

THE DAVID HUME INSTITUTE



**BROADCASTING - WE ARE EXPERIENCING
SOME INTERFERENCE**

**By William Brown
The Hume Lecture 1992**

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SOME INTERFERENCE**

**By William Brown
Chairman, Scottish Television plc;
Chairman, Scottish Arts Council**

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FOREWORD

Each year The David Hume Institute invites a distinguished individual to deliver the Hume Lecture to its subscribers and other interested persons. For 1992 it seemed particularly apt to invite the Chairman of Scottish Television, Mr William Brown, to give the Hume Lecture on issues concerning broadcasting. When the invitation was first issued, the controversy over the remarkable auction of the independent television franchises had barely died away. Even more significantly, it was expected that during the year the Government would publish its proposals on the future of the BBC after the renewal of its Charter in 1996. As one of Scotland's most prominent broadcasters, and in particular as chairman of a successful bidder in the independent television auction, it seemed certain that Mr Brown would have a great deal to say which would be of interest to the Institute's subscribers, as well as being an important contribution to the public debate about the future of broadcasting.

Those who heard the Lecture, which was given on 19 November 1992, and those who now have the opportunity to read it, will confirm that these expectations were amply fulfilled. Mr Brown's discussion was wide-ranging and frank. Although the Lecture was followed within a matter of days by the publication of the Government's Green Paper, *The Future of the BBC: a consultation document* (Cm 2098: November 1992), the relevance and importance of Mr Brown's contribution to the broadcasting debate has scarcely been diminished. Although he is sharply critical of much that he finds in the modern broadcasting world, Mr Brown is by no means unappreciative of the achievements of the BBC in particular. It is pleasing that he finds support for his balanced approach in a wise dictum of David Hume himself (p. 16).

The David Hume Institute, which has already made a notable contribution to public discussion of broadcasting issues in *Deregulation and the Future of Commercial Television*, edited by Gordon Hughes and David Vines (Hume Paper No 12), and *Public Broadcasters: Accountability and Efficiency*, by Robin Foster (Hume Paper No 18), is delighted to be the means of bringing William Brown's Lecture before a larger audience. However, as usual it must be stated that the views expressed in the Lecture and in this Occasional Paper are those of the author alone, and that the Institute, as a charity and non-political body, holds no collective view on the matters under consideration here.

Hector L MacQueen
Executive Director
December 1992

Introduction

Every industry tries, or should try, to foresee the future, and adapt accordingly. But broadcasting's future is especially hard to forecast because to some extent it has been, and will continue to be, subject to political decision, rather than to what we might call the straightforward unpredictabilities of the market. Regrettably, it seems that politicians do not have a clear and consistent vision of what the country wants from its broadcasting services, and anyway find it hard to take a rational view of the subject. They are in many respects the wrong people to make judgments about television. They seldom watch it; their main interest in it is to be on it; and they see political nuances in even the most innocent programme. But for better or worse, they make the crucial decisions, so it is relevant to try to describe the landscape they see before them; to note the first, unimpressive, steps they have taken, with a new Broadcasting Act, and to examine some of the decisions which are still to be made.

The subject falls conveniently into three constituencies: ITV; the BBC; and the recently established but increasingly prominent satellite services, the best-known of which is BSkyB. I have not mentioned radio, although it is an important and thriving medium. But I hope you will forgive me if I confine myself to saying that radio is a complex subject, worthy of a full lecture on its own, and that I shall not be dealing with it this evening.

