Television in the United Kingdom

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8: UNITED KINGDOM

For more than thirty years Britain had a stable and effective broadcast duopoly. One of its elements was the accomplished BBC, arguably the world's flagship of public broadcasting. The other was a cartel of commercial firms providing independent television, often also of high quality. To be admitted to broadcasting, these private companies had to overcome high political barriers that kept subsequent entrants out. This system of profitable inside status for a few privileged firms was untenable in the long term. But because private television in Britain preceded that of most of the rest of Europe by a generation, pressures for change were less insistent; there was, after all, commercial television to serve the center and lower ends of the taste distribution, and the BBC itself was subject to daily rivalry that enhanced its responsiveness and sharpened its independence from a government that had kept elements of content control. Eventually, however, the limited television system was challenged from several directions: by the government's technology policy encouraging cable television and DBS; by the emergence of London as the European center for program supply; and by the aspirations of the free-market wing of the Conservative party for a more competitive economy. Britain moved, as the first European country after Italy, to the next stage in the opening of television.

History of the BBC

The development of wireless communications in Britain was particularly energetic because of its importance for naval and

shipping use. Britannia set out to rule the airwaves through the Marconi Company, which held the major international radio patents. Legal control over the use of the wireless was firmly lodged in the Post Office through legislation passed in 1904. World War I created a core of trained military radio operators, and after demobilization, some of these men became enthusiastic radio amateurs. The airwaves began to be used in broadcastlike fashion by civilians. Early private broadcasting began when in 1919, the Post Office sanctioned the Marconi Company to set up an experimental station. At first, irregular transmissions were listened to by irregular listeners. June 15, 1920, was a milestone, when the famous soprano Dame Nellie Melba sang over the radio and was received by hundreds of listeners in Britain and as far off as Norway and Newfoundland (Briggs, 1961). The event received wide attention and put radio on the map. The government, however, was far less enthusiastic about the budding new mass medium. Criticism by the military (especially the Admiralty) and the Post Office about the use of radio as a "toy to amuse children" rather than a "servant of mankind" (The Financier, August 25, 1920, in Briggs, 1961, p. 49) and about the dangers of unauthorized reception and transmission led to the suspension of civilian broadcasts later that year; and they were not resumed until 1922, when news of the American radio boom, which had leapfrogged the earlier U.K. lead, reached Britain and led to much pressure by radio amateurs to participate in the new medium.

Marconi was not the only broadcaster, though it would have liked to replicate the tight control it had over radio telephony. Two other firms, Metropolitan-Vickers and Western Electric, also provided broadcasting. Subsequent applicants were told by the Post Office, at a time when only three stations were intermittently on the air, that; "The ether is already full." Those firms holding a transmission permit had to comply with highly restrictive conditions. Initially, only speech was broadcast. For some reason, no music could be transmitted. Every seven minutes, three minutes of radio silence had to be maintained, during which the operator checked whether an official message to vacate the frequency was being sent out. Furthermore, no newspaper announcements of regular programs were permitted. Despite these restrictions, the Post Office was inundated by applications for transmission and reception. Unwilling to repeat the strained arrangement in radio telephony, where Marconi was the dominant force, and repelled by the chaos in the United States, the Post Office asked the several interested manufacturers in broadcasting to conceive a system for U.K. broadcasting.

The radio equipment industry, comprised of six firms, needed little prodding. Its interest was that of hardware manufacturers; broadcasting was merely a means to sell radio sets. Collaboration promised several advantages: avoidance of costly duplicative broadcast efforts; elimination of free-riding by manufacturers not contributing to the broadcast effort; pooling

of patents; and cartel restrictions on equipment production and imports. The last point is essential. The Post Office agreed to approve only those radio receiving sets that were made by member firms of the British Broadcasting Company, and shares were allotted only to "genuine British manufacturers employing British labour." Even more important, the manufacturers needed the full cooperation of the Post Office, to make broadcasting profitable: the economic linchpin would be a license fee on the use of receivers, which required governmental approval and enforcement. When the companies were on the verge of splitting into two rival groups, the chairman of the manufacturers' committee wrote that, "It may be difficult to persuade the Post Office to approve these conditions, and any division among the manufacturers may well jeopardize the whole method of financing the broadcasting" (Sir Frank Gill in Briggs, 1961, p. 112). This admonition helped to form a single company. In 1923, this newly formed British Broadcasting Company received a monopoly for broadcasting in Britain from the Post Office. When the arrangement was disclosed to the public, it enountered much hostility. Some members of Parliament challenged its legality, and others criticized the impact on free trade. Postmaster-General Kellaway responded that it was "inconceivable" that "we should allow a new form of communication in this country to be exploited by foreign manufacturers" (Hansard's Parlimentary Debates, 1922). He countered the antimonopoly argument by insisting that every British manufacturer could join the BBC. "What you have to fear

in this is not monopoly; it is more likely you will have cut-throat competition" (Hansard's Parlimentary Debates, 1923). This entirely missed the problem of monopoly broadcasting, as opposed to monopoly manufacturing.

Another interest group that needed placating by the government was the private publishers. They feared for their advertising and influence. A conference was held under government auspices, at which the representative of the press, Lord Riddell, demanded assurances that the BBC would not "lift" its property without payment, and that its interests "would not be negatively affected through the broadcasting of news" (Briggs, 1961, p. 131).

The BBC soon commenced operations, and tens of thousands bought officially stamped radios, manufactured by BBC companies. For the Post Office, the license fee became a windfall, which would not be equally available under a commercial system without user charges. But this system soon proved unstable: publishing interests attacked the monopoly system from the direction of program supply, radio set and component manufacturers undermined it from the hardware side, and many listeners ignored it altogether. For listeners, the loophole in the system was the possibility of obtaining an "experimental license" at greatly reduced rates. The official firms complained that many amateurs built their sets not for scientific reasons, but to avoid the more expensive BBC companies' radios. Moreover, inexpensive foreign radio components were being imported, primarily from the

United States, that enabled even unskilled persons to assemble a set. Avoidance of the license fee became rampant. But a self-assembled set could not be licensed even if the owner wanted a license (Burns, 1977, p. 7). As the government was hectored by the BBC to crack down on unauthorized listening, some newspapers began taking up the amateurs' cause against monopoly and government control. A commission of inquiry was named in 1923 to look into the issues more carefully. This committee, chaired by Major General Sir Frederick Sykes, recommended that broadcasting be given greater independence from the manufacturers. By that time, John Reith had become the BBC's managing director. Reith, a charismatic Scotsman who had come to the job by responding to a published advertisement, began to view the interests of the broadcasting organization as separate from those of the parent manufacturers and to warm to the notion of a BBC free from both manufacturers and the Post Office. He began to conceive of a BBC that provided national, social, religious, and democratic integration in the service of ideas higher than entertainment and profit (Reith, 1924) and to articulate the idea of "public service broadcasting," which later became the BBC's guiding ethos. This concept was embraced by important segments of public opinion as the growing importance of radio raised new questions of control. Therefore, the government appointed in 1925 another committee, chaired by the Earl of Crawford, which proposed the establishment of a public corporation to take over private operations upon the expiration of the BBC license at the end of

1926. This was accepted and accomplished by a royal charter rather than by statute, with the granting of a ten-year license running from 1927. The new BBC, now called the British Broadcasting Corporation began operations, directed as before by John Reith. This second BBC held a monopoly over British broadcasting for more than a quarter century.

Given the wide-flung colonial possessions of Britain, the BBC soon also provided overseas broadcasting over shortwave frequencies. It became Britain's voice in the propaganda war before and during World War II. Its Home Service, supervised by the Ministry of Information, was a beacon of hope and a source of information to hundreds of millions. Domestically, Winston Churchill's broadcasts to the nation became a significant element in morale building. The BBC also started a second channel, aimed at soldiers, which evolved eventually into the Light Programme. In 1946, a more serious Third Programme was started.

Britain also played a significant role in the development of television through John Logie Baird, who demonstrated in 1926 a semimechanical television set. In 1929, the BBC permitted his company to transmit experimentally. [TV broadcasts began in the United States in 1928, in Japan in 1931, in Germany and France in 1935, and in the Soviet Union in 1938 (Schubin, 1990, pp. 17-18).] A government commission recommended that the BBC be given authority over television. This was supported by the press, which had come to like the BBC because it was free of advertising. In 1936, the BBC introduced regular television

service, transmitting two hours daily and alternating between the rival Baird and Marconi-EMI systems. The Selsdon Committee then recommended dropping the Baird system and expanding the BBC monopoly to television. By 1939, there were about 20,000 TV sets in Britain operating with relatively primitive 405-line VHF transmission (Central Office of Information, 1981, p. 237). When World War II broke out, television was suspended; it was resumed in 1946.

Over the years, the BBC grew into a huge institution. Its staff in 1987 totaled 30,000, plus countless free-lancers. Its TV production facility in London alone employs almost 10,000 people. Over 150,000 artists are under contract each year. It made use of more than 500 full-time musicians in 1980. Many of Britain's playwrights got their start on the BBC's radio drama, which commissions close to 800 scripts a year. (Stephen Hearst, communication).

The BBC is an extraordinarily successful institution in terms of its mission to produce quality programming, where it is second to none. It produces excellent and worthwhile programs. It also offers a large number of mediocre programs that do not fit the image as well.

The BBC staff is professional, experienced, and dedicated. For a long time, the leaders of the institution rose through production experience rather than management or politics. They constitute arguably the most impressive assembly of broadcasters in the world, and they, and not the board of governors, actually

controlled the BBC in the past. However, some of its leaders have tended to equate the interests of their institution with that of British society and culture, and to view critics of this particular structural arrangement as advocates of philistinism.

From the beginning, some of the BBC's well-meaning supporters tended to go to great lengths in their willingness to protect the institution's exclusivity. In 1936, several of the Ullswater Committee members proposed that the BBC also control production of radio sets and even components. The arguments reveal the facile expansionism a public-interest argument can assume: "When a public service is established, it is, we think, necessary that the public interest should predominate throughout the whole range. If private profit is allowed a loophole, a proportion of the advantages of the system will be lost to the community. The weak spot of broadcasting is in the provision of receiving sets by private industry. . . . Evidence has been given that this is a combination in the manufacture of values which keeps prices unncessarily high" (Report of the Broadcasting Committee, 1935).

The collective influence of the BBC has been vast. A poll by The Times concluded that a "cross section of the elite, men and women listed in Who's Who" considered the BBC to be a more influential cultural institution than either Parliament or the church (Curran et al., 1977, p. 237). This also fits the BBC's self-perception. "The favorite image of the BBC during the 1930s was that of a great British institution, as British as the Bank

of England, an institution which was different from other institutions, which took decisions that quite deliberately diverged from the decisions many—perhaps most—listeners would have taken" (Briggs, 1965, p. 12). There was a significant identification of the British elite with the BBC. Its governing boards have not been politicized by the parties as in many other European countries. Of the BBC's eighty-five governors during its first fifty years, forty were Oxford or Cambridge graduates and twenty attended Eton, Harrow, or Winchester (Briggs, 1979b, p. 30). More recently, two-thirds of the BBC's governors who served in the period between 1955 and 1976 and attended university were either Cambridge or Oxford alumni (Paulu, 1981, p. 133).

