18th October, 1966

CABINET

BROADCASTING POLICY

Memorandum by the Postmaster General

At the meeting of the Cabinet on 4th August (CC(66) 42nd Conclusions, Minute 6), I was invited to make a technical appraisal of the possibility and implications of setting up stations to transmit, soon after the end of the year, programmes similar to those provided by the pirate stations. My report which envisages the establishment, by statute, of a new broadcasting corporation, financed from advertising, to provide a national popular music programme and also a service of local sound broadcasting was considered at a meeting of Ministers under the Prime Minister's chairmanship on 12th October.

2. Established by Act of Parliament, the new corporation would - unlike the Independent Television Authority (ITA) - itself sell the advertising time, and itself produce the programmes. Like the ITA, it would be obliged to maintain suitable standards in programmes and advertisements; to seek to pay its own way and repay an initial Exchequer loan; and to surrender any surplus revenue to the Exchequer. The Act would give the Government broadly the same powers in relation to the new corporation as those they have in relation to the BBC and ITA.

3. The music programme would be broadcast on one of the medium wave-lengths allocated to the United Kingdom. Since all the available wave-lengths are used by the BBC some curtailment of one of the existing services of sound broadcasting is inevitable. Of the possibilities outlined in my report, the meeting of Ministers favoured a scheme in which the music programme would be put out on a wave-length of 247 metres. This is the wave-length used for the BBC's Light Programme to supplement the coverage of the long-wave transmitter on 1500 metres. Used for a music programme it could cover about 60 per cent of the population by day and about 40 per cent by night. About 10 per cent of the population would lose the Light Programme at night, and for another 20 per cent the quality of reception of the Light Programme would be impaired. The listeners affected would, however, be able to receive the new music programme which would be generally similar in character to the Light Programme.

4. For local sound broadcasting my report envisages that the new corporation would establish 60 stations initially. They would operate on very high frequencies (VHF) and each station would have a range of a few miles. For each town and city served the corporation would appoint a Local Broadcasting Council which would play a fully formative part in the development of programme policy and content.
5. Both the music programme and the local sound stations would carry advertising. A new corporation would need capital over the first few years of £5 million which would have to be provided by an Exchequer loan. The prospects for repaying this loan would be uncertain. On the best estimates available, the music programme would, by the fourth year, perhaps be breaking even or at most achieving a surplus on running costs of slightly over £1 million a year; but even by the fourth year the local broadcasting stations might be losing £1 million a year. During the first three years neither service would earn as much revenue.

6. There are possible variants of this scheme. The local sound broadcasting element might be on an experimental scale (no more than a dozen stations initially) to test public response before large resources are committed to a general and permanent service; and the experimental service might be provided either by the BBC or by local 'community' stations each under the control of a separate broadcasting authority.

7. However, the meeting of Ministers considered that the effective choice lay between the scheme described in paragraphs 3-5 above and the proposal contained in the draft White Paper (annex to C(66) 125) which I presented to the Cabinet at its meeting on 4th August. This proposal was that the BBC should provide the music programme on 247 metres and undertake a nine-station experiment in local sound broadcasting.

8. Apart from the general considerations which apply to any service financed by advertising, the main advantages and disadvantages of these two alternative schemes are these:-

(i) A music programme provided by the BBC could start quickly. A new corporation (which would need time to acquire sites and to build and equip the transmitting stations) would probably not be ready before the early part of 1969. Legislation would be needed to establish a new corporation.

(ii) A music programme provided by the BBC would not differ much from the present Light Programme. The new corporation would give the listener an alternative to the BBC.

(iii) The BBC could provide the music programme much more cheaply, both in capital and running costs. On the other hand the cost of local sound broadcasting provided by the BBC would have to be met from the licence fee revenues. (The BBC estimate that a general service of local sound would add 5 shillings to the licence fee). The new corporation would earn substantial income from advertising, although it is uncertain whether it would be financially self-supporting.