Independent television

In looking at Television, I put ITV first not simply because I have earned my living there for nearly forty years, but because it was the first to be "dealt with" by the government following the Peacock enquiry of the 1980s, ironically entitled *Report of the Committee on the Financing of the BBC*. I say ironically because its recommendations provided the foundation for the government's White Paper, *Broadcasting in the 90s: Competition, Choice and Quality* (note the order - an interesting statement of priorities) and subsequent Broadcasting Act 1990, which concerns itself almost exclusively with ITV's governance. (I am honoured to see Sir Alan here tonight, although

nervous of having such an expert present. When at the end of last year I received an invitation from the Minister for the Arts to succeed Sir Alan as Chairman of the Scottish Arts Council, I felt able to say in reply (to Tim Renton, who had in a previous incarnation been the Minister for Broadcasting), that I trusted my inheritance from Alan in the Arts would be more congenial than that which the government had handed down to us from his report on Broadcasting. I should report that the television industry believes that Sir Alan greatly disappointed Mrs. Thatcher by not proposing what she apparently wanted him to propose, namely that the BBC should take advertising. After that disappointment, she swung her guns on to ITV, leaving the BBC to be dealt with through the Charter review ahead of 1996.)

The Corporation is controlled by Royal Charter, not by the Broadcasting Act. The Charter is due to be renewed in 1996, and it is this renewal which is currently preoccupying the BBC and the relevant ministers, and to which I shall return later.

The thrust of the White Paper is summed up by the following extract:

The Government's aim is to open the door so that individuals can choose for themselves from a much wider range of programmes and types of broadcasting..... The Government believes that, with the right enabling framework, a more open and competitive broadcasting market can be attained without detriment to programme standards and quality.

It sounds eminently reasonable when said quickly - but it may well be that "a much wider range of programmes" does not automatically result from "a more open and competitive broadcasting market." There are those who argue that where quality and resources have a direct relationship, which is by and large true in television, "more will mean worse, not better."

The main provisions of the Bill which flowed from the White Paper were:

1. that ITV franchises should be put out to competitive tender;

2. that the IBA should cease to be the broadcaster. That function now falls on the individual licensees, with legal obligations the responsibility of the licence holders. This is important in that editorial decisions will be referred upwards within the company only, giving rise to possibly sharper conflicts between programme makers and management. In the past, the latter always had a higher authority to call upon;
3. that licensees should be open to takeover, after a moratorium which expires at the end of 1994. However, it should be noted that a predator will be required to satisfy the Independent Television Commission that it will fulfil the programme obligations which the former licensee entered into when awarded the licence;
4. that a further commercially-financed television channel (C5) should be established;
5. that C3 should be a firmly-based regional service.

By far the most radical was the proposal to put ITV franchises out to tender. The Government, and particularly the Treasury, had been perplexed for years as to how to place a value on a scarce public resource, which was put into the hands of public companies who then made profits arising from the quasi-monopolistic advertising concession which went with the granting of the contract. There is no doubt that ITV was an extremely profitable commercial activity for something like 25 years, with occasional downturns when the economy was in the doldrums. (My late Chairman, Lord Thomson, summed it up rather well in his straightforward North American way by coining the famous phrase "having an ITV contract was a licence to print money".) Successive governments tried levies - which were really Excess Profits Taxes, but never resolved the difficulty that these levies were insensitive to sharp and sudden movements in the levels of advertising. Thus the tax was always lagging behind reality. Either it was unduly onerous on the companies, or an encouragement to extravagance, as when the levy was profit-based marginal rates of tax rose to 84%.

It was never an acceptable tax from either side's point of view, so on the basis of the Peacock Report the Conservative government decided that the recipe for establishing a fair price for ITV contracts was to let the market decide. Applicants for franchises would bid for contracts and the prize would go to the highest bidder. But almost immediately difficulties arose. The highest bid might be at the expense of programme quality - indeed almost inevitably it would be - it might be made by undesirables who would fill the screens with meretricious material, and it might be made by people who had no regard for the part that television plays in the democratic process. So quite quickly the idea of a quality threshold was accepted - by a bright young Minister of State at the Home Office called David Mellor. This quality threshold would be judged by the Independent Television Commission, and the contract awarded to the highest bidder, **from among those who had passed the quality threshold.**

However, an extra caveat was inserted to allow the ITC to award the contract to other than the highest bidder **in exceptional circumstances.** So it could be said that the Commission was exercising much the same subjective judgments as on all the previous occasions when contracts were awarded. It is just one illustration of how difficult it is for governments to decide between a free market driven by consumer choice and a regulated system obliged to be impartial in reporting; which recognises minorities like children and the devout; and which pursues "Victorian values".

