

United Kingdom: ITV

by

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maintenance of the monopoly and opposing the advent of commercial advertising. The report was published in 1951, but by the end of the year, the Labor Party was defeated in the general elections and the BBC charter was about to expire. This gave an opportunity to the new Conservative government to rethink the issue. In the following, the effort to establish an alternative to the BBC's monopoly centered on creating a majority for that position within the Conservative Party. Part of that strategy was to concentrate on television and not to touch radio, which was believed at that time to be the more important medium. This is the reason why for a much longer period there was only BBC radio in Britain. The discussion took place almost entirely within circles of the government and Parliament, not involving the public at large for a long time.

By May 1952, a cautious White Paper concluded that in television, "provisions should be made to permit some element of competition," (Sendall, 1982: 13) [Sendall, Bernard. 1982. Independent Television in Britain. Volume 1. London: MacMillan.], though this was qualified in the next sentence.

In the discussion about the BBC's broadcasting monopoly, Winston Churchill, Prime Minister again, came out against the BBC (Paulu, 1981). [Paulu, Burton. 1981. Television and Radio in the United Kingdom. Minneapolis: Univ. of Minnesota Press.] Despite his masterful use of the BBC during the war, Churchill had a long standing resentment against it. Already in 1926, during the general strike, he had advocated a government takeover.

When outside the government in the 1930s, he had been denied access to radio, and he had not forgotten. In that, he was similar to French President Francois Mitterand, who, thirty years later, was mindful of how he had been excluded from the airwaves for a long period. The BBC was criticized for being unenthusiastic about television in general. For example, its 1955 handbook had devoted only three pages to television (though references to it were interspersed throughout other sections), which was taken to be an indication of its essential technical conservatism and radio orientation. Successive heads of BBC television operation expressed frustrations over the lack of attention given to television by the BBC's upper levels. When ITA was established, the BBC began to take television much more seriously and its new director general, Sir Ian Jacob, gave it priority.

A major mistake of the BBC was to fire (or rather not promote) Norman Collin, who resigned from his position as controller of BBC television when a junior person was promoted to the top post of director of television. Collin had been a champion of the importance of television, a view that was contrary to that of the BBC's Director General. After his resignation, Collin joined the ranks of opposition to the BBC monopoly and was extraordinarily influential. Later, the chairman of the BBC's Board of Governors, Lord Simon Withenshaw, said, "If we hadn't fired Collin, there would be no commercial television now." (Paulu, 1981: 14) In the lively debate in the

House of Commons, the Conservative Party's position was advocated by John Profumo, chairman of the Conservative Party's broadcasting group. For a discussion of the back-room politics involved, see Wilson (1961) [Wilson, H.H. 1961. Pressure Group: The Campaign for Commercial Television in England. New Brunswick, N.J.: Rutgers University Press.] Profumo wanted to heal the country from being "culturally corrupted from a service who put entertainment before uplift. We are not a nation of intellectuals." (Wilson, 1961: 16) By that time, a vigorous discussion had reached the public. Almost all newspapers were opposed to commercial television, partly on principle and always on commercial grounds. Some of today's main commercial beneficiaries of private television were also opposed. Granada Theatre and Thorn Electrical Industries were opposed, and even the association of the advertisement agencies was split down the middle. Other economic interests, on the other hand, were in favor. In 1953, the BBC added to its prestige by its coverage of the royal coronation, while the coverage by the American network, which included a commercial featuring a chimpanzee, was derided as lacking in taste. A National Television Council was established to resist commercial television with Lords Halifax and Waverly lending their prestige. This was countered by the Popular Television Association, which included as supporters Rex Harrison, Somerset Maugham, and Malcolm Muggeridge. The debate began to be along party lines and the Conservatives were the majority party. Therefore, the strategy of the opposition to

commercial television concentrated on making the question one of a "free vote," and this view was even privately advocated by Prime Minister Churchill himself for a time (Sendall, 1982).