(iv) A limited experiment in local sound broadcasting would enable public response to be tested before large resources were committed. On the other hand, a 60-station scheme would enable the sound broadcasting element of the Open University to start more quickly.
9. The meeting of Ministers was divided in opinion but the view of the majority was that the overall balance of advantage lay with the creation of a new corporation to provide the services described in paragraphs 1 - 5 above. It was recognised, however, that this course had the serious disadvantage that the music programme could not be brought into operation for some considerable time after the enactment of the Marine, etc., Broadcasting (Offences) Bill. It was the unanimous view, therefore, that the BBC should be asked to bridge this hiatus by providing a music programme on 247 metres until the new corporation was ready for service.

10. I have revised the draft White Paper annexed to C(66) 125 to reflect these conclusions. The revised draft is annexed.

11. I accordingly invite my colleagues:

(i) to agree that a new broadcasting corporation, financed by advertising, should be established to provide a national popular music programme and a service of local sound broadcasting on the basis outlined in this paper;

(ii) to agree that I should discuss with the Chairman of the BBC the provision of BBC music programme on 247 metres as an interim arrangement, and report again to the Cabinet if there is any obstacle to this proposal;

(iii) to approve, subject to the consultation at (ii), the annexed draft White Paper.

E. S.


17th October, 1966
Introduction

1. The Government have had under review various major aspects of broadcasting policy. First among them was the question of the BBC’s finances. Besides this, there were various proposals for the further extension of the broadcasting services; that there should be a fourth television service; that a service of local sound broadcasting should be introduced; and that there should be an extra service of sound broadcasting entirely given over to music.

2. The Government have thought it best to consider them as a comprehensive whole. For two other major questions it was however desirable for the Government to publish their views before the general review was completed. A Bill to put an end to the activities of pirate radio stations has already been introduced. And on colour television, the Postmaster General announced on 3rd March last the decision that a service using the PAL transmission system and broadcast on the 625-line standard would start towards the end of next year.

3. In reaching the conclusions announced in this review, it has of course been the Government’s duty to consider both what purposes the proposals for further extending the broadcasting services should seek to serve, and what organisation would best promote those purposes. The Government have also had to consider to what extent it would be in the national economic interest to allow these extensions. It is not enough that they should be desirable in themselves. The overriding consideration is whether the country can afford them.

THE FINANCES OF THE BBC

The BBC’s request for an increase in the licence fee

4. Following the report of the Pilkington Committee in 1962, the BBC were authorised:

(a) to provide an additional television service - BBC2;

(b) to provide self-contained television services for Scotland and Wales;

(c) greatly to increase the number of hours for which its Third Programme/Network Three broadcasts. It now broadcasts throughout the day;

(d) to extend the Light Programme. It now broadcasts from 5.30 a.m. until 2 a.m.;

(e) to provide more programmes of adult education on television. Both BBC and ITA have made full use of this authority; and

(f) to start colour television on BBC2.
The decision to authorise these major developments was welcomed; and, except for colour television — which is to start next year — they either have been or are being carried into effect.

5. The understanding on which the BBC proceeded to carry out this programme was that they would be afforded sufficient income to finance adequate services. In their Annual Report for 1962-63, the Corporation record that if they had received the full proceeds of a £5 licence from 1st April 1963, for which they had asked, they could have financed their services out of income until the end of the nineteen sixties. The Corporation's request was not granted, but from October 1963, when the Government of the day relinquished the £1 annual excise duty, an amount equal to the whole of the net proceeds of a £4 licence became payable to the Corporation.

6. In October 1964, the BBC represented to the Government that the combined television and sound licence fee should be raised from £4 to £6, and the sound-only fee from £1 to £1 5s. It was, of course, the Government's duty first to satisfy themselves that increases of this order would be justified. But it was also plain that some immediate action was called for to put the BBC in funds. The Government therefore decided that there should be a close enquiry into the Corporation's finances; but, as an interim measure, also authorised increases in the combined licence fee from £4 to £5, and in the sound-only fee from £1 to £1 5s. Both increases took effect on 1st August 1965.

The Government's enquiry

7. The Government have completed their enquiry into the BBC's finances. Practically speaking, the only possible ways of providing finance for the BBC are: by direct Government subvention, by the sale of advertising time in the Corporation's services, or by the licence-fee system.