In the event, widely varying bids were made for the 16 ITV contracts, which varied from the £37.7m in the bid made for Yorkshire, 28% of its forecast advertising revenue, to the £2,000 bids made for Central and Central Scotland. Thus the future will contain companies of vastly differing financial strengths who yet have to co-operate closely in the making of programmes for a jointly-approved and jointly-financed programme schedule. This is almost bound to lead to tensions in a uniquely interdependent group of companies and perhaps to mergers and takeovers as companies who have bid high find their commitments unsustainable. That would in turn endanger the regional services on which so much emphasis was laid both in the Act and in franchise applications.

These new licences will begin to operate on 1st January 1993 at what we hope may be the later stages of the longest and deepest recession for 60 years. Assumptions made when applications were prepared about revenues in the 1990s now all look on the optimistic side, presenting even greater problems for the high bidders. There will thus be two major financial pressures on ITV companies under the new system.

The first will be the financial context created by high bids - which in total, along with the Percentage of Qualifying Revenue attached to each contract as a basic rent for the contract area, will amount to some £390m per annum or 25% of estimated advertising revenue. The second will be the depressed demand for advertising. And this may not simply be a temporary difficulty which will disappear with the end of recession. There are those who believe that the "consuming mores" of the 1980s may not return, with consequential effects on advertising budgets. Bitter lessons learnt about the effects of easily-obtained credit; growing consciousness of the wastefulness of excessive packaging; the creation of doubtful differences in competing products in order to create USPs, which form the basis of many advertising campaigns; and more sophisticated use of marketing money in the more accurate targetting of potential customers; all point to a curtailment of advertising expenditure even when the good times return. So even in its quasi-monopolistic position, ITV may find the 1990s a more testing time than they have met before. What will they do?

They can become more efficient. This process has already started. Costs are being squeezed out of many companies. Staff numbers have been substantially reduced and non-essential expenditure has stopped.

They can diversify. Many ITV companies have discovered how difficult this is. There are many poor companies for sale, but not many good ones. ITV managements are specialised and not necessarily qualified to run other businesses. And to diversify **inside** broadcasting, which really means producing programmes for other markets, runs up against the intensely parochial nature of individual countries' broadcasting. I know that *Neighbours* succeeds here, thousands of miles from its

country of origin, but British television has been very British over the years - British writing, British humour, British acting styles, while the rest of the English-speaking world has moved relentlessly towards a taste for American programmes. (They also happen to be cheap, having been paid for by their own vast market.) The other difficulty about programme-making for wider markets is that each ITV unit is small - largely because of the entirely laudable policy of sustaining the regional character of ITV with enough companies to serve each recognisably separate area of the UK. This is ITV's strength, but it puts each individual company at an immense disadvantage against Warner Brothers or the Disney Corporation. Despite these difficulties, ITV has had several programme successes in other markets and many companies, including, I'm glad to say, Scottish Television, are determined to go on trying for success in this field.

They could merge into larger units. This would run counter to the regional character of the network, a principle which both the system and the government were determined to uphold. The Broadcasting Act says that only the smallest companies (of which there are six - Channel Islands, Westcountry, Ulster, Border, Grampian, and Tyne Tees which has already been absorbed into Yorkshire Television) may be taken over by another ITV company. It would not be possible under present legislation for, say, Scottish to merge with London Weekend. Economic circumstances may dictate such links at some point in the future but amending legislation would be required and the question would then arise as to how far the regional principle had been eroded. These challenges lie ahead for ITV within its *current* commercial environment, to be met with vigour and ingenuity, not least here in Central Scotland, where Scottish Television bid the minimum for its licence, and is determined to use that strength to enhance its service within Scotland *and* to put more Scottish programmes on British screens.