By 1953, the government, deeply divided, issued another White paper supporting commercial television, but assuring restrictions of the influence of advertising on programs, safeguarding program standards, and proposing the establishment of a controlling body. Debate took place in Parliament in late 1953. Former Prime Minister and Labor leader Clement Attlee had hinted in a public speech that the Labor Party would repeal any legislation for commercial television. The question had thus become a party issue, which made a free vote impossible. When the House of Lords debated the issue, attendance was allegedly larger than at any other debate in a quarter of a century. Given some of the issues of that period -- Strike, Depression, World War, Cold War -- this reflects the preoccupation of the British elite with television. Even the Archbishop of Canterbury had 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. His criticism of the proponents of commercial television was so intense that the Lord Chancellor described him as "one of those unfortunates who are incapable of believing that anyone who disagrees with him can possibly be sincere, much less right." (Sendall, 1982:27) Lord Reith had either forgotten, or remembered only too well, that he

had himself started at the head of the BBC when it was still a
private commercial enterprise. In the end, the motion against the
government lost, 87 to 157 votes.

In the House of Commons, tensions ran equally high, and the
speaking speaker was interrupted more than thirty times. After
the agreement reached on the White Paper, the next step was the
formation of a television bill. The bill included
safeguards in the structure in order to respond to the criticisms
voiced in Parliament. It established the Independent Television
authority as a supervisory institution. Many of the restrictions
on the independent television system that exist today can be
traced back to those concessions and safeguards made to mollify
critics and to persuade television supporters. In the end, the
Parliamentary debate was a long drawn battle, lasting, with some
interruptions, four months. More than 200 amendments were
discussed. Finally, on July 30, 1954, the bill was passed and
Royal Assent was given. This ended more than two years of
intense debate.

The bill was signed in 1954. The members
of the House argued strongly for a time, which the
Government opposed since it would have meant the abolition of the
BBC. It is likely that the vote, as Lord Thomson of Menstrie,
in a recent edition of the ITC, would have been like Anthony
Edwards' vote in the House of Lords, and not for the Government,
though not necessarily for what the Government (1954-55)

in broadcasting was restricted. This matter, surprisingly, had never come up in the Parliamentary debate preceeding the passing of the act, even though almost everything else had been discussed. While several of the approved licensees (such as Associated-Rediffusion, and Granada) were experienced and financially sound, others had major problems in lining up financial support. But when additional partners among the newspaper publishers were considered, it created a major political storm. This involved, in particular, the Associated Broadcasting Development Company, ABDC, of which Norman Collin was a major shareholder, and the Daily Mirror newspaper group (Sendall, 1982).

Another issue that was established in the first months of the authority was the provision of the news. It was agreed with the four program companies that had been licensed to create a subsidiary for the news, with each program company owning a quarter and an editor-in-chief.

The ITA had to provide the technical transmission facilities. After lengthy negotiations with the BBC, it was realized that the BBC's towers could not structurally handle the aerials which ITA needed in order to broadcast in the so called III band. Alternative broadcast towers had to be erected and their locations became highly significant insofar that they defined the range of the licensee's territory. By mid-1956, independent television went on the air in a regular fashion. The authority also had to establish rules about the "proper

of a leading an audience share of 50% for ITV in London. One
consequently, this includes after ITV's opening broadcast, the BBC
almost from the beginning, the ITV programs were

to the authority" to change it (consolidated 1980).
pointed letter by Kenneth Clark to the BBC suggesting an "after-
declined attendance, at the ITV opening gala and it took a
generally, and the entire staff of the BBC had all initially
feeling at the BBC were such that the situation of the
for all of the proposed generally, the generally of

by the end of the year in mid-1956,
in London. In the Manchester and Liverpool regions, transmission
by September 22, 1957, the first ITV programs were broadcast

future of significant labor strikes.
allied technicians (ACT) subsequently (ACT). This set in motion a
significantly more militant Association of Cinematograph and

a short time it was ousted in the program companies, by the
the employees in ITA and the program companies. However, within
itself, the BBC Staff Association, despite its name, represented

of independent British broadcasting was labor representation. At
another matter that was established in the early beginning
was settled on.

hours of foreign film programs per week out of a total of fifty
fact agreement was reached, under which an average of seven
headed by the British Actors Equity Association. Eventually, a

negotiations with 14 different organizations of creative talents,
proportions" of programs of British origin which required

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output per second. It is run by a twelve member board.