8. A Government subvention would be liable to expose the Corporation to financial control in such detail as would prove incompatible with the BBC's independence. The money would, of course, have to be found from general taxation.

9. Under their Licence and Agreement (Cmd.2236) the BBC are not allowed to broadcast commercial advertisements without first having sought and obtained the Postmaster General's permission. Because of the probable long-term effect on the character of their services the BBC have never sought this permission. The Government recall that the Pilkington Committee found against the financing of the BBC in any measure from advertising, and that this view commanded general acceptance.

10. The Government have decided that there should be no change at present in the arrangement whereby the BBC are financed through the licence fee system. But at a time when none may be content to rest upon present standards of efficiency and financial performance, good though they may be, the Government have thought it right to expect of the BBC that they should set themselves even more exacting financial objectives. They have accordingly asked them whether, assuming the expenditure ceiling which would be implied if there were no increase in the licence fee for the present, the Corporation would be able to maintain their present services, and to proceed with extensions and developments either already authorised or proposed below. The BBC have reported that, by making special economies, they will — on certain assumptions — be able to do so until January 1968 at least when they would need an increase of £1.
In order to make these special economies, the BBC will restrict activities which they have hitherto considered well justified but which, against the background of continued financial stringency, can be sacrificed to the overriding national need for economy. The Corporation have conducted a searching examination of all their ancillary services and operations, with a view to making the maximum retrenchment in detail. By itself, however, this will not suffice. Some larger scale projects, desirable in themselves, for enlarging and modernising the Corporation's programme production capacity, will be forgone for the present. But the BBC will be able to maintain their present level of programme output and to proceed with extensions and developments of their services already authorised or about to be authorised.

Licence evasion

One assumption on which the BBC have based their undertaking to manage without an immediate increase in the licence fee is that counter measures against licence evasion will prove effective. It has been reliably estimated that, of the gross revenue amounting to some £80m. payable in a full year, some £9m. is lost through evasion. This is far too much to be tolerated. Honest viewers and listeners are, in effect, paying for the dishonesty of the evaders.

Steps have already been taken by the Postmaster General to tighten up counter evasion measures, but, by themselves, they will not suffice. Further measures are required. The Government are reviewing the penalties which Magistrates may impose on convicted evaders, and are discussing with the associations representing retailers and the rental companies ways in which dealers could help in the enforcement of the licence system. The Government will announce their proposals as soon as these discussions have been completed.

BBC finance: conclusion

The Government recognise the efforts which the Corporation are making to defer their request for an increase in the licence fee. The increase will be required in due course, but, given the combined effect of the special economies to be secured by the BBC and of the further measures to be taken to combat licence-evasion, the Government are satisfied that no increase in the fee will be required before 1968.

A FOURTH TELEVISION SERVICE

Ultimately, the frequencies now available for television could accommodate six services of near-national coverage on the 625-line definition standard: two in the very high frequency (VHF) bands; and four in the ultra-high frequency (UHF) bands. At present, the VHF bands are occupied by BBC1 and independent television, both broadcast on 405-lines. Of the four 625-line networks possible in UHF, one is committed to BBC2. There is therefore unused frequency space in the UHF bands for three more 625-line services. Space for two of these must be reserved in case it is required in order to change over the existing 405-line services to 625-lines by the duplication method. This means that the present basis on which planning must proceed is that, for the next 10 to 15 years, frequencies will certainly be available for only one additional television service of near-national coverage, in UHF and on 625-lines.
16. When the Television Act 1963 was before Parliament, the Government of the day stated their intention to allocate this service to a second programme of independent television during 1965 unless the financial or other obstacles were insurmountable. However it were allocated, a fourth television service would make large demands on resources. The three main services of television already provide a large volume of programmes of various kinds and the Government do not consider that another television service can be afforded a high place in the order of national priorities.

17. Moreover, before deploying the last frequencies certainly available for television for many years to come, the Government would need to be satisfied that the case for committing them to any new service had been fully established. Besides the claim of independent television, there is also the possibility that the frequencies would be required for a specialised service of educational television.