It would be wrong to assume that with the challenge from the skies, mainly in the form of Rupert Murdoch's BSkyB, to which I shall return, only decline awaits the existing terrestrial broadcasters. Emphatically that is not so. ITV is, and is likely to remain for many

years to come, the most watched channel and therefore the main vehicle for television advertising. But before examining the nature of the new presence in British broadcasting, BSkyB, I want to examine the circumstances and prospects of the organisation which lies at the heart of British broadcasting - the BBC.

The BBC

Governed by Royal Charter, the BBC faces the most difficult challenge in its long history. The Charter is due to be renewed in 1996 and already the debate has begun. The Corporation is rooted in the Britain which existed in the 1930s - an unequal society with extremes of rich and poor, with the average at a much lower level of affluence than we have known in the post-war years. And yet a country probably more docile than now, more ready to accept things as they were, more prepared to be told what to do. At this point along came the BBC, under John Reith, who decided that the country needed what he regarded as wholesome uplift and there was to be no truck with giving the public what it wanted. Despite this autocratic assumption of superiority, several good things flowed from the creation of this institution with a highly developed sense of its own excellence. If in the 1930s Britain was truly the "country without music" and is no longer so, then credit must go to the BBC and its orchestras policy. Britain can be proud of its record of providing a haven for the refugees of Europe in the 1930s and many of the intellectuals and artists among them found work and sanctuary at the BBC. (The pay-off on that policy is substantial. The BBC overseas service is still regarded around the world as the best, and much of that reputation can be attributed to these people who were taken in by the BBC.) And of course there was the immense, even decisive, role played by the Corporation during the war. The 9 o'clock news was the rallying point for every man, woman and child in the country, who without it would have felt isolated, uninformed and afraid.

But an organisation's contribution to a nation's past cannot give it a perpetual free pass to the future, and these are changing times. The challenge facing the BBC is aptly summed up by Robin Foster in his recent paper for this Institute, *Public Broadcasters: Accountability and*

Efficiency (Hume Paper No.18, October 1992). He says, "If public broadcasters are to continue to receive public funding, then they will increasingly have to account for how those funds are used. Partly this is a consequence of a general trend to ensure public spending delivers value for money, partly it results from a view that broadcasters have escaped detailed financial scrutiny for too long. Pressure for greater accountability will also mount as the general public, presented with a wide range of apparently free broadcast services by private operators, begins to question the justification for a compulsory licence fee" (p. 26).

Public funding of the BBC is virtually wholly by way of this licence fee. Currently set at £77, it is cheaper than a daily newspaper or a daily pint of beer. But it is a regressive poll tax which takes no account of ability to pay. It is mandatory, unless you do not possess a television set. But on the other hand it should be noted that the Corporation claims that it finds no widespread consumer resistance to the licence fee. Few would claim that the fee is the perfect instrument for financing the BBC but it is part of quite a delicate composite of broadcasting finance - the fee, advertising, subscription, pay-per-view (i.e. paying for an individual programme) and sponsorship, and to withdraw such a major brick from the wall could bring it all tumbling down. The licence fee has a characteristic which is shared with some other traditional methods of finance, namely that it is seen to be flawed and imperfect but it is devilishly difficult to change it without major disruption to the existing system. Is it therefore realistic to consider alternative methods of funding the BBC?

First, there is advertising. That is the traditional source of funding for nearly all broadcasting in the USA (although subscription is increasingly popular, being sold mainly as a means of escaping from advertising!). But to believe that we can follow the US example is naive. There is a more affluent society, committed to consumption. That inspires a sales-orientated culture - people do not mind being advertised to. Advertising is much more accepted as part of the lives of US citizens than is the case here. (Advertising spent per head in the US is \$278, compared with \$166 per head in the UK.) Anyway, even in the USA, the advertising-financed broadcasting industry is in trouble as it discovers that there is insufficient advertising to go

round. That would almost inevitably be the experience in this country were a similar course to be followed. The increased availability of advertising space, or time, does not bring forth more advertising money. Companies decide their advertising expenditure as part of their marketing costs, which are almost always linked to actual or potential sales of their product. It is *not* defined by bringing into being more advertising space.