The ICA has a staff of about 1500 employees, including

the staff.

independent authority (ICA), when independent radio broadcasting

in 1951. It was succeeded in 1973 by the Independent

the Independent Television Authority (ITA) was established

The Independent Broadcasting Authority (IBA)

each other.

the program companies under identical terms, noncompetitive with

distributed over the network. Programs were also distributed by

restricted regional companies from having their programs

program was offered for network distribution. Furthermore, it

supply cable, insofar as that at any given time, only one

program companies. This "carving up" established a program

early 1960s, these began to be increasingly formalized among the

arrangements of program exchange among the companies. In the

The ICA had only limited influence in affecting the

of advertising revenue.

for an hour's program, based on population size and a percentage

"affiliated companies" for a fee that was composed of a charge

for the "parent companies" to supply the programs to the

at all excluded from program planning. Typical arrangement was

four initial companies. The newer companies went along, but were

Planning of network programs was established by a committee of the

immediately since economic advantages were overwhelming.

Although the program companies are largely independent, they must consult ITB about their broadcasting program. The ITB also sets guidelines concerning foreign program. In the case of a dispute the ITB can order the withdrawal of program. In the case of a dispute the ITB can order the withdrawal of program. In the case of a dispute the ITB can order the withdrawal of program.

Program companies operate as commercial broadcasters. Their revenues derive primarily from advertising revenues, with secondary income from program syndication. Because of the geographic differences of regions, the resources of regional companies vary.

ITB acted as a network providing coordination among the regional television program companies which extensively use each other's program. It also provides centrally for -- though does not produce itself -- a national news program, the early morning program "12 and Channel 4" (the names in Dutch channel).

In 1980, two companies were replaced by newcomers. Renewals of the franchises are not granted automatically. Local radio programs.

There are also several local independent companies for companies, one for weekend broadcast, the other during the week. Perhaps the most important of these regions is shared by two companies in fourteen established television regions. London, as mentioned, there are fifteen independent television program the government a license fee related to those companies' profits. Financed by payments from these companies. It also collects for the regional television and radio program companies, and it is appointed by the Home Secretary. It operates transmitters for

material, feature films, and local programming, news, and public affairs.

The IBA operates, through a subsidiary company, the fourth television channel. In Wales, a separate authority runs a Welsh channel. The fourth channel, a national rather than a regional channel, was set up by the Broadcasting Act in 1980 to serve groups not well served by the main IBA channel. It is financed by the regional program companies, which can insert advertisements in the fourth channel broadcasts within the region. Thus, they maintain their regional monopoly over television advertising.

The independent program companies are required to provide programs especially for their respective areas, and need to have local representation. Five of the companies are the "network companies." They are particularly important, and their programs reach all other regions. These include Thames TV, Granada, Yorkshire, and London Weekend. Together they supply about one-half of all programs. The other "regional" companies, and the umbrella operations Independent Television News, and Breakfast TV supply parts of the rest, particularly regional news. There is a ceiling of 14% for foreign programming material.

In late broadcasting don't play its commercial foundation? IBA's official program, "Independent Local Radio," in an almost similar fashion. The terms of choice is "independent" rather than "private" or "commercial," full of facts and details yet changes not to mention or refer to advertisements, advertising,

of commercial operation, even once in twenty pages. Clearly, the association with business motives is embarrassing to IBA leadership.

Nevertheless, ITV profits are not understated in reality. In 1956, a House of Commons committee documented high profits. In 1961, the ITA, questioned by the Pilkington committee, reported that the program companies, on the average, had a profit of 50% of revenue, whereas other businesses with similar ratios of revenue to capital would be satisfied with 10%. These profits then became a major public issue. Their cause was the monopoly on broadcast advertising, that the companies enjoyed which could have been eliminated by licensing alternative channels. Instead, the British government, in search of revenue, preferred to become a participant in the monopoly profits and imposed an excise duty of 10% on all advertising revenue. Most of the larger companies found it quite easy to shift at least part of the burden to their advertisers. In 1962, the Pilkington Committee issued a highly critical report on ITV, while being positive about the BBC's performance. It found the authority to be passive and more often an advocate than a controller. It was critical about program quality (programs with violence and stereotypes), lack of balance between the smaller and larger companies in program resources, and too many newspapers holding stock. It also found lacking a proper control over advertising. The government accepted some of the recommendations of the Pilkington committee, and passed corrective legislation in 1967, although it did not go as far as

intention to provide the IBA with some unexpected support.