News readers for a long time were expected to perform their task attired in dinner jackets and to speak quite formally, using the Southern Educated Standard, or "Received Pronunciation," the educated accent spoken by less than 5 percent of the population. To the other 95 percent, this became known (and not necessarily as a compliment) as "BBC English" (Ducat, 1986). Over time, the sound of the BBC's broadcasts became more pluralistic, though the accent of its foreign broadcasts has remained resolutely traditional.

In its formative years the institution was shaped by what BBC veteran Stephen Hearst calls the "puritan high priests." The BBC gave much time to religious broadcasts and established, under Reith's prodding, "closed periods" where no religious programs

would be broadcast, in order to protect church attendance. Until 1959, no television was provided at all for an hour during Sunday evenings in order not to interfere with church services held at that time.

John Reith's personal style as the BBC's director general was distinctly autocratic, and in time led to a certain administrative ossification (Burns, 1977, p. 25). In 1934, after Hitler's "night of long knives," he wrote in his diary, "I really admire the way Hitler has cleaned up what looked like an incipient revolt against him by the Brown Shirt leaders. I admire the drastic actions taken which were obviously badly needed" (Reith, 1975, quoted in Paulu, 1981, p. 135).

In 1935 he told Marconi, "I had always admired Mussolini immensely and I had constantly hailed him as the outstanding example of accomplishing high democratic purpose by means which, though not democratic, were the only possible ones" (Reith, 1975, quoted in Paulu, 1981, pp. 135-136). This is not to suggest that Reith had totalitarian political sympathies, but rather to observe his respect for resolute leaders. Yet in the truly vital matter of war and peace, the BBC showed little comparable strength. Critics of the government were excluded from the air. "Sir John Reith saw to it that Churchill was seldom heard over the BBC and in that Reith had the full backing of the prime minister; twice in one week Horace Wilson (Chamberlain's right hand man) summoned Reith to No. 10 to warn him that Chamberlain disapproved of broadcasting excerpts from parlimentary speeches

critical of the government" (Manchester, 1988, p. 245). Churchill had earlier written, in 1929, to Reith offering "£100 out of my own pocket for the right to speak of half an hour on Politics. How ashamed you will all be in a few years for having muzzled the broadcast!" Reith starchly responded that "the American plan . . . of allowing broadcasting to be available on a cash basis" operated "irrespective of any consideration of content or balance." To this Churchill replied that he preferred the American plan to "the present British methods of debarring public men from access to a public who wish to hear," and that the BBC should not let the political parties be its gatekeepers: "I was not aware that parties had a legal basis at all, or that they had been formally brought into your license" (in Briggs, 1965, p. 135). During the war, Reith served for a time as inister of Information, using the BBC to support the war effort.

The BBC operates under conditions of its charter and of the periodic licensing agreements. These agreements give the government some powers of control, since it could theoretically revoke the operating license at its pleasure. Furthermore, the government can veto any program transmission, or, more accurately, require the BBC to refrain from broadcasting any specified matter, and any cabinet minister can require the BBC to undertake transmissions on issues of national importance. The agreements also require daily broadcast coverage of the proceedings of the Houses of Parliament, forbid subliminal advertising, and prohibit the BBC from expressing its opinion on

current affairs or in matters of public policy outside of broadcasting. But most of the government's prerogatives remain unexercised[1] and are probably too explosive to apply. Political advertising is not permitted on any channel. The various political parties have access rights to party broadcasts of their own making, which are allocated on the basis of voting strength in the previous election. The government ministers also have access rights for matters of public interest, and in some instances the opposition has a right of reply (Homet, 1979). Crises over government interference have occurred over coverage of the Suez crisis, the Falkland Islands War, the Irish Revolutionary Army, and the U.S. bombing of Libya, among others.

For many years the BBC operated under the so-called fourteen-day rule, which prohibited broadcasts on all matters to be discussed in Parliament within the fortnight. This unusual rule allegedly was conceived by the BBC itself as a way to ease pressure from the government on its broadcasting. The Labour party, too, supported this rule. But in the 1950s the BBC grew restive under these shackles and, with the help of the National Council for Civil Liberties, succeeded in having the rule suspended.

The BBC is periodically scrutinized by committees of general or specific inquiry: the Sykes Committee, in 1923; Crawford, in 1925; Selsden, in 1935; Beveridge, in 1950; Pilkington, in 1962; Annan, in 1977; and Peacock, in 1986. Generally, these committees are convened every ten to fifteen years at some point before the

BBC's charter expires in order to guide the legislation that will accompany the next charter. In 1962, the Pilkington Committee issued a report recommending that the BBC be strengthened by adding a second channel, moving to a 625-line standard, and adding color. BBC 2 was started in 1964, and in 1967 it became the first European network to operate in color.

The home secretary is responsible for law and order as well as for broadcasting, two tasks that can easily be in conflict. In 1985, the BBC was prepared to broadcast a profile of two Irish extremist leaders. Home Secretary Leon Brittan protested to the BBC's board of governors that it provided a forum for terrorists. Against the protests of the board of management, the BBC governors canceled the documentary, leading to a one-day strike by the BBC staff that blacked out domestic radio and television news broadcasts and BBC newscasts in the world. The program was later shown with minor additional footage. (David Webster, communication).

The BBC and Its Finances

Although the BBC's freedom from advertising provides independence from business, it also produces vulnerability to government pressure, because it must periodically appeal to the home secretary and to Parliament to increase the license fee. The government's prerogative to withhold or delay an increase in funds creates a reward and punishment mechanism. In the past, the BBC had less of a need to seek fee increases: the expansion in radio and television subscribers, and later in color sets,

tended to generate annual revenue increases automatically. From 1927 until 1946, there were no fee increases. However, because 98 percent of all households now own a color television set, more money can be obtained only through changes in the license charges, through program sales abroad, and through miscellaneous ventures such as books, records, and cassettes.

Although the BBC is generally popular with the British public, its license fees of approximately $9 a month are not. It was estimated by the government that in 1985 about 1.5 million households were illegal viewers.

The license fee, as a fixed charge, is a regressive tax that virtually every household must pay regardless of income and BBC usage. A more equitable subsidy system would abolish the fee altogether, increase income tax rates slightly, and finance the BBC directly from this source. Although this arrangement would be socially fairer, it would eliminate the BBC's hold on an earmarked charge and could lead to a lowering of revenues and an increase in governmental control.

The BBC's revenues plateaued in the 1980s, but production costs continued to climb. Program costs rose between 1980 and 1985 from £34,000 to £52,000 per average hour. For drama, costs rose from £142,000 per hour to £278,000; for light entertainment, from £57,000 to £95,000; for current affairs, from £22,000 to £26,000; and for sports, from £17,000 to £25,000 (Nossiter, 1986, p. 42).[1] In 1985 the BBC showed a deficit of £80 million (Tracey, 1991, p. 9). The BBC's cost consciousness was enhanced

by the government's pointedly managerial appointments to leadership positions. A signal was sent by the 1983 naming of Stuart Young, whose background was in accounting and business, as chairman of the board of governors. After Young's death, he was succeeded by Marmaduke Hussey, who had served as a director of Rupert Murdoch's newspaper operations. Shortly thereafter, Michael Checkland was named director general to succeed Alastair Milne, who had been at odds with the Conservative government. Checkland's BBC background was in finance and accounting, not production, and he had made a name for himself as a cost cutter. He was chosen in preference to Jeremy Isaacs, who had produced some of the BBC's most noteworthy documentary series.

Advertising on television is, of course, an additional and major way to raise revenue, and one used by many public broadcasting institutions in Europe. In 1977, the 500-page Annan report considered advertising for the BBC, dismissing it in just sixteen lines. In the following decade, however, major changes and pressures emerged to raise the issue again. Simultaneously with the moderate increase in the license fee, the government appointed a committee headed by Professor Alan Peacock to reinvestigate the question of BBC advertising. The independent (i.e., commercial) broadcasters, in a curious but not surprising spectacle, argued eloquently for the importance of upholding BBC's commercial-free status as a guarantor of the latter's quality. The Adam Smith Institute, on the other hand, proposed that the BBC commercialize most of its activities, except for the

news, since it was already filled with indirect advertisements such as talk shows with authors whose books had recently been published. The unpopularity of advertising on BBC tends to be exaggerated. A survey conducted by the BBC in 1980 indicated that almost 49 percent of total respondents (and 60 percent of working-class respondents) were in favor of advertising (O'Brian, 1980, p. 29). But in the upper classes only 25 percent preferred advertising.

Peacock, a strong believer in free markets, generally opposed government subsidies. His vision was broader than the question of BBC advertising. The committee recommended moving toward a television based on consumer choice and direct transactions in three phases. First, the BBC's license fee would be indexed; next, subscriptions would replace a portion of the license fee, and the remainder would be used to subsidize a public interest television under a Public Service Broadcasting Council; and finally, a full broadcasting market would emerge, in which a variety of transaction-based payment mechanisms—pay programs, pay channels, and so on—would coexist.

The Peacock Committee found that introducing advertising to the BBC would push the system away from a genuine consumer market because it would underrepresent minority interests and not measure intensity of preferences. This was good news for the BBC. The immediate outcome was that the license fee was indexed, thereby increasing the BBC's independence from the government. But one Conservative member of the committee, Samuel Brittan,

wrote afterward about [illegible] BBC:
"they do not realize h[illegible]
is, and how much in nee[illegible]
justification" (Brittan[illegible])

The Peacock Commi[illegible] that the government
auction off the ITV comm[illegible] franchises [illegible] 988 when
their next franchise rou[illegible] there was no enthusiasm
in the cabinet for some [illegible] Douglas Hurd, [illegible]
Secretary in charge of br[illegible] asked for an immediate
cabinet disavowal of the [illegible] philosophy," and
charged that the committe[illegible] terms of
reference. On the other ha[illegible]
was disappointed that the re[illegible] recommend advertising on
BBC. In the end, the BBC g[illegible]
fee, which was tied to the r[illegible]
This removed some source of [illegible] that the RPI does
not directly include BBC's w[illegible] percent of the
BBC's costs. Together with [illegible] advertising
as a source of revenue, this [illegible] dependence on
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BBC's finances revealed that [illegible]
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support, and that fundament[illegible] BBC's [illegible]
being raised as never before

The Creation of Independent T[illegible]

Because commercial televisio[illegible] to develop

than anywhere else in Europe, it is important to trace its birth, growth, and maturity.

Anthony Smith (1983) observed that the BBC's monopoly structure goes back, in spirit, to the Stationers' Company monopoly on government printing in the Tudor period. For the BBC, the broadcast monopoly drew criticism almost from the beginning, as was discussed earlier in this chapter.

Once it was established, the BBC was ferocious in protecting its turf. Since in Britain it was assured a full monopoly, a breach in its exclusivity had to come from abroad; not surprisingly, commercial stations aimed at Britain soon began broadcasting from Luxembourg and the Normandy.