As I said earlier, there are signs that the increased advertising expenditures of the 1980s may not return in full as the economy revives, so there may not be substantial real growth in advertising expenditure, a necessary pre-requisite for increasing the number of advertising-supported media. Advertising therefore does not offer a secure and adequate source of income for the BBC. At the same time, the advertising-supported media - ITV, ILR and Press - would be destabilised if the BBC started to take advertising as a main source of income.

The other alternative is subscription. Paying for television in this way takes two main forms. The first is pay-per-view. That is the system by which if you wish to view a particular programme - Wimbledon, a film, a royal wedding - you pay for that experience by some means not dissimilar to a telephone bill, a credit card, or a phone-card. Technology is required to adapt the home receiver to be capable of such a transaction but it exists and is already in use by BSkyB.

The other form of subscription is a monthly charge for a single channel or group of channels which provide programmes which you particularly want to watch. Some examples are channels devoted exclusively to sport, films and children's programmes. They are often packaged together by the provider who offers inducements to the customer to buy more than one channel and to an extent this system refines the consumer's choice. If you do not want to watch news or comedy, you simply don't purchase a news or comedy channel (although you may find that the provider has constructed a package of services which includes, say, news with those you do wish to have. So you have news whether you like it or not. Rather like the present situation really, except that it is likely to cost more than £77).

If television services in this country had begun by being financed by subscription, it would probably now be acceptable. The trouble is we are not "starting from there". Any transition would either have to be gradual or traumatic. To be gradual might be preferable except that the very programmes which lend themselves to subscription - the major events - are the very ones which if removed from universal access channels would cause the greatest furor. The "big bang" approach, to say that from 1st January 2000 the licence fee will cease and that from then on the BBC will be wholly financed by subscription, would involve every household in the expense of new technology, again a potential source of consumer dissatisfaction.

If subscription is regarded as no more than a **marginal** source of additional finance, e.g. by selling specialised programmes, to be recorded in the middle of the night, as they have already done with programmes for doctors, we are driven back to the licence fee. Can the BBC survive and prosper - and more importantly justify its existence - on a licence fee of £77 at present day prices, with increases at best keeping pace with the cost of living and perhaps even increased by RPI - X, the formula used to encourage efficiency in monopoly public services? It is possible in my view, but difficult and will call for radical changes not only in the BBC's organisation and methods but in its culture. And anyone who tries to change a nation's or an institution's culture is not confronted with an easy task.

But already there is a palpable realisation on the part of BBC managers that changes must be made. Many are already in train, but the central question has to be - can the BBC make the truly major changes within the institution that is required? Can nettles be grasped, such as overmanning, featherbedding and, dare one say it, the primacy of the programme over the budget? It is this last area where a fundamental culture change is necessary. Disciplines which have been acknowledged but not practised for generations must be enforced. That calls for a system of management controls, but also for an acceptance that the show must not **necessarily** go on, that money matters and good practices are both desirable and admirable. And BBC management must avoid falling into the trap of saving money by cutting investment in the life-blood of programmes, the people. It is costly to make redundant a driver who has been with

you for 30 years - much easier not to renew a researcher's six-month contract. But that researcher is tomorrow's producer and his or her loyalty and acquisition of experience is essential to the future of the Corporation.

Fundamentally, the BBC highlights a question of major political dimensions. How do you ensure the efficient use of funds without the profit motive?

First, there must be a strong Board, dedicated to the protection of the public interest and not to the perpetuation of the organisation. The difficulty here is that the Board may "go native" and become protective of the institution. You will have heard the rather pompous statement "the Governors are the BBC", whatever that might mean! Sir George Russell, Chairman of the ITC, argued recently for one supervisory body for all of British broadcasting. Certainly that would have the benefits of economy (fewer people) and of avoiding too close an identification with one set of broadcasters. It would in effect be difficult for that body to be partisan in favour of one organisation against other.

