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Mr. Peter Mandelson (Hartlepool)

I am grateful for this opportunity to initiate this Adjournment debate on the operation of the Broadcasting Act 1990.

I am pleased that the bongos have sounded as usual tonight for ITN's much-admired "News at Ten", and long may they continue to do so. The early-day motion that I tabled supporting the continuation of "News at Ten" has attracted the signatures of more than 90 hon. Members. That is an understatement of the strong feelings that exist on both sides of the House.

ITV chiefs should bear that in mind, as well as the Select Committee report, before reaching a final decision on the future of "News at Ten". They would be unwise to ignore Parliament's views, because I believe that the country wants "News at Ten" saved for the future. Parliament has a wider responsibility, however, to consider developments in ITV as a whole and to engage Ministers in examining the working of the Broadcasting Act 1990, notwithstanding the short period of its operation.

As a former television producer, I want to speak up tonight for ITV's millions of viewers and for its employees, who are dedicated to maintaining its standards of public service broadcasting. Unquestionably, we still have one of the best broadcasting systems in the world. When ITV was introduced, some thought that the BBC's standards would be impaired. The opposite occurred. British television has been greatly enhanced by regionally based ITV.

The reason for disturbing the ITV system with the 1990 Act was not that its programmes needed improving or that its management needed shaking up—although both might have been true in certain respects. The reason was the application of mistaken dogma to ITV at a time when it was flourishing and rightly regarded as a pillar of public service broadcasting. However, the Government and the then Prime Minister thought that ITV could be improved if the old way of doing things were discarded and if its franchises were merely sold to the highest bidders, who would then have to recoup the price that they had paid irrespective of the resulting quality of service.

What Mrs. Thatcher wanted was to take an industry that was already in the private sector and to privatise its values and ethos even further. She was only partly restrained in doing so by her then broadcasting Minister, the right hon. and learned Member for Putney (Mr. Mellor). Making a colossally incompetent Bill into a temporarily less destructive Act will be his epitaph, or at least one of them.

The right hon. and learned Gentleman managed to inject into the Act a bit of the old world of public service broadcasting to mitigate the new system of pure financial return. However, this legislative cocktail did not strike the right balance, and now the commercial pressures created by the Act are starting to come into sharp conflict with ITV's public service commitment. That conflict between market forces and public interest lies behind the attempt to axe "News at Ten". It is also reflected in a host of similar, albeit less prominent, scheduling decisions throughout the ITV companies.

567 Hon. Members have drawn attention, for example, to worrying developments in Granada Television and other ITV companies, whose cuts in programme-making capacity, it is feared, will affect the companies' ability to fulfil the conditions of their licences. Undoubtedly there is mounting pressure on a range of programmes—not just news but all factual programming, documentaries, education, regional arts, minority entertainment and many others, which are popular but which may not maximise audience share and advertising revenue, and therefore help ITV to compete with its rivals.

As yet, ITV is far from collapsing. This year, £515 million is being spent on the programme schedules. In most parts of the country, viewers are still seeing the programmes that they are used to on ITV. Nevertheless, there is a growing recognition of a threat to ITV, and a real danger of a downward spiral of programme quality, brought on by the commercial burdens on ITV.

When the highest-bid ITV auction was carried out in 1991, the present Prime Minister passed immediate judgment on it. He said: I don't think it has been an optimum success. When asked whether the system should be abandoned, he added: We will have to wait and see. I doubt whether his confidence has grown since then.

After an inauspicious start, three developments have taken place to frustrate the intention of the Broadcasting Act to protect public service broadcasting on ITV. First, the ridiculous auction has resulted in franchises costing between £2,000 and £43 million apiece, producing an income for the Treasury, and a huge fixed cost for the companies, of £231.6 million per annum. Advertising revenue is available to cover these purchase costs, although it also has to cover programme making.

Secondly, the recession has been deeper and longer than anyone expected, and that has drained ITV of anticipated income. Thirdly, and most important for the long term, the competition to ITV from satellite, cable and Channel 4 has grown faster than many predicted. The satellite and cable systems now reach more than 3 million homes and have sources of income, such as subscription television, that are denied to ITV. Those systems, along with Channel 4, are eroding ITV's market share, thereby threatening to reduce its advertising revenue year on year.