The BBC attempted various defensive strategies. First, it tried to bar the commercial stations from the wireline transmission operated by various private firms under license from the Post Office. It almost succeeded, but the Postmaster General demurred. Next, it sought the international outlawing of such programs. A resolution was adopted in 1933 by the International Broadcasting Union, at the BBC's behest, that the "systematic diffusion of the programmes or messages, which are specifically intended for listeners in another country and which have been the object of protest by the broadcasting organisation of that country, constitutes an 'inadmissible' act from the point of view of good international relations" (Briggs, 1965, p. 36). The BBC also engineered a refusal to grant Luxembourg's request for a long wave frequency. Radio Luxembourg went on the air anyway in

1933. The BBC then refused to publish the new stations' program schedules in its World Radio and saw to it that the Post Office refused telephone land lines to the station (Briggs, 1965). The publishing industry's interests were congruent, and led to similar opposition. When it became known that a newspaper, the Sunday Referee, was offering an advertising package for print and radio, it was expelled forthwith from the Newspaper Proprietors' Association.

World War II was the BBC's finest hour. But ironically, its success ultimately undermined its monopoly position. Many in society recognized broadcasting's strong influence on public opinion and questioned the appropriateness of its exclusivity. The new Labour government was quick to renew the BBC's charter and license in 1946 for five years, without setting up the usual Committee of Inquiry to investigate its future. Protest arose, this time from Winston Churchill and some of his allies, although opinions did not divide along party lines.

The government responded by promising a Committee of Inquiry. It began meeting under the chairmanship of Lord Beveridge in 1949. By that time influential Conservatives were lobbying their party to advocate a second and commercial television broadcasting service. Although the actions of some of these Tories were motivated by allied economic interests, the group included others who opposed monopoly on the basis of principle. Such opposition to the monopoly was also posed by groups representing writers, actors, musicians, the Fabian

Society, the Liberal party, and even parts of the Labour party (Sendall, 1982). The Conservative party was split on the issue, as was the Beveridge Committee, with a majority advocating the maintenance of the monopoly and opposing the advent of commercial advertising, but with an influential and powerful minority represented by Selwyn Lloyd, a respected conservative politician. Even Reith's former successor as Director General of the BBC, F. Ogilvie, opposed the BBC monopoly (Burns, 1977, p. 46).

The Beveridge Committee issued its report in 1951, but late that year Labour was defeated in the general elections and the BBC charter was about to expire. This gave the new Conservative government an opportunity to reconsider its stance. In the following months discussion took place within the government and Parliament, with John Profumo, chairman of the Conservative party's broadcasting group, advocating the Conservative party's position in a lively debate in the House of Commons. [For a discussion of the politics involved, see Wilson (1961) and Briggs (1979).] The effort to establish an alternative to the BBC's monopoly centered on creating a majority for that position within the Conservative party. The strategy concentrated on television and ignored radio, which was regarded at the time as the more important medium and therefore harder to change.

Critics of the BBC monopoly outside of the Conservative Party pointed to the BBC's lack of enthusiasm about television. For example, in its 1955 handbook, the BBC devoted only three pages to television (though references to it were made elsewhere

in the book); this was cited as a sign of BBC's technical conservatism. Successive heads of BBC television had expressed frustration over the lack of interest shown in television by the BBC's upper levels. One of them, Norman Collins, resigned from the BBC and was highly effective in promoting private broadcasting.

In 1952, the government's White Paper cautiously concluded that "provisions should be made to permit some element of competition" (Sendall, 1982, p. 13), with careful qualification accompanying the statement. Prime Minister Churchill was more adamant in his opposition to the BBC's broadcasting monopoly. Despite his masterful use of the BBC during the war, Churchill harbored long-standing resentments. He had neither forgiven nor forgotten having been denied access to the airwaves in the 1930s. His attitude was similar to that of France's Socialist President François Mitterand, who, thirty years later, resented his earlier exclusion by the official broadcasters and, once in power, ended their monopoly.

A vigorous public discussion accompanied the government and Parliament's consideration of commercial television. Almost all of the country's newspapers were opposed to commercial television, partly on principle and partly on competitive grounds. Some of today's main commercial beneficiaries of private television were also critical: Granada Theatre, Thorn Electrical Industries, and even parts of the association of the advertisement agencies. A National Television Council was

established to resist commercial television, boasting the support of several Lords. This organization was countered by the Popular Television Association, which included Rex Harrison, Somerset Maugham, and Malcolm Muggeridge among its supporters. The debate began to form along party lines, and the Conservatives were the majority party. The strategy of the opposition to commercial television therefore aimed at making the question one of a "free vote." However, former prime minister and Labour leader Clement Attlee hinted in a public speech that a future Labour government would repeal any legislation for commercial television. This transformed the matter into a party issue, making a "free" vote impossible.

In 1953, the government, again deeply divided, issued another White Paper that supported commercial television but aimed at protecting program standards from advertising's influence, and proposed the establishment of a controlling body. Parliament debated the proposal in late 1953. Allegedly, more peers attended the debate in the House of Lords than any other debate in a quarter of a century. Given some of the issues of that period—strikes, depression, royal abdication, world war, cold war—the control of television was obviously of overwhelming concern to the British elite. Even the Archbishop of Canterbury interrupted his vacation to oppose advertising on television. A strong voice for the opposition was Lord Reith, the legendary first director general of the BBC, who himself had headed the BBC when it was still a private commercial enterprise. In 1950,

Reith had testified to the Beveridge Committee that "it was the brute force of monopoly that enabled the BBC to become what it did; and to do what it did; that made it possible for a policy of moral responsibility to be followed" (Wilson, 1961, p. 21). The unfortunate expression "brute monopoly" figured prominently in subsequent criticism of the BBC. But Reith was unrepentant: "Somebody introduced Christianity into England. And somebody introduced smallpox, bubonic plague and the Black Death. Somebody is minded now to introduce sponsored broadcasting" (Briggs, 1979a, p. 833). In the House of Commons, tensions ran equally high, and the opening speaker was interrupted more than thirty times. In the end, the motion against the government lost by a count of 87 to 157 votes.

After the government narrowly won the vote on the White Paper, the next step was the formulation of a television bill. The bill included safeguards that responded to the criticisms voiced in Parliament and stipulated that an Independent Television Authority be established as a supervisory institution. Many of today's restrictions on the independent television system can be traced back to those concessions and safeguards made to mollify critics and to persuade lukewarm supporters. The Parliamentary debate over the final bill was a long, drawn-out battle that included some strange lineups. One member, George Thomson, argued strongly for a free vote, which would have lost the vote. Later, as Lord Thomson of Monifieth, he became chairman of the IBA. Some Labour members, such as young Anthony

Wedgewood-Benn (later known as Tony Benn, leader of the left wing of the Labour party), favored an end to the BBC monopoly, though not necessarily through advertising support (Sendall, 1982, p. 37). With some interruptions, the parliamentary debate lasted for four months, and included discussion of more than 200 amendments. Finally, on July 30, 1954, the bill was passed, thus ending more than two years of intense debate. The era of limited private television began in Britain.

The Institutions of Independent Television

During the year 1954-1955, the basic structure was set up that endured for many years. The ITA's first chairman was Sir Kenneth Clark, who, ironically, epitomizes for many Americans the BBC style. The first Director General was Sir Robert Fraser, an Australian who was almost elected in 1935 as a Labour member of Parliament.

The bill on independent television did not merely establish a second channel; it sought to encourage varied program suppliers. Fraser therefore initially sought the allocation of six channels for two or more full-coverage national independent networks and about fifty separate independent (ITV) stations. Alleged spectrum limitations, however, reduced this to one channel (though spectrum was later found for BBC-2 and Channel 4). The fear of too much commercial TV too soon probably was the primary reason. The Authority therefore contemplated establishing competition by allocating a single channel in several ways, either by dividing broadcast time among different

program providers or by dividing it according to geography. Fraser favored a system of rigorous competition among program suppliers, but the realities of power in the quickly established program companies resulted in regional monopolies or duopolies being carved up.

The Authority moved extraordinarily quickly to grant licenses. In August 1954, less than a month after the law had been passed, ITA members had already been appointed and had published invitations for license applications. In September, screening interviews were held, and in October, licenses were offered to six stations. By November, contracts were signed. In each of the first contract areas (London, Midlands, and Northern), the broadcasting time was split between weekend and weekdays and was awarded to different companies.

Two newspaper groups received licenses, and this generated criticism about the expansion of the powers of the press. Eventually, in 1963 amendments to the law, the cross-ownership of newspapers in broadcasting was restricted. Surprisingly, that matter had never come up in the parliamentary debates before the act was passed, even though almost everything else had been discussed (Sendall, 1982).

Another issue that was settled during the first months of the Authority was News provision. ITA and the initial program companies agreed to create a news subsidiary (ITN), with each program company owning a share.

The Authority also established rules about the "proper

proportions" of programs of British origins, requiring negotiations with fourteen different organizations of creative talent headed by the British Actors Equity Association. A tacit agreement was reached under which an average of one hour per day of foreign-made film programs were permitted to be shown each week out of a total of fifty. This percentage (14 percent) has remained the rule since, though it is flexibly exercized.

The main technical function of the Independent Television Authority (ITA) was to provide technical transmission and broadcast facilities. Broadcast towers had to be erected, and their locations became highly significant, because they defined the range of the licensee's territory and hence audience and profits. Eventually, the BBC and the ITA became collaborators in the technical field. (All new UHF television stations share the same sites, for example.)

In September 1955, the first ITV programs were broadcast in London. In the Manchester and Liverpool regions, transmission began in mid-1956. In the following years, independent television spread across Britain. By 1962, fifteen companies had been licensed, and ITV reached most areas of the United Kingdom, except for northern Scotland and the heart of Wales, which were reached later.

Almost immediately, the ITV programs were successful in terms of audience. Five minutes after ITV's opening broadcast, the BBC recorded an audience share of 63 percent for ITV in London. One month after ITV commenced operation in Birmingham, a

Gallup poll showed that 58 percent preferred ITV, whereas only 16 percent preferred the BBC. By 1957, ITV had over 70 percent of TV audiences. Of course, many responses were based on the novelty of ITV and on the satisfaction of seeing the mighty BBC forced into competition. As time passed, and following a major effort by the BBC, the percentages eventually became much more even, though ITV tended to have a slightly larger audience.

Although the argument is frequently made that the introduction of commercial television reduces audiences for public broadcasters and hence contributes to their decline, the British example shows that the opposite can also be true in situations where the market is not saturated. After commercial television was introduced in 1955, the number of television households increased substantially (Heyn and Weiss, 1980, p. 135-50). This increased the number of television set licenses, and thus the BBC's revenues grew faster than would otherwise have been the case.

Fifteen independent television program companies serve fourteen established television regions, with London, the most populous region, being shared by two companies. Of these fifteen regional stations, Thames, London Weekend, Central, Granada, and Yorkshire jointly provide most of the programming for the national TV schedule. TV-AM, the commercial venture broadcasting only in the morning, operates under a national franchise granted by the IBA in February 1983. The ITA limited influence in affecting the arrangements of program exchange. In the early

1960s, program companies increasingly formalized their policies, establishing in effect a program supply cartel, so that at any given time only one program was offered for network distribution. Furthermore, the agreements restricted regional companies from having their programs distributed over the network. Programs were also noncompetitively distributed by the program companies under identical terms, a practice that later became a subject of concern, and of reform in 1990.