Second, management must be motivated by more than exhortation. Performance norms must be established, measured and acted upon. However, it is easier to measure the performance of, say, a railway - are the trains safe, punctual, cheap and clean? In broadcasting you are in the realms of such subjective matters as "quality" and "enjoyment", but more can and should be done by continuing audience research, perhaps conducted under the auspices of a new unitary regulator. Appreciation indices are already compiled and could be refined and improved. The public should be given as much opportunity as is reasonable to express views on the output. Regularly refreshed Viewer's Consultative panels could serve a useful purpose. Internally, an average cost for all programmes can be calculated, especially if the techniques of an internal market are employed. In 1982 Channel 4 decided that it could afford £34,000 an hour for all programmes. Heads of production were then expected to deliver a schedule for a year at that average price.

Third, if people are to work effectively for a public institution, they must enjoy the respect of the community. That used to apply to the

BBC. There was, and still is great social cachet to be able to say you work for the BBC. But a combination of government antagonism, press hyperbole and internal crassness have undermined that ethos. Yet a reservoir of great talent capable of fierce loyalty remains. It is up to the management of the Corporation to harness it.

But when all is said and done, is the BBC worth saving? Is it worth trying to argue for its continuing to be a publicly-financed service paid for by all?

In his recent Mactaggart lecture, Michael Grade, Chief Executive of Channel 4, said on behalf of all broadcasters: "The BBC keeps us all honest". What did he mean by that? I took him to mean that there are standards of decency, impartiality, fairness and commitment that are traditional within the BBC. They are sometimes not achieved, but they are accepted by the people who work there as their ideal. I happen to agree with that, and in the absence of similar objectivity in other branches of the media, it is worth preserving, warts and all, for the benefit of our democracy. It would be a good first step if the Government in its forthcoming Green Paper on the future of the Corporation, were to re-assert these ideals for the BBC. It did something similar for Channel 4 when it confirmed its remit, in the recent Broadcasting Act, to "appeal to tastes and interests not generally catered for by Channel 3 and that innovation and experiment..... are encouraged and generally that Channel 4 is given a distinctive character of its own."

If the BBC can be made more accountable, can embrace efficiency and shed its well-known assumption of superiority over all other living things, it is an institution worth preserving in British life, for it does some things that other broadcasters either do not do, or do because the BBC is there to emulate:

1. It is a source of trained personnel - how many independent producers come from other than the BBC or ITV?
2. It sets production standards, partly by its devotion to new technology.
3. It is impartial - it pursues balance in its programmes.

4. It caters for minorities - and we are all members of several minorities.
5. It is cheap.
6. It innovates.
7. It is a credit to Britain. It enhances our international reputation. Broadcasting is one of the (few) things that Britain is admired for abroad. Can we back this winner, or shall we let it go the way of the British motor-cycle industry?

All in all at something under £1.50 a week it is not a bad bargain, and may continue to be regarded as such by a majority of the public. So long as people feel that way, is there a compelling reason to change - given that other sources of finance seem so uncertain and disruptive? I do not believe so.

Satellite broadcasting

The comparatively peaceful world of four terrestrial channels was rudely shattered three years ago by the arrival of satellite broadcasting. Rupert Murdoch has hit British broadcasting like a whirlwind. He has brought the same drive and determination to his satellite broadcasting service which he brought to Fleet Street, and latterly to Wapping. With the active encouragement of Margaret Thatcher (after all, his newspapers were staunch supporters of the Conservative Party; he was even, it is reported, invited to Chequers for Christmas!) he started the Sky service in direct competition to BSB, Britain's first satellite television service. BSB made the cardinal error - or had it made for it - of building a new business edifice on old foundations, not realising that the days of generous resources for broadcasting were coming to an end. Strictly regulated by the IBA, with a requirement to use the high-powered, expensive and entirely untried satellite system known as Marco Polo (a suitably pretentious title), its first acquisition was a splendid office block and a fleet of BMWs for its too numerous executive team. Inevitably, its start was delayed, which might not have been fatal if competition had not appeared in the shape of Rupert Murdoch's Sky TV, much less expensive technically because it rented space on the Astra satellite,

launched from Luxembourg as a commercial proposition, and using the tried and tested medium-powered satellite.

