A SECOND SERVICE OF INDEPENDENT TELEVISION:
AND CONTROL OVER THE NUMBER OF HOURS
OF BROADCASTING

Memorandum by the Minister of Posts and Telecommunications

1. The Ministerial Committee on Broadcasting considered on
13 December a submission (annexed) from the Independent Television
Authority (ITA) in favour of a second service of independent television
(ITV 2).

2. The ITA contend that two complementary services would offer a
wider choice to their audiences, and the various groups within them, than
one; that the existing service does not fully employ the human and
material resources at present available within the programme companies;
and that it is unfair that the British Broadcasting Corporation (BBC) should
have two programmes while ITV has only one. They envisage that the
first transmission of ITV 2 might, if approved now, start in 1974.

3. But, in my memorandum, I noted:
   i. much of the additional advertising revenue for ITV 2,
estimated by the ITA at about £14 million a year, would
   come from the national Press, who would see themselves
   as seriously endangered by it; and the Newspaper Publishers
   Association, the Newspaper Society and the National Union of
   Journalists have all told me that for this reason they are
   strongly against it;

   ii. the ITA proposals are also opposed by the advertising industry
   and by many of our own supporters, who want a competing
   rather than complementary second ITV service;

   iii. the diversion of ITA's engineering resources to the setting up
of ITV 2 would inevitably slow down the joint BBC/ITA
programme for extending the three existing BBC and ITA
services to less well-served areas;
iv. ITV 2 would reduce the profits of independent television and hence entail pressure for reduction of the levy;

v. and even if it eventually proves right to have an ITV 2, there is much to be said, especially at a time when we already have more television than any other Western European country, for deferring a decision until decisions need to be taken about the whole future shape of radio and television broadcasting after 1976 (when the 1964 Television Act and the BBC charter both expire).

4. The Ministerial Committee unanimously concluded that the ITA's case for immediate allocation of ITV 2 was not made out.

5. There is however another matter on which we could give some satisfaction to the ITA. The Authority propose that I should now abandon the present Ministerial control over the hours of broadcasting. Apart from some practical arguments, there is a strong argument of principle against this kind of detailed Governmental control. It would be as well to insist that there should still be no breakfast-time television, which might seriously harm the national Press. The ITA would be prepared to give an assurance on that point, and as the formal powers would remain on the statute book, we could ensure that the stipulation was fulfilled. Provided that satisfactory assurances on this can be obtained from the ITA and the BBC, the Ministerial Committee agreed with me that, if the ITA were not given a second programme, we should agree that the control of hours should be lifted.

6. I invite my colleagues to agree that I should make an early announcement that we have decided:

i. not to allocate frequency channels for the fourth programme with a view to its starting before 1976;

ii. that control over the number of hours of broadcasting should now be abolished.

C J C

Ministry of Posts and Telecommunications
6 January 1972
ITV 2

A SUBMISSION TO THE MINISTER OF POSTS AND TELECOMMUNICATIONS BY THE INDEPENDENT TELEVISION AUTHORITY DECEMBER 1971
Foreword

This submission gives the Authority’s considered views about the use of the fourth UHF television channel in this country.

It proposes that there should be a fourth television service and that it should form part of the Independent Television system; that there should be no additional programme companies appointed as a result of the introduction of this ITV 2; that there should be closer involvement by the ITA in the programme planning processes of the combined Independent Television programmes, both streams of which would operate in relation to each other on a complementary and non-competitive basis; and that a two-service ITV system should provide freer access to the national audience for programmes from all sources, including Independent Television’s regional companies and outside producing agencies.

The Authority’s interest is solely that of improving the service, and it bases its proposal that there should be a second Independent Television channel upon the wider range of programming which could then be broadcast. ITV 1 has had marked success in providing programmes that are attractive. An ITV 2 would unquestionably enlarge the range available to the audience as a whole. It would also benefit sections of the total audience who have particular interests which cannot often be catered for, at least in peak time, within the confines of a single service.

Competition between two public services, one financed through licence revenue and the other supported by advertising, is something which has strengthened television since it was first introduced in the mid-1950s. Competition on equal terms between the same services, each with two complementary television channels, should improve the service given.