When independent radio broadcasting was added in 1973 to the ITA's mandate, it was renamed the Independent Broadcasting Authority (IBA). The IBA has a staff of about 1500 employees, including technical personnel, and is run by a twelve-member board appointed by the Home Secretary. It operates transmitters for the fifteen regional television and radio program companies and is financed by payments from these companies. It also collects for the government the various charges and fees from the companies related to their profits.

The IBA possesses several regulatory tools. It can prohibit particular programs, temporarily suspend broadcasting, or cancel the license. In 1980, the license renewals of two ITV companies were denied without any specific explanations. Such criteria-less denials exert pressure on the companies to stay within the good graces of the IBA. The entire license award system takes place largely behind closed doors, and new entry is extremely difficult.

The IBA also established its authority to approve major

ownership changes above 5 percent) of the franchised companies, and in 1986 prevented Rank from making a hostile bid for Granada. Similarly, it prevented Thorn-EMI and BET from selling Thames TV to Carlton.

The IBA rules stipulate that no more than five feature films can be shown per week except during the Christmas season and that no more than four game shows with prizes can be shown per week during prime time. Sponsored programs are prohibited on ITV (though they are allowed on Channel 4). Advertising minutes are limited to an average of seven per clock hour on television, and nine minutes per hour on independent local radio. Advertisements are not allowed during the broadcasts of religious services, royal occasions, educational broadcasts, children's programs, or current affairs programs.

Advertising is censored before being broadcast and must conform to an elaborate code of standards drawn up by the IBA in consultation with advisory committees and the Home Secretary. Consumer representatives serve on the advisory committee. The Advertising Controls Division and a copy clearance office of the independent program companies associations carefully examines all advertisements. Political or religious advertisements are prohibited. Of the 12,000 advertising scripts reviewed annually, about 20 percent violate the code and are returned.

Although broadcast frequencies were available, the creation of a second commercial channel was stalled for a number of years, because of disputes among the BBC, the regional independent

companies, independent producers (who desired a channel for their programs), the Welsh language minority, and the government. The Thatcher government fashioned in 1980 a compromise in which independent producers were encouraged to supply programs. Overall control over the channel, however, was given to a separately licensed entity without production capability, controlled by the IBA. Channel 4 is national rather than regional in structure. It is financed by the regional program companies, which can insert into it advertisements receivable within their region. This arrangement is significant because it maintains their regional monopoly over television advertising. In Wales, after much agitation, a separate authority runs a Welsh channel that includes ITV and BBC programs in Welsh.

Channel 4 was to provide experimental programming and to serve special audience interests. The company commissions and buys programs from ITV companies as well as from other sources, such as independents. It contributes to British moviemaking by cofunding a large number of theatrical feature films each year, thus providing a market for small independent film producers. The share of programming provided by independents has increased from one-third to one-half, with an average cost per hour of program production of initially about $40,000, extraordinarily low in comparison to those of the BBC and ITV/1 (The Economist, 1985b). With Channel 4's help, by 1988 there were more than 750 members in the Independent Programme Producers Association (IPPA), contributing to London's increasing importance as a

center for video materials and a leading postproduction center in Europe. In the past, independent producers could not do much work for the ITV or BBC companies, because these had large in-house production operations. The Peacock report recommended that BBC and ITV carry 25 percent independent programs. Neither the BBC nor the ITV companies were happy about ceding production. The broadcasters convinced the government to exclude news and public affairs from the total amount for independent producers. The BBC lagged behind ITV in compliance and filled less than one-third of the narrowed goal in its 1991 schedule.

Private broadcasting downplays its commercial base. IBA's official brochure, "Independent Local Radio," does not refer even once in twenty fact-filled pages to advertisements, advertisers, or commercial operation. The preferred term is _independent_ rather than _private_, _commercial_, or _for profit_. Despite such discretion, ITV profits are not understated in real life. In 1956, a House of Commons committee documented extraordinarily high returns. Responding to questions from the Pilkington Committee, the ITA reported in 1961 that on the average the program companies had a profit margin of 60 percent on revenues. These returns were based on the shared companies' monopoly over broadcast advertising. Such market power could have been greatly reduced by the licensing of additional alternate channels. Instead, the government, in search of revenue, preferred to become a participant in the monopoly rent and imposed an excise duty of 10 percent on all advertising revenues.

The terms of the levy have changed several times since the early 1960's. Under an arrangement which came into force in January 1990, the aim is for three quarters of the levy yield to come from a 10 percent levy on net advertising revenue, and the remaining quarter from a 25 percent levy on domestic profits. Profits on overseas sales are exempt to encourage exports. There is a "free slice" on both elements of the levy: £15 million plus the equivalent of each contractor's Fourth Channel subscription on revenue, and £2 million on profits. The remaining profits are subject to a 35 percent corporation tax. This levy terminates at the end of 1992. From 1993 its role will be performed by the new competitive tender arrangements under which there will be payments for Channel 3 licences comprising a mixture of lump sums and annual payments related to income (advertising, subscription and sponsorship revenue). The changes in the levy structure contributed to an improvement in the efficiency of the ITV companies, including working practices, staffing levels and costs reductions. (T. Abraham, Communication)

This combination substantially reduced the incentives to companies to control their costs and has contributed to high expenditures and wage settlements. Within a short time, the BBC Staff Association was ousted at the program companies by the significantly more militant Association of Cinematograph and Allied Technicians (ACT, subsequently ACTT), setting in motion a sequence of significant labor strife.

Since profits from program exports are not part of the base

for the levy, there is a strong incentive to push these activities. The system of levy on profits not only is economically inefficient in that it encourages wasteful ITV practices and salaries, but also undermines the BBC, which cannot match these conditions. In 1988, the ITV companies' revenue was over £1 billion, whereas the BBC television budget was £800 million.

In 1962, the Pilkington Committee issued a report that sharply criticized ITV while praising the BBC's performance. It found the Authority to be passive and more often an advocate than a controller. It also criticized the independent companies' program quality (violence, stereotypes, etc.), the lack of balance between the smaller and larger companies in program resources, the preponderance of publisher involvement, and the absence of a proper control over advertising. The government accepted some of the recommendations and passed corrective legislation. But it did not restructure the entire system, as the report had recommened. The Television Act of 1963 strengthened ITA's control and established the "levy" on program company revenues. More informally, the program companies also took stock of their operations and modified some of their program offerings.

A decade later, in 1972, the Select Committee on Nationalized Industries issued a highly critical report about the ITA and its performance in the areas of programming, finance, and accountability. In 1977, another government report, this time by

the Annan Committee, observed great improvements in IBA services, but it did not recommend that IBA supervise a fourth British television channel. Instead, it recommended that such a channel be run by a new "Open Broadcasting Authority" that would broadcast programs supplied by a variety of sources, including independent producers, education institutions, and ITV companies. The Annan report did, however, advise delaying the implementations of these proposals.

The emergence of commercial ITV programs did not lead the BBC to define its role as providing only those types of programs that commercial suppliers do not serve. In a speech to the General Assembly of the European Broadcasting Union, the BBC's then Director General, Alasdair Milne, was emphatic that it would never surrender the so-called popular areas of broadcasting to commercial competitors:

> We would regard such policy as a betrayal of the purpose for which the BBC was set up. The license fee would, were we to adopt such a course, come under intolerable political pressure, because many would be asked for services that only a few would use.
>
> The corporation would decline into insignificance and impotence. Only the memories of the good ol' days would remain. The most talented producers would all leave because we would neither reward their services adequately nor command comparable audiences to those of our competitors.
>
> We believe public service broadcasting must make the popular worthwhile and the worthwhile popular. We reject the notion that the popular is constant, and that we have as public service broadcasters any right to hand it over to men whose primary aim is to make money. Here we stand; we can do no other [Ball, 1984a, p. A12].

The reality of BBC programs, however, is more complex. The BBC's director of programs claimed that ratings are "of no great consequence." Yet how might one otherwise explain the importation of several Hollywood series silly even by the standards of American commercial TV? Could not a number of higher-quality U.S. series have been chosen? In surveys people tend to indicate that they prefer BBC programs over ITV, but

actual viewing statistics show a somewhat greater ITV audience.[2]

The existence of rivalry between the BBC and ITV does not necessarily mean that the BBC is dragged down by its commercial rival. Between 1956 and 1976, the first two decades of competition between public and commercial television, the BBC's political coverage quadrupled. Its treatment of electoral events had been, originally, most reluctant. Anthony Smith, in observing that until the mid-1950s the BBC did not cover the influential annual conferences of the major parties, adds that "in its early days, the BBC actually prided itself for <u>not</u> covering the general elections" (1979, p. 28). The initiative was finally taken by the commercial IBA broadcasters.

Nor does the BBC always aim for the high end of the audience. When "breakfast television" was introduced in Britain, ITV's show, licensed as the separate operation TV-AM apart from the regional companies, began as loftier than the BBC's (Smith, 1983).

Non-British television audiences often incorrectly assume that any high quality programs with British accents are BBC productions. In fact, many quality programs from Britain originate with ITV companies. For example, both "Jewel in the Crown" and "Brideshead Revisited" were created by Granada Television, a broad-based media company known for its investigative journalism and its pioneering of the docudrama format (Nadelson, 1984, p. 26). In 1958, it caused a national controversy when it challenged the stuffy terms of a 1949

agreement that prohibited televising debates between political candidates and interviewing candidates on electoral issues.

The Establishment of Cable Television

The transmission of broadcasting signals over cable actually began before the introduction of British television. Radio relay by wire became popular in the 1920s because it often provided better sound quality and because users were able to avoid the greater expense of a regular receiver instead of simply a loudspeaker.

For a while, the BBC considered operating its own wire relays as an alternative form of distribution. Peter Eckersley, the BBC's first Chief Engineer and one of the its visionary early figures, tried to persuade the BBC in 1925 to substitute wire for wireless. He argued that wire transmission solved spectrum scarcity. "It is not impossible to visualize, in say 20 years time, complete wire broadcasting, supplemented, it is true, but in minor part, by wireless broadcasting."[3] He even planned an experimental BBC exchange at Norwich, with wiring by the Post Office. But nothing came of it, partly because the Post Office would not promise to maintain the BBC monopoly in wireline transmission.

When the commercial Radio Luxembourg took to the air, the BBC tried to prevent its being carried on British wire relays. In 1937, "must-carry"-type rules were enacted that required the BBC to be carried, and relay companies were prohibited from originating programs.

By 1950, more than 1 million subscribers in urban areas received radio via wire networks (Dornan, 1984). Most systems were merely emerging cable TV upgrades of the earlier wire distribution of radio. Others were master antenna television systems in housing developments aimed at preventing antenna forests. One inhibiting factor for the growth of cable was the restriction on program channels other than BBC and ITV by restricting cable transmission to simultaneous retransmission. At most, out-of-area regional ITV signals could be imported. Because of improvements in broadcast transmission and reception technology, the existing cable system actually declined in importance. Of the relay cable systems, about one-half were operated by noncommercial operators such as local authorities and housing associations. In 1982, there were 185 commercial operators (10 percent less than the year before and declining). Of those operators, only a few had over 5000 customers. Commercial operators served 1.36 million subscribers, and the 1566 noncommercial operators served 1.1 million subscribers (Veljanovski, 1984). In 1984, the three major systems were Rediffusion (fifty-four franchised areas and 300,000-350,000 subscribers); Visionhire Cable (fifty-five systems and 300,000 subscribers); and Telefusion (forty-two systems and 230,000 subscribers). Most systems had only a four-channel capacity (McGhee, 1984, p. 41).