So with a fraction of BSB's setting-up costs, a system much less prone to technical error, and no government regulation to speak of, it was little wonder that Sky was able to launch ahead of the troubled BSB, who never recovered. It was only a matter of time before BSB's hard-pressed shareholders sued for peace and were effectively swallowed up by Sky.

Murdoch's strategy soon became clear. He would control premium programming and the relevant technology. The first meant acquiring Pay-TV Rights to nearly all major feature films from the Hollywood Studios. As no-one else existed in Europe to counterbid for these rights, the studios had little option - in their recessionary circumstances - but to sell to Sky. And to prevent anyone else appearing on the Pay-TV scene Sky acquired control of the only workable technology to operate Pay-TV.

A Pay-TV picture is translated from scrambled to clear by a process known as encryption. The brand name for the "smart card" which operates this process is called Videocrypt, owned by Thomson, the French electronic giant, and News Datacom, owned by News International, the Murdoch parent company. Other aspiring satellite broadcasters, by activating anti-monopoly European legislation or developing their own encryption system, may eventually be able to compete with Sky in Pay-TV. But monopolists can employ delaying tactics and every day that goes past strengthens Murdoch's position.

The Broadcasting Act 1990 is quite specific about restrictions on ownership of ITV companies. In particular, newspapers may own only up to 20% in a TV company (and 5% in a company servicing an area in which they publish) but Mr. Murdoch, who owns five national newspapers in Britain, is untouched by this legislation (ironically he had to become a US citizen to own TV stations in the USA where he may **not** own a newspaper and a TV station in the same market). This immunity is based on the fact that the programmes technically originate in Luxembourg, and do not therefore fall within the orbit of the Broadcasting Act.

It is the normal cry of the beleaguered monopolist, or would-be monopolist, to seek government action to impede his competitors. But it does behove this country to ask itself whether ownership of the third force in British broadcasting - and a growingly formidable force at that - is compatible with ownership of a major US studio (20th Century Fox); the fourth US TV network; *The Times*, *The Sunday Times*, *The Sun*, *The News of the World*, and *Today*; Harper Collins, Britain's biggest book publisher; and, as I have mentioned, the main technology supplier to operate Pay-TV.

But Mr. Murdoch may not be invincible. He has spent vast amounts of money getting to where he is, and where, after three and-a-half years is that?

1. Satellite television is now available in 12% of UK homes.
2. Viewing of ten satellite channels accounts for 5% total viewing.
3. In these satellite homes ITV is watched more than all six Sky programmes combined.
4. Of the remaining 88% of homes without satellite only three out of ten profess interest in obtaining it.
5. BSkyB spends £175m on six channels - ITV alone spends £500m on one channel. Practically none of Sky's output is original production. Can such cheap and cheerful material attract audiences on a long-term basis?
6. It is estimated that by the year 2000 something less than half of UK homes will have multi-channel television.

Sky may eventually produce a service which finds favour with the public, but there is little evidence yet that they are achieving that goal. Their biggest project to date was the purchase for £300m over five years of live rights to English Premier League Football. (In passing, it should be noted that the BBC enabled this to happen. The Football League could not have lived with the public disapproval which would have resulted from all major English football going on to satellite. But the BBC agreed to pay £5m for recorded highlights to

go out on BBC1 on Saturday evenings. Thus, the door was opened for Sky - who should have paid the BBC £5m to show the football.)

This football was to be the driving-force behind a surge of dish-buying. What has happened?

Well, ITV and C4 fought back, with lower-league football on the former and Italian league football on the latter. The current position is that in satellite homes more than 50% of the viewing is to ITV and C4 and, worse still for Sky, there has been no sizeable increase in sales of dishes. Indeed sales of dishes in October were well below sales in October 1991. (All this, of course, may be due to the poor quality of English football but that's another story!) The message may well be that Sky will find it hard to change well-entrenched viewing habits in Britain and that the broadcasting equivalent of the *The Sun* and *Today* may not succeed as quickly as these newspapers did.

