) of 7,500,000 (BBC Nine O'Clock News: 7,250,000).

5. All the new proposals, an independent Channel 4, Channel 5, BSB's Now channel, the Murdoch news channel, offer the prospect of competition in news. But there is news and news.

Any news service which cannot deploy, day in day out and at a minute's notice, its own personnel and resources to cover fighting in the Gulf, the death of General Zia (by satellite from Islamabad), a rig ablaze in the North Sea, eight soldiers murdered by the IRA, and everything that is unscheduled as well as scheduled, is different not only in degree but in kind from a news service that can.

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Unfortunately, TV-am has not been able to do it, both before and since its present industrial troubles. Its revenue is £53 million a year. Its viewing audience is 1.6 million a morning. Its experience has demonstrated both the optimism and the difficulties of relatively small contractors.

The proposed news budgets for BSB (£10 million a year) and the Murdoch station (£13.5 million) suggest chiefly a dependence on ingenuity in the selection and presentation of agency material coming to hand.

None of these amounts to a third force in television news.

ITN's budget (for the ITV channel) is £48 million. Its present average weekday audience is 16 million.

6. It is highly probable that a number of the ITV contractors, or new contractors, which secure franchises on Channel 3 will also try to enter the national news business on their own. This will undoubtedly add to diversity.

If the Channel 3 companies are in charge of their own scheduling and are subject only to light regulation, those with political ambitions will certainly start their own versions of a national, as well as a local, news.

It would be prudent not to have exaggerated hopes of the extra resources these companies would have for regular, original, national and international news reporting. But viewers (and any government's election managers) could rely on some distinctive opinions pervading such news. Thus:

(a) It is unlikely that, say, a Granada "World in Action" nightly world news in north-west England would see National Health Service or other welfare issues with the impartiality that any government's election managers would expect.

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(b) Scottish Television nightly pro-devolution world news would hardly be good news for unionist MPs in any party. Scottish TV intended to cover the election results in 1987 on its own (it failed because its journalists wanted more money). Could it be supposed that such a programme would have represented the full United Kingdom outcome -- with all the consequences for acceptance of the community charge and similar issues?

(c) Would an Ulster version of a nightly world news have the perspective to put that province's own conflicts into context -- or would it merely emphasise its parochialism still further?

(d) There may of course be Conservative party managers and MPs who believe that in Conservative-voting regions a national and international news would reflect Conservative views.

If so, they should remember that that is not the nature of most television journalism.

The greater likelihood is that single-issue groups would be better able to get their criticisms and policies across in such so-called national news than in a truly national news accustomed to concentrating on wider horizons. Thus, say, whoever held the southern England franchise would find Channel Tunnel opponents, poll tax protesters, suburban environmentalists and others intent on getting greater attention than they do from ITN.

Tory MPs expecting to help their incumbency could end up with more of the specific publicity they don't like.

The favoured applicant for the Now channel news is Independent Radio News - - a notoriously uncritical target of single-issue groups.

7. National network news now attracts a particular kind of advertising: banks, building societies, new forms of financial services, privatisations, business cars and airlines -- and Government advertising of all kinds. The centre break of News at Ten and the slots immediately preceding and following News at Ten combine to make a national meeting place for such announcements.

There, virtually alone on commercial television, advertisers can be sure of reaching both ABC1 viewers and a mass audience through all seasons at a time when the audience is accustomed to taking what it sees seriously.

The revenue from these slots alone is now worth £138 million a year to the ITV companies. That is an anomaly that needs addressing: it offers the prospect of a radical change that does not drive viewers down market.

It was the purpose of the proposal for a News and Night-Time Franchise that it would attract and retain such an audience, especially between 10pm and midnight, developing television's reach and scope at that time.

That audience will otherwise be dispersed.

Far from wishing such a dispersal, advertisers regularly ask why there isn't another mainstream programme like News at Ten.

8. ITN's four news programmes on ITV and Channel 4 have enabled it to enter the high-risk business of a British satellite news service to western Europe (and now Japan), without calling for a penny of public money. ITN has been able to adapt the news material coming in to give an authoritative service to Europe and, up to now, has accommodated Super Channel's greatly reduced budgets and altered daily scheduling. The news is recognised to be a success, although it does not yet pay its way.

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If it has the chance to establish itself over another two years or so, it can be a model for extensions to other continents. But without an assured home base it will not survive, and that chance will be lost.

Further, ITN's news agency subsidiary, WTN, could not be supported by ITN if its home base is eroded. WTN's material is recycled throughout the world, but the agency - like others - depends on a strong home market.

Such will be the effects of the changes which are now, apparently, being proposed.