In 1972, the Conservative Heath government granted several limited experimental franchises that would have permitted

additional programs. However, no advertising, feature films, sponsor programs, or additional subscriber charges were permitted. Only a few firms took advantages of this less-than-overwhelming opportunity. In 1974, with the Labour party back in power, even this modest development of cable was stopped.

But five years later, with the Conservatives back in power, government policy changed. The high-technology field was regarded as a key to Britain's recovery. And the Labour party was consumed by internal struggles and did not pay much attention to cable television matters. In addition, the left wing of the Labour party was hostile to the BBC and ITV.

A main impetus for British cable was the 1982 report of the Information Technology Advisory Panel (ITAP), a group consisting primarily of representatives of the technology sector rather than of the media and culture fields. The report strongly supported the desirability of cable television on the grounds of industrial development. These advantages could be secured without government funds, merely by allowing entrance of the private sector.

> We suggested that (a) there would be a net employment generating effect, which could be substantial, (b) that insofar as manufacturing products are involved, these would at present . . . more likely be British made than if the same consumer expenditure were devoted to cars, video cassette recorders, etc., and (c) that the resulting

stimulus to programme and information producers would result in products that had significant international market, given the high reputation of U.K. broadcasting and information services [ITAP, 1982, pp. 28-29].

> [A decision to encourage cable systems would] therefore provide a large stimulus to developments in optical fiber technology as well as in the industries associated with consumer electronics and the supply of programme material [ITAP, 1982, p. 29].

The committee put pressure on the government's timing:

> A delayed decision is, in this case, the same as a negative decision. There is a very limited time in which industrial capability and market opportunity will exist in the UK. Beyond this time, the chance of creating a strong UK presence in cable systems will have disappeared and with it some thousands of jobs and prospects of substantial export earnings [ITAP, 1982, p. 49].

On the day the ITAP report was issued, Home Secretary White law appointed a commission of inquiry chaired by Lord Hunt of Tanworth.[4] The committee was instructed,

> to take as its frame of reference the Government's wish to secure the benefits for the United Kingdom which cable technology can offer and its willingness to consider an expansion of cable systems which could permit cable to carry a wider range of entertainment and other services . . . , but in a way consistent with

a wider public interest, in particular the safeguarding of public service broadcasting [U.K. Home Office, 1982, p. 1].

In other words, the decision had already been made, without public debate, in favor of the expansion of cable television, and the Hunt Committee merely had to recommend the best way to achieve it.

When the Hunt Committee report was published, only six months later, it was termed by the Financial Times a "fiendishly clever web of British compromise, [that] appears to square every circle . . ." The Hunt report agreed that multichannel cable not only was desirable, but could coexist with existing broadcasters without seriously harming them. This position was also held by the Department of Trade and Industry, which supported cable more strongly than the Home Office, the ministry in charge of supervising electronic media.[5] The report also stressed the importance of advanced service, a view that matched the government's.

The report distinguished between cable providers, cable operators, program or service providers, and program makers. The report recommended that only the cable providers and operators be regulated and licensed. It rejected a common carrier model with total separation between cable provider and cable operator, because it would discourage private capital, since the willingness to invest in the network infrastructure depended on control over the nature of the service offered to subscribers.

Similarly, the Hunt report permitted the cable operator also to provide programs (i.e., be vertically integrated into program supply). An undesirable monopoly situation could be avoided by an "expectation of some channels to be available for lease use by persons having no connections with the cable operator" (U.K. Home Office, 1982, p. 8).

The then Director General of the BBC, Alasdair Milne, vehemently attacked the report: "The BBC does not . . . accept that cable operators should be licensed to interrupt the entertainment patterns of network television in order to finance a limited spread of cable in the United Kingdom" (The Times, Oct. 12, 1982).

Similar attacks were made by the chairman of the IBA, Lord Thomson, who said of the Hunt recommendations, "They could drive our broadcasting services—which have evolved over the years to be the highest quality in the world—over a precipice, and break their back" (Sunday Times, Oct. 17, 1982, as quoted in Dornan, 1984, p. 30). Despite its own traumatic birth, the IBA clearly had no sympathy for the next generation of newcomers.

A government White Paper was published in April 1983 and took a more conciliatory line than the Hunt report: "the Government accepts that it has a responsibility to safeguard public service broadcasting" (U.K. Department of Industry and Home Office, 1983, pp. 38-39).

The White Paper recommended that a regulatory cable authority "use a light regulatory touch, and adopt a reactive

rather than proactive style" in its franchise policies (U.K. Department of Industry and Home Office, 1983: p. 59).

Importantly, the government encouraged the provisions of telecommunications services over cable. The exclusive right to interconnection of different local cable systems, however, would belong to British Telecom and Mercury. Moreover, cable operators would be able to provide voice telephone service only if they did so in partnership with BT or Mercury. Similarly, an association with one of those two companies would be necessary for a cable operator to provide data services in the five major business districts of the country.[6]

On the same day that the government published the White Paper, it announced its intention to grant up to twelve interim cable licenses and emphasized testing advanced technology and interactive services. In selecting among the thirty-seven applicants, it generally favored technologically advanced systems.

Of the eleven interim franchises granted in 1983, eight were switched-star network configurations. British Telecom was involved in five of the consortia.[7]

In October 1984, the first of the initial real broadband cable systems to operate in Britain was opened in Swindon by a subsidiary of Thorn-EMI. The systems had a thirty-two-channel capacity and at first used thirteen channels, including the four TV broadcast channels, two out-of-area commercial ITV services, and the commercial satellite channels Music Box, ScreenSport, the

Children's Channel, and Sky Channel. The pay channel Premiere was also offered. Also included was a local news program, teletext service, and stereo radio.

The Regulatory Framework of Cable Television

The Cable and Broadcasting Act of 1984 that was passed following the White Paper provided a statutory framework for the new medium and established a Cable Authority to oversee it. The Authority grants and enforces franchises for new cable systems and establishes codes of program standards, advertising, sponsorship, and other content matter. The authority also promotes the provision of all cable services, a point of potential conflict. As part of the Broadcasting Act 1990, the Authority became the cable division of the newly created Independent Television Commission.

Although the Cable Authority is appointed by the home Secretary, it is an autonomous body. The first chairman was Richard Burton, retired chairman of the Gillette Razor Company. Appointed as the first Director General was Jon Davey, a former Home Office offical who had served as secretary to the Hunt Commission and had been instrumental in developing cable policy.

The Cable Authority announces the opening for bids to provide cable in areas where local interest for service has been expressed. Applications are then received and published, and public comments are invited. In contrast to several countries having extensive cable systems—the United States, Canada, the Netherlands, Belgium, and Switzerland—cable franchises in the

United Kingdom are awarded by a central rather than a local government authority, partly to avoid vetos by local councils dominated by the Labour party. Local input is only an informal influence.

A cable franchise operator requires two licenses: a program license from the Cable Authority and a telecommunications license from the DTI. Of the two, the program license by the Cable Authority is the significant hurdle, since the DTI tends not to stand in the way as long as technical requirements are fulfilled. By statute, the Authority must consider certain specific points concerning applicants. These include their willingness to offer program materials originating in Britain and the E.C. countries; extension of assistance in the production of educational, local, and community access programs by local nonprofit organizations; assistance to the deaf; and provision of interactive services.

The Cable Authority's mandate requires applicants to ensure decency, protection of children, news impartiality, and absence of political or religious bias. Code provisions govern the showing of violence and appeals for fund raising. The Authority follows complaints and it samples programs to enforce standards.

Advertising on cable channels must accord with Authority standards, which are similar to those of commercial broadcasting. There are fewer restrictions affecting the quantity and scheduling of these advertisements. Sponsored programs, which are prohibited on broadcasting, are also permitted.

The Cable Authority has extensive powers. Under a Conservative government, it is unlikely that these powers would be exercised in a way that would hurt the cable industry during its early phases. But the standby powers nevertheless exist and could be applied in a less favorable political climate. For example, the Authority has the power to exclude certain organizations from holding shares in cable companies where it is "against the public interest." It can also change licenses after they have been granted and has the right to restrict the percentage of foreign language programs. Moreover, there is no forum for substantive appeal against the withdrawal of cable licenses.

Upon issuance of their licenses, license holders are charged a fee of £10,000 or more, depending on the number of homes passed. Additional fees are charged annually. The DTI also levies a license fee of £5,000 to £10,000, with annual renewal fees in the same range.

Companies and individuals that are not E.C. nationals or UK residents are restricted from holding a license. Also excluded are local authorities (to prevent hostile local government ownership, reminiscent of the early history of telephone service), political or religious bodies, and ITV commercial broadcasters in their franchise areas. The Authority has the power to judge whether granting licenses to companies with other media interests may lead to adverse results for the public interest and to disqualify those that do. Non-EC ownership is

not completely excluded, as long as it is less than 50 percent of the voting shares. Where ownership is fragmented, non-EC participation must be less than 30 percent.

The licensing conditions set by the Cable Authority and the Department of Trade and Industry reflect lessons from cable systems in other countries, particularly the United States. But some of the problems that have arisen in the context of American cable television were ignored. No provision exists for leased program access as a matter of right by those who supply video programming on a commercial basis.

On the other hand, the licensing requirements exhibit a progressive view of cable as an alternative form of local telecommunications distribution, beyond its role in video mass programs. A number of provisions deal with rights of interconnection, access charges, and equipment standards. These rules recognize that the second communications wire reaching British households can do more in the future than transmit television programs.[8]

The Problems of British Cable Television

The development of British cable program channels was more active than anywhere else in Europe. But the actual cabling of Britain has been relatively slow. Software was far ahead of hardware. Of the first eleven franchises awarded in 1984, several had not started any activities by 1987, whereas others were considerably delayed. Unlike Germany or France, where the telephone authorities are active in the construction of the cable networks

and invest large sums of money, Britain tried to encourage private investors to assume this expense, but they have proved reluctant to do so.

Among the reasons for the slow pace is a change in tax laws that reduced the ability to write off investments in cable and led to considerable ownership shifts in virtually all the systems. For various reasons the subscription rates for service ended up almost twice as high as initially anticipated, choking off subscriber demand. Only about 20 percent of homes passed actually subscribed. Also, the perceived risk for investors in cable television increased. DBS became a potential competitor, and the penetration of VCRs to almost half of all TV households reduced consumer demand for cable programs.

A casualty of the slow development was the switched-star system. Whereas in 1984 many systems had promised to offer such architecture, they subsequently moved to more conventional systems. British cabling policy, favoring a switched-star architecture and optical fiber, has been technologically more ambitious than that in other countries. Cable television, from the days of the ITAP Report, was considered a matter of industrial policy (Dyson and Humphreys, 1985). In contrast, the German Bundespost has been criticized for not being ambitious enough technologically and for not using fiber, the next generation of transmission. Thus, British cable policy was an uneasy mix of media policy, telecommunications policy, and industrial policy. It was wrought with multiple priorities and

contradictions.