Perhaps we of the traditional broadcasting community can find reassurance in the words of the great Hume himself - "Custom, then, is the great guide of human life". As all these changes appear on the television scene, some to succeed, some to fail, it is perhaps not surprising that government keeps returning to the issues of broadcasting policy. Television now plays an important role in the lives of a majority of the citizens of this country. Tony Benn once remarked that Broadcasting was too important to be left to the Broadcasters. There is some truth in that statement. Broadcasting is now the world's main means of conveying information, and it is probably sensible to lay down some rules about how that should be done. The rules can of course be oppressive, especially in countries where tight control of the nation's affairs is in the hands of government, but the alternative, in liberal states, is to risk control of broadcast media falling into the hands of unscrupulous or unaccountable individuals.

If, of course, you believe that broadcasting is just another branch of show business then it is sensible to leave the market to decide what will appeal most to the paying public, although even in the "live arts" - theatre, orchestral music, opera - we have several forms of

entertainment which are felt to be legitimate recipients of public money.

So I come back to where I began. There seems to be no alternative but for governments to take a hand in broadcasting policy. There are too many imperfections about leaving it entirely to the laws of supply and demand. One is that we **have** a system which is universally paid for by all who wish to have any of it, however little. To change that system, whatever its imperfections, to another completely different one would cause significant disruption and inconvenience. Another reason is that the technology is not yet universally available to enable individual free choice to be made **and paid for** individually. But perhaps the main reason why governments inevitably take a hand in defining broadcasting policy is their belief that it is an integral part of the democratic process and therefore has to observe certain rules and codes, so that malign influences cannot dominate the medium.

That seems fair enough, provided governments are capable of striking the right balance when weighing all the issues which bear upon broadcasting. Regrettably, clear thinking is in rather short supply when governments come to consider broadcasting policy. There is evidence that:

- They rapidly lose interest - it is never top of their agenda for long.
- They are emotional about it instead of being rational, possibly because it is seen by them - whether it is true or not is debatable - as another source of power, even sometimes of opposition.
- There are sometimes ideological conflicts - pure consumer choice in broadcasting does not safeguard traditional values so do we regulate or deregulate?
- It uses public money, while not being under the control of the Treasury. The Mandarins find that hard to live with.

The result of all this is confusion and lack of continuity. Anthony Smith, one of the deep thinkers about broadcasting in this country, and widely credited as the originator of the idea of Channel 4, coined a phrase in the 1980s, "the ecology of British broadcasting". He thought that the four channels of terrestrial television were in ecological harmony - competitors but not gladiators; financed from two distinct sources, advertising and licence fee; some vertically integrated while others bought in their material from independent producers; one main channel of the four firmly based in the regions, and so on.

That harmonious balance has been upset by a number of factors:

1. **Insecurity of funding**, which was formerly secure; the licence fee called in question because of its regressive nature and lack of accountability on the part of those who receive it; and in the case of advertising-funded channels, the recession and the brutality of the tendering process for ITV licences.
2. **The development of satellite and cable technology**, which has brought about a potentially unlimited number of channels in the home.
3. **The harnessing of that technology** by brilliant entrepreneurs like Rupert Murdoch, who found a sympathetic climate to help them on their way.

Perhaps the golden days of the 1980s are gone forever. Perhaps, as with the rain forests of South America, the march of market forces is bound to triumph over the ecologists - although I hasten to say that broadcasting is not a matter of life and death for future generations unlike the preservation of the rain forests which certainly are.

But who will be there to tell us about the threat to the rain forests when no-one can afford to employ David Attenborough any more?

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REGISTERED OFFICE

21 George Square, Edinburgh EH8 9LD

(Registered in Scotland No. 91239)

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Enquiries should be addressed to The Secretary