The Authority has not confined its discussions to the question of a second Independent Television channel; it has also looked at other possibilities, as is explained later. Its firm conclusion is that the viewers’ interest will best be served by a second ITV service of the kind described. The argument is now developed in detail under the following headings:

I. General Considerations
II. Background to the Present Proposals
III. The Case for a Second ITV Service
IV. ITV 2 Complementary to and Not Competitive with ITV 1
V. The Programme Possibilities
VI. The Reactions of the ITV Companies
VII. Alternative Possibilities
VIII. Possible Arrangements for ITV 2
IX. A New Programme Planning Board for the Network
X. Freer Access to the National Audience
XI. Financial Prospects of ITV 2
XII. The Timing of ITV 2
I. General Considerations

1. Television is the most popular of leisure activities, and in many ways the most powerful. Demands of all kinds are made upon it—and rightly: that it should entertain, divert, and interest us (all fifty million of us) when we want relaxation; and that it should enlarge our range of knowledge, experience, and awareness, so that we grow as individuals and as members of society.

2. To do all this demands a balance of the most delicate kind, as a broadcasting service seeks both to entertain and to contribute something to our experience and knowledge. If it tries only to please, it is only using part of the medium's potential. If it tries only to contribute and to educate, then again, whatever praise it may gain from the critic, it is wasting a great opportunity; for those who have fewest other resources for equipping themselves with wider and deeper interests will switch away. A competitive climate strengthens the broadcaster's will to connect with large audiences through entertaining and interesting them; a climate where there is some shelter from competition strengthens his power to contribute.

3. If it wants to strike a balance successfully, a broadcasting service needs both a competitive stimulus and the knowledge that it does not have to compete all the time and at each point of the output. If it is to combine recreation and public service for a very wide range of viewers, it needs elbow-room. The BBC, to the advantage of us all as listeners and viewers, has the elbow-room which comes from a multi-channel operation both in radio and television; the Government of the day, in authorizing BBC 2, called it "one directly effective way of giving the viewer a choice of different types of programme, including more programmes of an educational and informative nature, or drawn from regional sources". To provide a more extensive range of service to the viewer, we ask that Independent Television should be given comparable freedom.

4. The Authority seeks this freedom because it has a duty to provide television broadcasting services as a public service for disseminating information, education and entertainment. With this duty placed upon it, the Authority must, whenever it thinks it desirable to do so, put forward suggestions for improving the quality and range of the service it can offer. At the present time, it is suggesting to Government that it can make such improvement possible in two ways: by removing outside restrictions on the length of time during which Independent Television can be on the air, and by the authorization of a second service. These two approaches have a single and similar aim, the broadening of ITV's range. A derestriction of hours would be of immediate advantage, since it could take effect without any need to wait for fresh transmitters to be built. Its benefits, though substantial, would however not apply to all viewers, but to those who find themselves able to watch television during the day. A second service would enable the programme range to be extended at the times when it matters most—the main evening hours. Both of these changes seem to the Authority most desirable if it is to implement fully the duty laid on it by Parliament—the running of a high quality television service which exploits to the full the potential of the country's principal mass medium.
II. Background to the Present Proposals

5. Before 1970 the Authority had on a number of occasions considered the possibility of a second ITV service. The first reference to the desirability of there being two services was made in 1955 in the Authority’s first Annual Report. Then, in the first half of the 1960s, there were further expressions of interest in the subject both from the Authority’s side and from the Government’s. In its White Paper of December 1962 the Government of the day, in deferring any decision to authorise a second ITA programme, said that it still felt such a programme might prove to be desirable in order to allow full scope for Independent Television to offer more selection to viewers and to experiment. Up to this stage, the assumption was being made by the Authority and by Government that both services would operate on a competitive basis and be run by different people.

6. In the White Paper of December 1966, the Government of the day announced that there would be no allocation of frequencies to a fourth television service for the following three years at any rate. In 1969 there were informal discussions with the Post Office about the possibility of ITV 2, but these were not pursued because of the serious financial position of Independent Television in that year. The Authority continued to hope, however, that a second service could be authorised which would, by giving ITV the same opportunities as the BBC had had since 1964, lead to a situation of parity, both of competition for the viewers and of ability to offer them a full range of programming, between the two separate public services of television in the United Kingdom.