18. The Government have decided that no allocation of frequencies to a fourth television service will be authorised for the next three years at any rate.

**COLOUR TELEVISION**

19. The Government have already announced the decision that colour television, using the PAL transmission system and the 625-line definition standard should be provided. The service is to start towards the end of next year on BBC2. In reaching this conclusion the Government saw as an important consideration the prospect of increasing exports - provided that an early start could be made.

20. In making this announcement, the Postmaster General stated that if the Oslo conference of the International Radio Consultative Committee were to show that another transmission system found general acceptance, the Government would take such a development into consideration. In the event, the conference did not reach a common view on any transmission system. In general, the countries of western Europe expressed a preference for the PAL system, and France and eastern Europe for the SECAM III system. Accordingly, in the United Kingdom the colour service will be provided on the PAL system.

21. It has always been recognised that the decision to provide colour television on the 625-line definition standard is dependent upon the intention to change over the two 405-line services of BBC1 and independent television - to 625-lines. The Postmaster General's Television Advisory Committee has been asked to report as soon as possible on the method of changeover to be adopted.

22. It is the Government's view that the cost of colour programmes, which are likely at the outset to be available only to a small minority of viewers because of the cost of receivers, should not fall upon viewers in general. Accordingly a supplementary licence fee of £5 will be required from those equipped to receive colour programmes.
SOUND RADIO

23. The BBC broadcast three programmes - the Home Service, the Light Programme and the Third Network. Complementary planning broadly ensures that, at any given time, listeners have an effective choice between programmes of different kinds; and, between them, the three programmes cater for a wide span of tastes and interests ranging from those which attract very large audiences to those which, being highly specialised, serve small audiences. The three programmes are widely regarded as very well suited to their function of providing a comprehensive service of sound-radio on a national basis.

A popular music programme

24. The Government recognise that there is, however, a need for a new service, devoted solely to the provision of a continuous popular music programme. They do not consider that such a specialised service, additional to the service of sound radio provided by the BBC, should be financed by the licence fee system, the proceeds of which are required for the Corporation's present services. Accordingly, the Government propose that there should be a new programme of continuous popular music, but that it should be financed by the sale of advertising time.

25. It will be provided by a new public corporation, which will itself produce the programmes and sell the advertising time; and will be transmitted on a medium wavelength by a small number of high-powered stations.

26. Because the medium wavelengths available to this country are already intensively used, it will be necessary to rearrange their deployment so as to release a wavelength for allocation to the new Corporation. The Government will discuss with the BBC how this rearrangement should be made so as to cause the least disturbance to their services. Some disturbance will be inevitable. But the Government are satisfied that the basic three programme pattern need not be materially affected. Some time must elapse before the new popular music programme can start. In the interim period, the BBC have undertaken to broadcast music in popular styles on their medium wavelength (247 metres) transmission of the Light Programme at those periods during daytime when its transmission on the long wavelength (1500 metres) is broadcasting the spoken word. In this way, there will from an early date be made available to listeners a daily programme of continuous popular music from 5.30 a.m. until 6.30 p.m.; and from 10 p.m. until 2 a.m.

Local sound radio

27. No general service of local sound broadcasting, which would be available during hours of darkness as well as in daylight, can be provided only on medium wavelengths allotted to the United Kingdom. The only possibility for such a service lies in VHF. In practical terms, some 150 towns and cities could be served. Of the proposals put to the Government for the provision of a service, some advocate that it should be provided by commercial companies, others that it should be provided by the BBC.

28. In a worthwhile service of broadcasting a local station should, the Eilkington Committee concluded, transmit "for a sufficient part of the broadcasting day [material] of particular interest to the community served by that station rather than to other localities." In their White Paper of July 1962 (Cmd. 1770) the Conservative
administration agreed. "that the justification for local sound broadcasting would be the provision of a service genuinely 'local' in character". The Government share this view.

29. They consider that this objective would prove incompatible with the commercial objectives of companies engaging in local sound broadcasting; and that, in the result, the former would be likely to suffer. In their view it is of first importance to maintain public service principles in the further development of the broadcasting services; and accordingly they reject the view that a service of local sound radio should be provided by commercial companies.

