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PRIME MINISTER

8 September 1989

CHANNEL 4

The powerful Channel 4 lobby (Sir Richard Attenborough, Michael Grade etc) has clearly been getting at the Home Secretary.

The thrust of his recent minute proposes that:

- (a) final responsibility for the day-to-day operation of the company, and for editorial policy should not rest with Channel 4 Trustees but with the Management Company;
- (b) the Channel 4 Company and not the Trustees should be licenced by the ITC as the broadcaster;
- (c) the Channel 4 Trust should consist of 7-9 members, 2 appointed by government, 2 from Channel 4 (Chairman and Chief Executive) and between 3 and 5 appointed by the ITC;
- (d) the government should distance itself as much as possible from these appointments with government appointees nominated by other bodies such as the Arts Council;
- (e) the financial arrangements for Channel 4 should be changed in order to provide incentives to expand their advertising revenue.

All these proposals ensure that the management of Channel 4 is as independent of the Trustees as possible, that government plays an insignificant role in Channel 4 and that up to 7 out of the 9 Trustees either work for Channel 4 or are appointed by the ITC (which is very vulnerable to being captured by the interests of the television industry).

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These ensure a very cosy arrangement for Channel 4. ✓

The five proposals need to be examined in turn.

(a) Trustees & Management Board

Unless the Trustees of Channel 4 are to be nothing more than a legal entity responsible for appointing a new Chairman and ensuring that the company retains its remit, the breakdown of responsibility suggested by the Home Secretary is almost certain to be unworkable.

He suggests that the arrangements for Channel 4 might be similar to those for the BBC. But this is no longer how the BBC works. One of the problems which has dogged the BBC for the past 40 years is that the Director-General and the Management Board attempted to keep the Governors out of any discussion of finance, editorial policy or strategic planning. If the Channel 4 Trustees are the owners of the Channel 4 Company as the Home Secretary proposes, then there is no way in which they can ultimately be shorn of responsibility for these issues.

When Alistair Milne was sacked by the BBC Governors, one of the first things Duke Hussey did was to ensure that the Director-General attended meetings of the Board of Governors, and that the Governors and Management Board acted together and of one mind. It is working well.

Douglas Hurd is therefore wrong to put forward the BBC as an example of how the new arrangements might work.

Recommendation

Rather than creating this unworkable division, Channel 4 Trustees

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should be responsible for the whole of Channel 4: the Management Board will run it on a day-to-day basis, but in so doing they will be implementing the guidelines set down by the Trustees.

(b) Channel 4 Licence: Company or Trustees

The proposal is that the Company not the Trustees should be the recipient of the ITC licence to broadcast.

This is a misunderstanding of the term "trust" as it was originally used in connection with Channel 4. When it was suggested during the debate on the White Paper that Channel 4 might be run as a Trust - this was simply a shorthand way of saying it would not be run as a commercial profit making entity. But there was no suggestion at the time that the Trustees should be a legal entity separate from the Channel 4 Company. The shareholders and management of companies are all part of one legal entity.

Recommendations

(i) It would be far preferable if the Home Secretary set up Channel 4 similar to the BBC - with Trustees having final responsibility for everything but with a Board of Management responsible for day-to-day affairs.

(ii) If this is not possible then the licence should be held by the Trustees and not the Management - otherwise the power of the Management relative to the Trustees is just too great.

(c) + (d) Appointment of Channel 4 Trustees

This proposal is absolutely outrageous. It is being suggested that a body which is ultimately dependent on public money and which has not been privatised, should be handed over to be run

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by a Board which is totally dominated by representatives of the television industry. It simply confirms Rupert Murdoch's definition of public service broadcasting "something run for the benefit of the people who provide it, rather than the viewer".

If Channel 4 is not being privatised it is crucial that the government not the ITC should appoint Trustees. Apart from Channel 4 personnel, the government should be in a position to appoint 5-7 members, accepting that eg one might be from the commercial television industry etc but that the others could be from different areas of public life - not least to allow in a breath of fresh air.

Recommendation

Reject appointment of Trustees by ITC. Ensure appointment by government but consider different categories from which they might be drawn.

(e) Financial Arrangements

These provide an incentive for Channel 4 to expand its advertising revenue and are for this reason to be welcome.

Recommendation

Accept.

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BRIAN GRIFFITHS

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