The technological requirements of a switched-star architecture is both the strongest and weakest part of the regulatory scheme. This distribution method reflects the leading edge of regulatory thinking about the role of cable transmission and its integration into the remainder of the telecommunications system. Yet these rules were not based on technological or economic reality; they set up a game for which no willing players turned out. Thus, the regulatory scheme pursued internally contradictory goals: encouraging competitiveness in telecommunications by establishing the next generation of cable transmission while at the same time espousing economic market principles.

No cable system offered true switched-star systems.[9] The emergence of switches that can handle the large capacity required for true broadband switches is only developing. Moreover, there is no evidence of present great need for switched, fully interactive services over cable, although it may well emerge in the future. Any need that does arise could be met mostly by traditional telephone systems without upgrading. In this area, however, the British government had a strong industrial policy goal in seeking a great leap forward in cable technology. This hazardous contradiction led to the emergence of cable television in economically fragile circumstances. In its first years, a cable operation requires very large capital investments, and public acceptance is far from assured. A new media system has to

set up an entire infrastructure consisting of program suppliers, advertisers, equipment manufacturers, and others. In the United States, this process took a substantial time. The various technical requirements of the systems, based on the desire to help British industry and high technology, complicate the development of commercially viable cable in its infancy.

To encourage switched systems, licenses were extended to twenty-three years (rather than fifteen) for cable operators who adopt the technology. An agreement on the technical specifications had to be entered with the DTI in advance.[10] Even operators installing tree and branch systems had to lay underground ducts in a configuration that would permit upgrading to a switched system without requiring the streets to be dug up again.

Cable operators are required to bury cable underground, which increases cost. Estimated construction of switched-star underground network for an area of 100,000 homes was £35 million, with a payback period of twenty years and a 10 percent return rate. An underground tree and branch system, on the other hand, cost about £26 million, with a payback period of fourteen years and a return rate of 17 percent. Still less expensive is an above-ground tree and branch system utilizing telephone poles, costing about £16 million with a payback period of twelve years and a return rate of 25 percent. The latter is the system typically used in the United States.

In 1985, the industry was shocked when the two largest

firms, Rediffusion and Visionhire, departed from cable television within two days of each other, soon to be followed by Thorn-EMI. British Electric Traction sold Rediffusion, with 1.8 million homes passed, to Pergamon Press for $13.2 million, and was renamed British Cable Services (BCS). Pergamon is owned by the media magnate Robert Maxwell. Thus, as a traditional "technical" cable operator exited, a major publishing company entered. Robert Maxwell, who had arrived penniless from Czechoslovakia before World War II, started his publishing empire in 1951 from the base of five specialized trade publications that grew to over 350. His firm, the British Printing and Communications Corporation (BPCC), was a highly profitable printing, labeling, and publishing operation (Kerver, 1986). For a while, he served as a member of Parliament for the Labour party, but a financial scandal ended his political career. Maxwell, an increasingly significant presence in European and U.S. media, was also active in a videocassette magazine, in DBS, and in satellite program channels. He was creating an integrated media company: newspaper interests, cable network operations, and program channels, though the mix of these holdings kept changing.

Another firm that left cable operations, Thorn, was engaged in appliance manufacturing, defense, entertainment, and music. In 1979, it acquired EMI, which owned record, film, and television productions, movie chains, and diverse copyrights. EMI also had experience in high-technology defense electronics and medical technologies and owned various dance halls, billiard

and bingo halls, hotels, and restaurants. Together with Yorkshire-TV and Virgin Records, Thorn-EMI established the Music Box television channel. But in 1984-1985, Thorn-EMI profits declined, its chairman resigned, and it cut back many of its "new media" activities, including cable television.

In the face of this adversity, the government lowered its high-technology requirements. Going one step further, it also decided to support cable television financially by providing a subsidy to encourage R&D in interactive services and star-switched networks. These funds would go to cable operators to help demonstration projects for interactive services. The government also increasingly sought out the newly privatized British Telecom to play an active role in developing cable. Such reliance on BT was an acknowledgment that the private sector outside the telephone industry had difficulties in independently shouldering the large capital investments necessary for widespread cabling. To safeguard competition and prevent internal cross-subsidization, BT was required to keep its cable subsidiaries separate.[11] BT, however, eventually became more interested in upgrading its telecommunications network to broadband fiber and sought to exit cable altogether.

Next, the government encouraged foreign entry. Several dozen North American companies acquired equity interests in cable franchises. Investors include five of the regional Bell Operating Companies, and U.S. and Canadian cable firms. Although there are restrictions on the participation of non-E.C. interests

in U.K. cable ownership, this can be bypassed by establishing British-controlled trusts (Glenn, 1990, p. 4).

American interest in British cable stems both from the fact that the U.S. cable market is largely cabled up, and that American Bell telephone companies can participate in Britain, in contrast to the restrictions placed on them in the Untied States.

Between 1983 and 1988, the Cable Authority issued thirty-one cable franchises; in 1989, it issued twenty-eight; and in 1990, it issued another twenty-five. All franchises in major urban-suburban areas had been awarded by July 1990. But franchises and actual cable in the ground are two different matters. Only seventeen broadband systems were actually operational in 1990, but all franchises made available, save one, in major urban and suburban areas had been awarded. In January, 1991, there were 150,000 subscribers and 670,000 homes passed, and the broadband penetration rate was a low 16 percent (Cable Telco Report, 1991, p. 9). In Aberdeen, only 11 percent of the 91,000 homes passed in 1990 chose to subscribe. There were fewer subscribers in the United Kingdom than in small countries, such as Austria, Finland, Norway, or Switzerland, not to mention Belgium or the Netherlands. The top cable companies, measured by population in the franchised areas showed in January 1990 a striking North American presence:

	Homes in Franchised Areas
1. US West (US)	2,328,000
2. PacTel (US)	1,626,000
3. United Artists Entertainment (US)	1,411,000
4. Bell Canada (Canada)	1,167,000
5. Videotron (Canada)	1,165,000
6. Jones International	1,074,000
7. Leonard Communications (U.S. cable)	1,040,000
8. Nynex (US)	1,013,000
9. Comcast Corp (US)	1,004,000
10. Masada Corp (US)	999,000
11. Insight Communications (US)	974,000
12. Maclean Hunter (Canada)	954,000
13. Generale des Eaux (France)*	916,000
14. US Cable (US)	907,000
15. CUC Broadcasting (Canadian MSO)	827,000
16. Southerwestern Bell (US)	790,000
17. Falcon Cable (US)	643,000
18. First Carolina Cable (US)	643,000
19. Columbia Management (U.S. cable)	412,000
20. Cross Country Cable (U.S. cable)	357,000
21. Telecable (US cable)	312,000
22. Bruncor (Canadian LEC)	270,000
23. Cablecasting (Canadian MSO)	224,000
24. Starstream Communications (U.S. cable)	187,000
25. Vento Cable Management (U.S. cable)	185,000
26. N-Com Cablevision (U.S. cable)	110,000
27. USA Cable Connections	105,000
28. ATC	91,000
29. Yorcan Communications (Canadian cable)	78,000
30. Malarkey Taylor Associates (U.S. cable)	55,000

(Source: Cable Telco Report, 1991, p. 9; adapted)
* from New Media Markets, July 19, 1990, p. 4

These numbers are potential customers; in most instances, the cable systems have not actually been constructed. But it suggests a future dominance of foreign firms in British cable, which is problematic for its long-term stablility. If cable becomes the major distribution medium, as is the case in North America and parts of Europe, and as its financial and media power grows, the question of national sovereignty over communications will arise. This will be aggravated by the frictions with

customers that unavoidably accumulate over the years. In a changed political environment, North American domination may not be acceptable. Thus, foreign investors may find themselves welcome when cable is lagging, but not when it becomes a success.

Many franchises did not speedily begin construction of their systems. In some instances, cable construction proceeded so slowly after the award of a franchise that the regulatory system took action. Oftel, the U.K.'s telecommunications regulatory agency in charge of enforcing the DTI's technical license, took action in 1990 against several franchises to speed up their construction.

For all its efforts, British cable did not have much to show in terms of either technological performance or widespread presence as a distribution medium. But the government's dogged determination was pushing it closer to take-off.

Cable Television Programming

In contrast to actual cable distribution network, the provision of program packaging has been very active. For nonbroadcast channels, no requirements exist for license or for carriage. A 1988 Cable Authority memorandum summarized the approach: "entry into this market is totally free: no license, contract, or official approval is required by anyone wishing in the UK to set up in business as a provider of programs to cable operators" (Home Office, 1988).

Of the new British channels, the most widespread in Europe is Sky Television, Rupert Murdoch's satellite program service,

which has operated since 1982 and provides programs to several European countries.

The idea for Sky Television started with Brian Haynes, a former British television producer who had reported on the American cable boom and had the idea to set up a similar cable program distribution in Europe linking the various European cable islands. With access to an Intelsat transponder, Haynes secured credits and, together with publishers and insurance companies, founded Satellite Television (Biebl and Manthey, 1985).

The firm quickly ran into problems. First, it had to overcome a host of legal hurdles in different countries. In many instances the cable systems were operated by the domestic PTT and required time-consuming negotiations. Program copyrights did not necessarily cover all countries reached and led to legal and royalty expenses. Also, cable systems had not yet invested in satellite antennas that could connect the cable islands to each other. Haynes therefore needed to acquire and install the relatively costly dishes.

When Haynes ran out of money, Rupert Murdoch bought out the firm. Through his large involvement in Australian and American commercial broadcasting, he was also in a position to provide the ingredients for a European operation. Toward the same end, Murdoch was purchasing satellite distribution rights for much of Europe for many feature films. After 1984, Murdoch received access to the cable networks in Britain, Norway, Austria, Germany, and the Netherlands; he switched to the newer European

ECS satellite and renamed the service "Sky Channel." Although audience interest was adequate and growing, Sky's problem was to attract advertising, of the kind that appeals across national boundaries.

Rupert Murdoch, the Australian media entrepreneur (he subsequently became an American citizen), is also one of the major figures in British media. Born in 1931 in Melbourne into a newspaper publisher family, he studied at Oxford and gained reporting experience in Birmingham. In 1952, he acquired the Sunday Times in Perth and made it into a success. It became a model for his operations, which later included over eighty newspapers and magazines with a combined circulation of more than 70 million. In the United States, Murdoch's media plans were not always successful; he failed in his attempts to acquire Warner Communications and the pay cable channel Showtime; he had to give up plans for a "Skyband" direct satellite broadcast system. Subsequently, he acquired American broadcast interests by purchasing six stations (in Chicago, New York, Washington, Dallas, Houston, and Boston) from Metromedia for $2.1 billion as well as the major Hollywood film studio and distributor 20th Century Fox. With these elements, he successfully structured a fourth network, Fox-Television.[12]

In 1989, Murdoch expanded the single-channel Sky Channel, which operated on a low-power satellite, into the four-channel Sky Television—Sky One, Sky News (Britain's first 24-hours news channel), Sky Movies, and Eurosport—on the medium-power

Luxembourg Astra satellite; there are also several radio channels (Sky Radio).