30. Evidence of the expertise and professional enthusiasm which the BBC would bring to local sound broadcasting is to be found in the trial 'programmes' they have prepared. These have been heard, as recordings, by a number of audiences; and have been well received. The scale of the BBC's total operation in broadcasting is, however, already very large, and it has already new and important commitments to meet in the extension of its television services. The Government consider that this operation and these commitments represent as large a burden as the licence fee system should be required for the present to sustain.

31. Accordingly, they propose that the provision of a service of local sound broadcasting should be undertaken by the new corporation to be set up to provide the popular music programme; and that the service of local sound broadcasting should also be financed from the sale of advertising time in the programmes. Again, the new corporation will itself sell the advertising time and produce the programmes.

32. The Government envisage that some 60 stations would be built by the new Corporation. For each town and city served the Corporation would be required to appoint a Local Broadcasting Council. Each Council would be widely representative of community - including youth - and would play a fully formative part in the development of programme policy and content. The Government attach great importance to the need to ensure that the services provided by the stations are local in character and not all moulded to a common pattern imposed from the centre; and it would be required of the new corporation that the Councils would be afforded the maximum possible voice in the direction and performance of the stations.

33. Legislation to incorporate the new Corporation, and to give effect to the Government's proposals for a popular music programme and local sound broadcasting, will be brought before Parliament as soon as possible.

PAY TV

34. The Conservative Government authorised an experiment to last three years and granted a licence which will not expire before January 1969. The Government agree with this decision but they will not allow a situation to develop in which the vast majority of viewers are denied the viewing of major sporting events.

HOURS OF BROADCASTING

35. The first White Paper (Cmd.1770) on the report of the Pilkington Committee stated that the Postmaster General's powers to control the hours of broadcasting would continue. In the Television Act, 1963, and in the BBC's Licence and Agreement, approved by Parliament in January 1964, these powers were re-enacted in a more detailed form.
36. It has been represented to the Government that, ideally, these powers should not be used, but held as a reserve power. Both the ITA and the BBC would then be free to broadcast for as many hours a day as they chose. The Government have also considered whether, instead, there might be authorised a large increase in the number of hours of broadcasting a week.

37. In a typical week BBC 1, independent television and BBC 2 broadcast for some 180 to 200 hours in total. The amount of television broadcast here compares favourably with that of any other Western European country and considerably exceeds that of most.

38. In the Government's view, the amount of broadcasting time will remain a matter of sufficient social importance to require that the Postmaster General should continue to hold and exercise his present powers of control. Nor do the Government consider that any general increase in broadcasting hours will be justified for the present. They do not, however, rule out the possibility of more time for educational programmes.

THE BROADCASTING AUTHORITIES: THEIR COMMON RESPONSIBILITIES

39. Both the BBC and ITA are public corporations, wholly responsible for the content of their programmes and for the day-to-day conduct of their affairs. The principles that the public corporations should be independent of the Government has been upheld by successive Administrations since the beginning of broadcasting in the United Kingdom. The Government adhere to this concept.

40. The Government has discussed with the broadcasting authorities, and with other parties in Parliament, the idea of establishing, subject to this governing principle, a council to consider general issues of broadcasting policy. They have concluded that additional machinery of this sort would serve little useful purpose if the independence of the two public corporations is to be maintained. Since full responsibility is required of them, they must be afforded full authority to secure that their services are conducted in the general interest.

41. Though Parliament has placed them in competition with each other, they have a common objective of public service. In the continuing task of realising this objective matters of common concern are bound to arise. To discuss matters of this kind, the Chairman of the BBC and the Chairman of the ITA have, the Government understand, established regular and frequent meetings. The two broadcasting authorities have now decided to put these meetings on a more formal footing and to use them as the occasion for discussing matters which either Chairman might wish to raise. The meetings will continue to be private and unpublicised.

42. The Government welcome this means of consultation between the two authorities and their ready recognition that they will benefit from an understanding by each authority of the other's view.