expressed the open broadcasting concept, and expressed an

In a White Paper issued in 1978, the Labour Government

(1981-85).

the BBC's local services into a new local broadcasting authority

dividing the IBA's radio services and putting them together with

proposals. For this reason, the Annan Committee report recommended

did, however, advise delaying the implementations of these

producer, education institutions, as well as ITV companies. It

supplied by a variety of sources, including independent

"open broadcasting authority," which would broadcast programs

channel. Instead, it recommended such a channel be run by a new

it did not recommend that it operate a fourth British television

Committee, observed great improvements in the IBA services, but

1977 another government committee report, this time by the Annan

various aspects of programming, finances, and accountability. In

Nationalized Industries issued a highly critical report of ITA on

a decade later, in 1972, the Select Committee on

program offerings.

also took stock of their operations and modified some of their

program company revenues. More informally, the program companies

1963 strengthened ITA's control and established the "levy" on

the authority, to go to the Exchequer. But the Television Act

programming, with the program companies selling their programs to

recommended, which would have given the authority control over

restructuring the entire system in the way the report had

responsibilities in cable services. One year later, however, the conservatives were back in power and expressed their intention to let the authority run the fourth channel under "strict safeguards." Special arrangement was to be established for Welsh language programs. A law to that effect was passed in early 1980.

The regulatory tools of the IBA towards the independent companies are several. Coordination takes place through several committees. If stronger measures are necessary, the IBA can prohibit particular programs, temporarily suspend broadcasting, or cancel the license. In 1980, several ITV companies did not receive a renewal of their licenses, with no specific explanation. 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. Generally, close cooperation between regulator and regulatee has evolved. This has led to criticism of the IBA as captured by the subjects of regulation, much as in the case of the Federal Communications Commission in the U.S. during the 1950s, which identified largely with the broadcaster's interests.

On the other hand, the IBA has established for itself the authority to approve of major ownership changes of the franchised companies, and in 1986 prevented Rank from making a hostile bid for the Granada Group which included Granada TV, over which it had supervisory control. Similarly, it prevented Thorn-

EMI and BET to sell Thames TV to Carlton. Rank went to court against IBA. The IBA position is that ownership over the ITV companies should be decided at the time that it undertakes its periodic franchise renewals rather than through a change of hands in mid-term through commercial transactions.

IBA's budget is derived from companies paying a fixed levy, plus a graduated "primary rental" charge between zero and 25% of its advertising revenues. Part of these funds are used to support the IBA's broadcasting activities and its regulatory function. It is also used to subsidize companies in weak regions. The visibility the financial flows in the IBA system, despite the claim of "public service," are kept to a minimum. It is extremely difficult to get figures for the advertising revenue and expenditure of the ITVA companies, as well as the levy paid to the government through the IBA. ["Figure it out." 1985. Connections (August 2):7.]

The ITV levies are quite high, and a substantial share of profits before tax, which is also high. Because of this high levy and tax on profits, the incentives on companies to control costs are substantially reduced. This leads to lavish expenditures and wage settlements. On the other hand, profits from program exports are not included, which provides a strong incentive to push those activities. Total levy payments to the government, in 1984/85, were about 40 million pounds (Connections, 1985).

The system of levy on profits is not only economically

are returned for problems with the code.

associations. Of the 12,000 advertising scripts, annually, about

clearance office by the independent program companies

examined by the advertising controls division and by a copy

advertiser committee. All advertisements are then carefully

the Home Secretary. Consumer representatives are part of the

drawn up by the IBA, in consultation with advisory committees and

all advertisements must conform to a code of standards which is

in broadcasting censorship of advertising takes place.

religious advertisements are prohibited.

children's programs and current affairs programs. Political or

religious services, royal occasions, educational broadcasts,

advertisements are not permitted during the broadcasts of

independent local radio. Just so that good taste prevails,

limited to an average of six per hour, and nine minutes on

breaks" of a program, are allowed. Advertising minutes are

at the beginning or the end of programs or during "natural

sponsored programs are prohibited. However, advertisements

at the BBC is about 4,000 employees annually, out of 30,000.