Further rapid technology changes will greatly accelerate the spread of this competition. In 1989, when the Act was being considered, digital technology seemed to be at least a decade away, yet BSkyB is planning to use digital technology in Britain in two years' time. That will bring films almost on demand. Pay-as-you-view television will be here in profusion. In 1989, high-definition television on a commercial basis was seen as the technology of the 21st century. It could now be the technology of the mid-1990s.

This is the crux of the issue. As ITV loses revenue due to technology-driven and unregulated competition and rivalry from Channel 4, the ITV companies will be forced to cut costs. Because of their high fixed costs, chiefly the franchise bids, the axe will fall on programme budgets. That will weaken the programme schedule, depressing audience ratings and revenue still further, creating the danger of a descending spiral of programme quality.

What should Ministers be doing to respond to that threat? First, the Government must recognise that the problem exists. The Secretary of State for National 568 Heritage—I am glad that he has joined us for the debate—told me last month that his job is merely to listen

to the debate. That is not encouraging. It is necessary for him to think again and carry out a thorough review of the Broadcasting Act, which should take place in tandem with a review of the BBC's charter and the subsequent legislation.

The review needs to embrace a number of aspects of the operation of the Act. First, it needs to examine the possibility of reducing the cash burdens on ITV created by the franchise auction. At the moment, that is planned for 1999. Consideration should be given to bringing that forward by two or three years. Next, the review should look at the balance of regulation between ITV and the satellite and cable systems in order to put competition on a fairer basis. BSkyB has almost no public service obligations placed on it, whereas ITV has a requirement, for example, to carry 51 per cent. British or European originated production.

The review also needs to look carefully at Channel 4. Paradoxically, Channel 4's success has been a worry for ITV ever since the Broadcasting Act separated it from the ITV system. Channel 4 has taken full advantage of its licence conditions, which are looser in some respects than ITV's, and its flexible remit to provide a service that is able to compete advantageously with channel three. The problems posed by that for ITV need to be examined by Ministers. I am not inviting the Government to consider privatising Channel 4 because of its success or to eye the money it makes to ease the Treasury's current problems. Perhaps the Minister will reassure us on those matters.

Last but not least, there is the issue of ITV's business structure. At the beginning of next year, under the Broadcasting Act, it will be permissible for large ITV companies to merge with smaller ones, but not with each other. Foreign companies of any size will be able to take over British companies, large and small. We are all rightly concerned at the impact that mergers can have on the regional identity of our television stations. Most Members of Parliament, including myself, are instinctively hostile to them. When Yorkshire Television tried to swallow up Tyne Tees during their merger last year, I campaigned to ensure that the interests of the viewers in my constituency and throughout the north-east were not sacrificed precisely because of that concern for regional identity and production.

As a result of the way in which the industry is structured and the way in which the Broadcasting Act operates, financial reality is driving the major ITV companies towards consideration of mergers. In the face of overseas competition, which operates without restraint on merger and acquisition, the pressure to reduce costs and overheads through coming together is now becoming inexorable. I regret that, but at present it is a commercial fact. The risk is that, in the absence of a level playing field, we may end up with the bizarre situation in which foreign-based companies have a significant advantage over home-based ones. At the very least, it now merits serious scrutiny by the Government.

Any changes must, however, preserve the regional licences, production and local identity of ITV. Yorkshire Television's crude attempt to absorb Tyne Tees shows the fragility of local identity and control and the immense dangers of giving excessive latitude to ITV companies. However, the prompt intervention of the Independent Television Commission in the north-east—we have seen 569 the ITC acting again over ITN's "News at Ten"—proved how firm regulation can protect the interests of regional viewers. In this as in other matters, a strong role for the ITC to protect the public and regional interest needs to be upheld. Such interest, the maintenance of programme standards and the whole ethos of public broadcasting must underlie any review of the Broadcasting Act 1990.

The crisis in ITV is not yet on us, but it is not far off. The Act, born in prejudice, must now fit new realities as well as maintain the traditional standards of British broadcasting. I hope that the Minister will state how the Government intend to proceed. I am sure that he shares my concern and my commitment to the strengthening of public licence broadcasting on ITV. That would certainly reflect the reputation and record of the Department of National Heritage to date. I hope that he will respond vigorously and imaginatively.