In 1990, a rival DBS system, British Satellite Broadcasting (BSB), launched its own multichannel program. BSB's channels, receivable directly over cable, were The Movie Channel (subscription movie), Now (leisure and womens' programs), The Sports Channel, The Power Station (music videos), and Galaxy (drama and variety). It provided high-quality weekend arts programs. BSB's satellite system was its own, using two Hughes Communications satellites; it was incompatible with Sky. BSB's satellite signal was more powerful than Sky's and uses a square antenna, or "squarial." Three of its channels also have must-carry status on cable. (TBI, 1990). However, the high cost of BSB's investment requires a large subscriber number to break even. Furthermore, BSB's D2-MAC standard required that subscribers purchase compatible decoders; there were manufacturing delays, and viewers experienced technical difficulties. Also, BSB's programming did not create a great demand. As a result, it did not do well financially. Murdoch's Sky-TV, in contrast, expanded to about a million set direct reception dishes in 1990, (plus many cable households) of which 70 percent subscribed to a pay-movie service. In 1990, Sky TV and BSB merged, having lost, respectively, $600 million and $900 million. The new company, named BSB is equally owned, but operates under the trade name Sky TV, using Sky's Astra PAL norm. (This ended the need for his- and her-satellite dishes for those

desiring both services.) Murdoch, whose service was much larger by subscribers than his rival (1 million versus 120,000; by other estimates, 1.6 million versus 600,000) received a substantial cash payment that reduced the burden of debt, estimated at almost $9 billion. British DBS is discussed further in the chapter on European DBS.

Other early satellite-delivered commercial channels were Music Box and ScreenSport. Cable News Network, from Atlanta, also entered the continental European market, first in large hotels and later on several U.K. Cable channels (J. Davey, communication). In 1987, the Super Channel was started as the satellite channel of fourteen ITV broadcasters, and with the major participation of Granada and Virgin. Eventually, it merged with Music Box and is owned by Italian investors (Marcucci) and Virgin. Another active participant in various program ventures was W. H. Smith, a retailing company.[13]

Another type of program provision is pay TV. In 1966, a firm by that name was established and provided service to about 10,000 subscribers in London and Sheffield. Two years later, the new Labour government decided to discontinue the experiment. Pay TV was reintroduced in 1981 when the Home Office designated a dozen two-year pilot projects by seven companies. Programs were supplied by a variety of sources, including the BBC and motion picture suppliers. None of the pilot projects could use advertisements, and all lost money, since only about 15 percent of cable households subscribed. A third effort began in 1985,

this time with satellite-delivered pay channels. The first of these was The Entertainment Network (TEN), a movie channel set up by the British cable companies Rediffusion and Visionhire, the movie distributor Rank, and the equipment company Plessey. A major participant was UIP, the American joint venture of the major Hollywood studios MGM, United Artists, Universal, and Paramount for the foreign distribution of their films. TEN went out of business despite such backing because it could not attract enough viewers, and because the partners stalemated each other. The channel was replaced by Mirrorvision, established by Robert Maxwell, who in the meantime had acquired the Rediffusion cable company and had become one of the partners in TEN.

The second pay channel was Premiere, a joint project of Thorn-EMI, Goldcrest, several Hollywood distributors, HBO, and Showtime. Maxwell joined later after Thorn-EMI decided to divest itself of its film and cable interests and merged Mirrorvision into Premiere. These developments prompted British Telecom also to become active in program provision. BT had initiated a budget movie channel called Home Video Channel (HVC) that was distributed on cassettes to cable operators; it established Star Channel as the premium movie service and merged it in 1987 with Premiere (Jon Davey, communication).

Other video-type offerings available to British television viewers are teletext and videocassette recordings. Teletext is a text service delivered by broadcast or cable. In the early stages of teletext development, different standards were pursued by a

variety of organizations. The IBA developed ORACLE, the BBC pursued CEEFAX; and the Post Office, then in control of the telephone service, developed Prestel, an interactive text (videotex) service on telephone lines. In 1974, these bodies cooperated for some common technical specifications by establishing a system of five "levels" of increasing graphic sophistication (McKenzie, 1983, pp. 4-10). On the whole, teletext has been more successful than telephone-delivered Prestel. Both CEEFAX and Oracle were actively used and had several hundred pages. In 1987, about 3 million of U.K. TV homes (about 14 percent), received ORACLE.

Videocassette recorders are extraordinarily popular in Britain and are almost completely outside of governmental control. After Japan, Britain has the greatest concentration of VCRs of all major countries, yet no British manufacturer developed VCR equipment. In 1990, 66 percent of all households in Great Britain had VCRs (TBI, 1990).

The widespread use of VCRs encouraged the distribution of programs of sexually explicit and violent content. This development led to the imposition of some censorship via the Video Recordings Act 1984, which was supported by an unusual mix of Conservatives and feminists. The law goes beyond the existing censorship rules of the British Board of Film Censors (BBFC), which evaluates problematic scenes in the context of the entire work. Instead, the rules for videocassettes establish an index of prohibited acts that may not be shown. Though mainly directed

against scenes of particularly obscene and violent content, the rules are sufficiently broad that they could be interpreted to include any realistic depiction of war. Although these rules apply only to videos sold for home viewing, they will invariably affect broadcasting and film production, since this programming is, in most cases, undertaken with a view to future home video distribution.

The Reformation of British Broadcasting

The Thatcher government had introduced far-reaching transformations in the telecommunications sector; it had also created an ambitious scheme for cable television. But for the broadcasting sector, the conservative government had taken few initiatives outside the attempt to keep the BBC's license fee down and to establish Channel 4. This attitude changed in the late 1980s, when Margaret Thatcher herself chaired a top-level cabinet committee on broadcast reform. The committee concluded that ITV enjoyed excess profits from monopolistic advertising revenues ($2.3 billion in 1988) and that its protected status promoted poor management and union featherbedding.

Change began, as in continental Europe, in radio broadcasting. Here too a duopoly system existed. The BBC had a monopoly over national radio channels, with four national radio channels; regional service for Scotland, Wales, and Northern Ireland; and BBC local stations in England.[14] BBC Local radio began in 1967 and was expanded in 1977. Local radio was also provided by the several dozen Independent (i.e., commercial)

Local Radio (ILR) stations, regulated by the IBA.

In the 1960s, pirate radio stations from ships or other locations invaded Britain with low-budget commercial programs. A 1966 White Paper, still based on the law-and-order approach to broadcasting, had led to the outlawing of operation, supply, or advertising on pirate stations.

However, the pirates did not disappear, indicating that the public demand for diversity in radio was not filled. There were, at most times, at least half a dozen pirate radio stations on the air aiming at British audiences. In an attempt to undercut the pirates, the Home Office in 1985 announced its willingness to license twenty-one community radio stations, a new class of radio, for a two-year trial.[15] Eventually, the government's approach changed from suppressing commercial radio activities to channeling them into a market system.

In 1986, the Department of Trade and Industry recommended a market in radio spectrum, expanding on a 1983 report on radio spectrum policies and a more recent CSP analysis advocating a market in radio spectrum (CSP International, 1987).

In February 1987, the government published a Green Paper concerning radio, entitled "Radio: Choices and Opportunities." The document provided for the establishment of three national private radio networks and hundreds of local and community radio stations during the 1990s. The government determined to open up the sector to competition and market forces. Specific standards were set up for local commercial radio, but within a context of

general liberalization of regulations (both technical and in programming).

The debate of the future of British broadcasting came to a head with the October 1988 White Paper, Broadcasting in the 1990's: Competition, Choices, and Quality, the most significant expression of the planned deregulation of the British broadcasting system. It established a dramatic transition from the traditional system to a market-oriented model. It attempted to remove restrictions on the expansion of supply for the consumer, to strengthen the efficiency of the supplier, and to reduce the dualism of the public-private model. It continued the Peacock Committee recommendations to infuse competition into the duopoly of the BBC and ITV firms (Home Office, 1988a).

The White Paper aimed at transforming ITV by competitive forces. The ITV franchises would be auctioned off in 1992 to groups offering both competitive bids and public service commitments (Lee, 1988). The proposals also included a new and fifth national channel and liberalized rules on sponsorship, advertising, and subscription fee rules. Also, an Independent Television Commission (ITC) would replace IBA and Cable Authority and regulate with a "light touch," which would lack the IBA's powers to restrict acquisitions. The ITC's licensing would follow a two-step test for programming quality and then the financial tender. Licenses would be for ten-year periods (Home Office, 1988, p. 22). Licensees would be taxed on revenues, not profits. Channel 4 would become fully independent of the ITV

companies and able to enter the advertising and program markets directly, as a competitor; two additional DBS channels would be licensed by the IBA; and the BBC and others could raise revenues through subscription TV as fund-raising. The White Paper also commissioned a study of Multipoint-Video Distribution Systems (MVDS). Transmission (i.e., service delivery) would be separate from service provision (i.e., programming) (Home Office, 1988a, p.39). Regionally based transmission systems, currently operated by BBC and IBA, would be private and competitive, except for certain common carrier obligations yet to be determined by the government. Broadcast standards and consumer protections would remain, prohibiting inaccurate reporting, offensive or violent programming, and requiring impartial coverage of religious or political issues. A Broadcasting Standards Council (BSC) was to be established on a statutory basis. One of the BBC's channels would be used by other broadcasters after midnight, and the second one would have to raise some income from subscription.

In addition, the traditional quota limit of 14 percent of American programming would be kept on BBC and ITV channels (Carter, 1989).

The auction was not the only threat to ITV; a study by a consulting company, National Economic Research Associates, concluded that ITV's audience share would fall from 50 percent in 1990 to between 43 and 35 percent by the year 2000 because of cable and DBS competition.

The White Paper's far-reaching proposals generated much

controversy. Some 3000 parties offered formal comments on the White Paper. The BBC was relieved to find extensive criticism of ITV rather than of itself. The ITV firms, on the other hand, complained about the assault on their franchises, as well as its indirect threat of fostering cable and satellite competitors.

After public discussions, a more gentle Broadcasting Bill was presented by the government to Parliament at the end of 1989. Many Conservative party Members concerned with traditional culture as well as those of the Labour Party were opposed. The bill established the Independent Television Commission (ITC) as the new broadcasting and cable television regulator, with powers to grant broadcasting licenses to the highest bidder, with a strong consideration for quality standards. (Bids would be for the first year; for the remaining nine years of a license, fees would be indexed.) ITV will be renamed Channel 3 (C3) in 1993, with a ten-year renewable license, and Channel 4 will be established as a separate corporation with the ability to sell its own airtime and a guaranteed minimum annual income of 14 percent of total television revenues; the Welsh Authority will continue broadcasting on S4C, with a guaranteed minimum of 3.2 percent of television revenues. The ITC will also award a national license for a fifth national channel (C5), and one or more news service providers for C3 and C5. At least 25 percent of programming time for all terrestrial licensees, the BBC and satellite service, will be filled by independent productions (though there is no provision dealing with the prices the

independents could receive, as their after-rights, issues that led to chronic disputes in the U.S.)

The ITC also licenses domestic and nondomestic satellite services as well as program services provided via telecommunications networks for ten years. Local service licenses (for cable or microwave delivery of ITV, BBC, satellite, and radio) are licensed for fifteen years.

