



HOME OFFICE  
QUEEN ANNE'S GATE  
LONDON SW1H 9AT

5 December 1989

*Dear Paul*

**BROADCASTING BILL : CHANNEL 4**

Thank you for your letter of 1 December conveying the Prime Minister's agreement to the Home Secretary's proposals concerning the appointment of the Channel Four Trustees. Unfortunately a further problem has just arisen with the Chairman of Channel 4 over another aspect of the arrangements to be included in the Bill regarding the constitution of the channel.

As you may recall, following an exchange of correspondence during the summer, the previous Home Secretary agreed with the Prime Minister that once Channel 4 was reconstituted as a public trust, the Channel 4 Company, which at present operates as a wholly-owned subsidiary of the IBA, should cease to have a separate legal existence. The trust (which is now to be known as the Channel Four Television Corporation following concern by Parliamentary Counsel that there should be no ambiguity as to its true legal status) would be required to establish a management board to run Channel 4 on a day-to-day basis; but the Board would operate on the basis of guidelines set down by the Corporation, which would retain ultimate responsibility for the affairs of the channel.

When Mr Mellor explained these proposed arrangements to Sir Richard Attenborough and Mr Grade at the end of last week, they provoked a strong hostile reaction. Sir Richard claimed that it would be impossible to run a £200 million commercial business on such a basis. Unless senior executives were able to be full members in their own right of a Board charged with deciding the policy of the channel, they would not choose to remain. The present Channel 4 company worked well because its Board brought together in successful partnership executive and non-executive members who determined the direction and editorial policy of the channel. A management board of the sort Ministers currently envisaged would not be a satisfactory substitute since it would operate in the knowledge that the real decisions were being taken by the Corporation on which there would only be a token ex officio membership on the part of the Chief Executive and his Deputy. Full involvement by the Channel Four executives in the decision making process would be all the more important in future when the channel became fully responsible for its total business operations including selling its airtime. Sir Richard made it clear to Mr Mellor that he and probably other members of the Channel Four Board would resign if the Government persisted with these proposals.



The Home Secretary recognises that, objectively, the question of the relationship between the Channel 4 Corporation and the operation of the Channel must appear a rather arcane and technical matter. It seems clear that the reaction of the Chairman is somewhat out of proportion to the real significance of the issue. Nevertheless it is something about which the Channel 4 Board obviously care passionately, and if the Government sticks to the present proposal in the Bill as published the public perception will inevitably focus not so much on the substance of the issue as on the response it will have provoked. A high profile campaign against the proposal orchestrated by Channel 4, whether or not accompanied by resignations, would create very real difficulty for Ministers in terms of handling the Bill right from the outset.

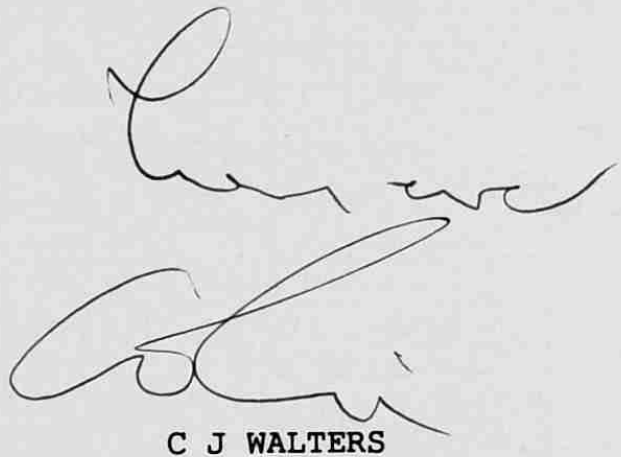
If this issue had emerged at an earlier stage the Home Secretary thinks that there might have been some room for manoeuvre. As it is, with the publication of the Bill planned to take place later this week, there is no time to try to seek a compromise. The Home Secretary's clear view is that it is not worth running the risk of a major confrontation with Channel 4 - who would undoubtedly be able to muster support among a number of senior Government supporters - on an issue which is not central to the main policy of the Bill.

The Home Secretary therefore considers that the best course would be to meet the Channel 4 concern by enlarging the size of the Channel 4 Corporation to between 13 and 15, in line with that of the existing Board of the Channel 4 Company, which has 15 members. A majority of the membership (including the Chairman and Deputy Chairman) would, as already agreed, be appointed by the ITC with the approval of the Government. The Chief Executive of Channel 4 would be a member of the Corporation ex officio, and he and the Chairman together could nominate other executives as members of the Corporation, provided that the executives would, in total, always constitute a minority of the membership of the Corporation. An arrangement on these lines would enable the Corporation to operate essentially as the Board of the Channel 4 Company operates at present, except that in future the Government itself would approve the ITC's appointments to the Corporation.

It is clear that it will not be possible for a decision on this issue to be reached in time for it to be reflected in the Bill when it is published on Thursday. We have therefore asked Parliamentary Counsel to draft a holding provision, which avoids specifying a particular size for the Channel 4 Corporation and is therefore consistent both with Ministers' previously agreed position and with the Home Secretary's current proposal. The provision can, if necessary, be revised in Committee. It would nonetheless be helpful if a decision could be reached as quickly as possible on the policy, since the Government will inevitably be pressed to indicate its exact intentions once the Bill appears.

3.

I am copying this letter to the Private Secretaries to members of MISC 128 and to Trevor Woolley (Cabinet Office).



C J WALTERS

Paul Gray, Esq.  
Private Secretary  
No 10 Downing Street  
LONDON, S.W.1.

BROADCASTING : Channel 4. PT3