consequence, some of BBC's talents move over the ITV. Turnover

substantially higher salaries for ITV possible. As a

BBC television budget was only 500 million pounds. This makes

companies revenue reached nearly one billion pounds, while the

the BBC which cannot match these conditions. By 1964, the ITV

generous salaries in the ITV companies, but it also undermines

inefficient, in that it encourages wasteful practices and

Total revenues of the independent commercial companies, according to their association's information, included 60% for programs, 15% for administrative expenses, 5% to the IBA, 4% subscription for Channel 4 (this was raised to 18% by 1983), 7% levy paid to the government through the Authority, and 3% governmental corporation tax. This leaves a 3% after-tax profit. The levy to the government is 66.7% of profits after a first slice of profit equal to 2% of advertising revenue, or 250,000 pounds, whichever is greater, which is free of levy. The profits are still subject to a 52% corporation tax.

[Nadelson, Regina. 1984. "The Best Television Company in the World." Channels (September/October).]

Channel_Four

The creation of a second commercial channel was stalled for a number of years, although the broadcast frequency was available, in disputes between the BBC, the regional independent companies, independent producers (who desired a channel for their programs), the Welch language minority, and the government (Hearst, 1983). [Hearst, Stephen. 1983. "Der Start von Channel 4 in Gross-Britannien: Erste Eindruecke." Media_Perspektiven (April):261-66.] The Thatcher government fashioned a compromise in which producers were encouraged to supply programs, but the overall control over the channel was given to a separate entity, without production capability, and controlled by the IBA and thus the regional companies.

It was especially difficult to find arrangements for Wales. An autonomous fourth channel in Wales was created only with major difficulties. Only twenty percent of Wales' population speaks Welsh. However, a Welsh member of Parliament threatened to start a hunger strike until death unless all of the new channel's programs in Wales were broadcast in Welsh. The government retreated, and Channel 4 in Wales is now a repository of all Welsh language programs, including those of the BBC (without advertisement) as well as those commercial ones. BBC Wales is therefore free of Welsh language programs. Because of the program needs of the language minority, the Welsh language Channel 4 achieved a not insubstantial audience rating (10% in 1983, at a time when national penetration of Channel 4 was only 4%) (Hearst, 1983).

In 1980, a law to establish a fourth channel was passed, and the Channel 4 television company was established as a wholly owned IBA subsidiary. In November 1982, transmission commenced. The company commissions and buys programs from ITV companies as well as from other sources such as independents, but does not produce them. The purpose of Channel 4 was to be experimental, and to serve special audience interests. It contributed to British movie making by co-funding about twenty theatrical feature films per year, and providing a market for small independent film producers. The share of programming provided by independents has gone up from 1/3 to 1/2 and its average cost per hour of program production is about 40,000 dollars, embarrassingly low in

comparison to BBC and ITV/1. In 1984/85, 175 independent producers were commissioned to do work by Channel 4 ("Invasion of the Little People," 1985:61). ["Invasion of the Little People." 1985. The Economist (March 19):61.] In the past, independent producers were not able to do much work for ITV and BBC companies, both of which had in-house productions. By 1985, there were more than 300 members, in the Industry Association Independent Programme Producers Association (IPPA). This contributed to London becoming important as a marketplace for video materials, and as a leading post-production center in Europe. Typically, these companies have tiny staffs and low overheads. They hire crews and equipment, and they are extraordinarily cost conscious, which is not the case with ITV. In 1984, the overtime payments for one of the major ITV companies, Yorkshire, was more than a quarter of the total wages. The BBC also has a substantial work force and production capacity, which would become idle if it turned to independent producers, as its own accountant study commissioned by the BBC recommended before being disavowed.

Channel 4's audience developed slower than originally anticipated, and after two years was just above 7%. It serves a young and upscale audience that does not otherwise watch much television.

The importance of the foreign market for independent broadcasters can be seen the the following numbers. The largest ITV company, Thames Television, has the highest pre-tax

profit for 1983/84 of 17.7 million dollars. Revenue from foreign sales was 23 million dollars (Ball, 1984) [Ball, Adrian. 1984. "London Market to Focus on 'Television Media.'" Television/Radio Age (September):A1-A24.] .