The bill, together with its amendments, also set stringent cross-ownership restrictions. Licenses, except for local delivery services and nondomestic satellite services, may be granted only to residents of the European Community. They may not be granted to political bodies, advertising agencies, and bodies with "undue influence." Terrestrial channels, domestic satellites services and national radio licenses cannot be owned by religious bodies. In general, ownership is limited to either two C3 regionals, one C3 national, one C5, one national radio, six local radio, or six restricted radio stations. Local or national newspaper owners cannot own more than 20 percent of a C3, C5, or national radio service. A local newspaper owner cannot hold more than 20 percent of a local radio or delivery system in its region. The same percentage restrictions hold true for C3, C5, or national radio stations owning newspapers. C3 licenses must provide children's, religious, news, and regional programs, and offer program diversity.

The bill strengthened quality safeguards for programming substantially compared with the White Paper. Incumbent ITV

operators became more comfortable with the notion of an auction system, as long as it took quality into account, which they believed would favor them against the upstart rivals. This is partly wishful thinking, unless favoritism takes place in the bidding process. The ITV companies have high costs built into their operation (more than 14,000 employees alone for one channel), which should negatively affect their bids. They are unused to competing for advertising revenues, and their market share, given the entry of cable, satellite, and terrestrial rivals has nowhere to go but down. Under the Act, they must even help promote the programs of their now emancipated offspring, Channel 4, and fund some of its potential revenue shortfalls, while benefitting only little from its discriminating audience. Also, some of the incumbents formed alliances with each other and potential alternative bidders to reduce competition for the license.

Channel 5 was envisioned as a non-London based national broadcaster supported by advertising, and reaching those 70 percent of the population not located close to Ireland and France (whose interference prevents transmission). Its frequency requires the retuning of most British VCR sets. Its economic viability was uncertain in the short term.

There were also changes in radio broadcasting. The Broadcasting Bill created a new Radio Authority that allocates, also by competitive tender, three new national radio stations and, in a gradual fashion, 200-300 new community stations. The

three independent national radio (INR) stations would specialize, respectively, in pop music, non-pop, and news/speech programs. Licenses are based on sealed bid auctions. The local stations, on the other hand, are assigned according to diversity criteria and the discretion of the newly created Radio Authority.

Transmission services provided by the IBA were moved into a private firm, National Transcommunications Ltd. C3 companies were required to use the same operator, most likely NTL. The company could also compete for the business of new broadcasters. The government also planned to permit competitive bidding for major sports events, removing a protection which had benefitted BBC and ITV. The bill was passed and received royal assent in November 1990. Britain had taken a major step in the direction of an open television system.

Conclusion

Britain's television had been stable for more than thirty years, based on the strong public BBC and the private ITV cartel. Because commercial television existed and served the center and lower ends of the taste distribution, there was less pressure for change than on the Continent. The British experience of stability within a limited mixed system may repeat itself in European countries after commercial television is instituted there, though it will be harder to maintain, given the proliferation of cable and satellite distribution and the increasingly open European frontiers. A pure public monopoly has certain arguments of principle in its favor; but there are few

justifications for a limited private television except the flawed claims of spectrum scarcity, and the need for monopoly profits to support quality programs. Eventually, television was further opened in Britain. Several forces came together. The BBC's support had weakened in the the British elite and could not be mustered in protection of the duopoly. The government also pursued high technology policies that encouraged cable television and domestic DBS satellites; and although neither distribution mode became successful in the 1980s, it sent signals to the programming part of the media system that change was on its way. This led to the perhaps strongest aspect of change: the emergence of London as the European center for program packaging and provision. This role was a natural one, given London's traditional role in information-based services, such as international trade and finance, shipping, and cultural productions from theater to film to publishing. The role was also a logical extension of London's gateway function between Europe and North America. These advantages were consciously strengthened by the British government's general economic liberalization policies. In television, it meant a great deal of freedom for satellite-delivered channels. In consequence, many of these channels originate in London.

British program channel supply thus raced far ahead of the available system of domestic distribution. They became integrated international firms. Sooner or later this forces distribution to move to a higher level; otherwise, the program

end, lacking a home base, would miss critical stages in its release sequencing. In that sense, British media liberalization is software-driven, whereas in many other European countries it is hardware-driven, mainly by the construction of cable networks.

As the rest of Europe moved to the stage of limited private television, which Britain had reached more than a generation ago, the British government embarked on the next level of reform. Now the United Kingdom was on the road to establishing a market system in the private television field. The long-term significance of this is not just that a few more channels are likely to be available. Much more important is the fact that television communications moves beyond the stage of being a favor bestowed by the state. In that sense, Britain was moving, as the first European country, from the television of privilege to the television of openness.

However, media policy in the United Kingdom was not based on a broad consensus. It was primarily supported by the free-market wing of the Conservative Party, with more American support and participation than elsewhere in Europe. A different constellation of power could modify this policy considerably.

CHAPTER 10

1. In fairness, the BBC is more cost conscious than many other broadcasters. In Germany, as the BBC's Alasdair Milne, then director general noted, television drama productions use ten to seventeen days of expensive studio time for a one- and one-half-hour play. At the BBC, on the other hand, it is unusual for a drama production to take even four days. BBC crews also tend to be smaller than at other public broadcast institutions.

2. In 1986, for example, before cable channels were added: 54 percent versus 46 percent, of which BBC2 had 9 percent and ITV's Channel 4, 9.4 percent (Tunstall, 1986, p. 115).

3. Control Board Minutes, Nov. 6, 1928; Eckersley to Reith, p. 337. The papers relating to this scheme have disappeared (Briggs, 1965, p. 358n).

4. Lord Hunt, a civil servant and former secreatary to the Cabinet, was a member of the boards of IBM and Unilever; Sir Maurice Hodgson was chairman of British Home Stores, a company active in the use of video equipment; and Professor James Ring, the third member, was a physics professor at Imperial College and a member of the IBA board.

5.5. The minister for information technology, Kenneth Baker, a man with a computer business background, had overoptimistically argued in 1982 that interactive services were the "raison d'etre for the expansion of cable television" (<u>Sunday Times</u>, Dec. 5, 1982 - as quoted in Dornan, 1984, p. 26).

6. The White Paper struck a conciliatory but vague note on the issue of foreign programming:

> The Government's intention is to require those seeking a franchise to specify the proportion of material of British or European Community origin which they intend to include in their services...The Government accepts that in the early years cable operators may need to use a significant amount of overseas material if cable is to get going [U.K. Department of Industry and Home Office, 1983, 51-52].

To drive this point home, the home secretary announced in a press conference on the White Paper that eventually a 14 percent ceiling on imported programming would be imposed, identical to the one for IBA.

7. In general, the consortia were grab-bags of media companies, financial institutions, electronic firms, and newspaper publishing companies. Aberdeen Cable Services, for example, was formed by the Aberdeen Trust, British Telecom, ATC, MMG, Rockall Scotia Resources, Fortronic, Royal Bank of Scotland, and Clydesdale Bank.

8. The DTI therefore imposed a number of conditions on cable licenses. One of its objectives was to make sure that cable systems would have the potential to provide voice telephony in the future. This condition includes an obligation to seek an interconnecting agreement with the operator of another public telecommunications system, such as British Telecom or Mercury, when a customer requests a service that requires such a connection. When an interconnection agreement cannot be reached, the director of the telecommunications regulatory agency Oftel can arrange for an agreement. Cable operators and communications systems connected to it must also permit value-

added services such as banking or information provision by other parties. The obligation does not arise except when it would impede the sound commercial development of the cable system by interfering with the cable operator's own plans.

9. Companies pursuing the switched development included GEC, Thorn-EMI, Rediffusion, and Cabletime, a joint venture of the American firm Times Fiber and United Engineering Industries.

10. Defining 'switched star' and 'tree and branch' in legally precise terms is a problem in itself because a variety of hybrids exist. The DTI required certain performance characteristics as a basis for judging whether a fifteen or a twenty-three year license should be granted. Data service capability and interactivity must be provided. There must be a commitment to permit data service of 64 kbps with access from the cable system to the public switched telephone network.

11. The Peacock Committee report, mentioned earlier, also examined the forms of common carrier obligation to be applied to broadcasting and cable television in the United Kingdom. The report recommended that British Telecom (BT) replace copper circuits with optical fiber and be permitted to carry and offer television signals. These recommendations implied end-to-end competition between BT and any other cable operators, which seemingly went contrary to the government's intention of using cable systems to stimulate controlled local competition in telephony.

The U.K. Cable Authority, although opposed to the committee's recommendations, urged the government to reexamine the telecommunication duopoly of BT and Mercury, with an eye toward the participation by cable operators.

Cable television was also discussed in the governments White Paper in 1988 dealing with broadcasting. It sought to separate cable operations from program provision. However, after protests by the industry, a decision on video carriage by telecommunication providers was delayed until the 1990 duopoly review of BT and Mercury (Home Office, 1988, p. 30).

One of the largest U.K. operators, Windsor TV, has proposed carriage of telephone traffic to a central hub where it would be routed through Mercury's long-distance network (Communications Daily, 1990).

12. The Murdoch media empire, unprecedented in its spread, is a complex construction. The major Murdoch family holding company is Cruden Investments, which in turn, owns another holding, News Corporation, Ltd. (NCL), domiciled in Sydney (Biebl and Manthey, 1985, p. 122) NCL in turn owns two holdings, News Ltd. in Australia and News Corporation Investments in Europe. News Ltd. owns Australian papers and major private television stations in the principal cities of Sydney and Melbourne, and a majority of one of the two Australian domestic air carriers. News Corporation Investments owns yet another holding, News International in London. News International in turn owns

newspapers in Britain, including <u>News of the World</u>, <u>Today</u>, the <u>Sun</u>, <u>The Times</u>, and the <u>Sunday Times</u>. It also owns 82 percent of the Sky Channel Satellite Television. The Australian holding and the European holding jointly own still another holding company, this one for American property News America Publishing, the fifth holding company in the chain of ownership.

13. Subsequent satellite services—a constantly changing cast—were, from the United States, Bravo, a classic movie channel; Cable News Network (Turner); Discovery Channel, and MTV Europe. British channels were The Children's Channel (British Telecom, Thames Television, Central Television, and D. C. Thompson), Eurosport, Lifestyle Television (W. H. Smith, D. C. Thompson, Yorkshire TV, and TV South), and Screen Sport (W.H. Smith and the American ESPN).

14. Radio 1 provides pop music and news and has roughly 30 percent of the total audience; Radio 2 has light music, jazz, and sports and has 20 percent of total audiences; Radio 3 transmits serious music, drama, poetry, and talk shows and has 2 percent of the total; and Radio 4 offers news and current affairs with additional material for educational broadcasting and general entertainment, accounting for 12 percent of the total. The remaining 36 percent of the audience listens to BBC local radio, commercial radio, and so on (Stephen Hearst, communication). No license fee is charged for radio listening. BBC's worldwide

reputation is based partly on its radio World Service, perhaps the most credible source of international radio news. World Service is financed by the Foreign Office.

15. The government's restrictive technical specifications, however, reflected its reluctant attitude which was based partly on fears of ethnically oriented radio. In 1989, twenty community radio stations were licensed.

CHAPTER 8

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