7. In 1970 the Authority and its Policy Committee gave fresh consideration to the question of ITV 2. For it was clear that, apart from the need for ITV to have sufficient funds for the provision of the best possible programmes (a need which led to representations about the Levy and to the Government’s decision in this matter), the most important requirement of Independent Television was that it should be enabled to offer a wider range of service. Restricted hours and a single channel lead to frustrations for the viewer who wants the same range on ITV as he can obtain from the BBC’s two channels, and frustration for the programme maker whose chance of innovating and of providing for particular audiences is much reduced by the constraints of a single channel. ITV is obliged, as it were, to cater for readers of The Guardian, The Express, and The Mirror, within the confines of a single channel. It seemed to the Authority that the removal of these constraints was, together with a derestriction of the permitted hours of broadcasting, essential if ITV was to improve and broaden its service during the 1970s in the way that the Authority wished.

8. In the course of its discussions, the Authority dwelt particularly on the following points:

(i) If the service given by ITV was to be broadened and was to cater for a number of interests which we try not to neglect but which we cannot serve as adequately as we would wish, then the second service must be complementary to the first and not competitive with it. All the evidence
suggested that competitive programming did not enlarge the range of choice: indeed, it tended to narrow it. Competition has its own advantages in sharpening effort and increasing attention to what the viewer wants; but this sharpness has already been brought into television by competition between ITV and BBC.

(ii) ITV is already equipped with more facilities than the BBC and with a more disparate collection of creative enterprises. This is due to its deliberate decision to provide a federal and regional structure for Independent Television's service. But the result is an amount of programme production which, while consistent with the regional structure, is in total more than is needed for a minimum single-service output. Potentially, there exist the means of providing between two and three times the amount of material that a single channel requires. It is therefore plain that any expansion of the service, relying (as it will have to rely) on quite small expansion in income, must make use of potential within the present structure for the most part, and not expect to duplicate that structure. The existence of this reserve meant that the Authority could look forward past the financial problems that then existed to a situation in which quite a small improvement in resources might make it possible to start planning for a second channel.

9. Since the Authority neither produces programmes nor sells advertising, the next step was to discuss with the companies actually producing the programmes of Independent Television such matters as the likelihood of additional revenue from ITV 2, what a complementary service might mean in terms of programme categories, what the extent and location of surplus studios were, and the scope that there would be for increased regional opportunities in a two-service situation. The Authority therefore decided to set up a joint working party of members of the Standing Consultative Committee, drawn both from the Authority’s staff and from the representatives of companies. This working party had six meetings between May and November 1971.

10. It also seemed right, in a matter of such importance for the future of Independent Television, that the views of those working in the industry should be canvassed in a more general way. The Authority therefore decided to ask for ideas from within ITV generally, and from trade unions and societies with relevant membership, and to have these discussed at a Consultation towards the end of the year. In order that this discussion could be frank and positive, we decided that it should not be a public debate attended by the Press. The result of this arrangement was that a large number of questions were considered in fair detail and a range of useful views expressed by those who had experience of the working of Independent Television at all levels.

11. The Authority also invited the views of its General Advisory Council and its Educational Advisory Council; during its discussions, it has also learnt, through information gained by membership of the European Broadcasting Union and through staff visits, of the experience of other countries which have more than one broadcasting service. In addition, it has taken account of the views of bodies representing the advertising industry, as given
both in informal discussions and through the Press, and it has also received the views of a number of programme producers from outside Independent Television. These contacts, together with the Authority’s interest in the current Press discussion of this and other aspects of the future of broadcasting, mean that it has considered the various implications of any proposals for ITV 2.

12. Although the proposals are now being put forward after the collection and examination of a wide range of views and data the Authority has accepted from the outset that it is for Government to set the proposals in perspective and to take a decision.

III. The Case for a Second ITV Service

13. The case for the introduction of a second service is based upon the programming restrictions which must exist in a single service. The Authority is charged by Section 1(4) of the Television Act to provide “a public service for disseminating information, education and entertainment” and to secure “a proper balance and wide range” in the subject-matter of the programmes; but it is obvious that, within the confines of a single service, there cannot be as wide a representation of the tastes and interests of the audience as a whole, and those of the various groups within it, as there can be with two jointly planned services. This was true of BBC 1, which was a service that did not have to earn its own living. The introduction of BBC 2 provided an opportunity for a large widening of programme range in BBC television, and a comparable widening could be secured in Independent Television.

14. Any single general television service must be restricted in the programmes which it can show at the times when most people can watch. Purely on a temporal basis, this must be so; for, except at weekends, the normal maximum viewing span of most working adults is limited to four or five hours from 6-7 o’clock to 10-11 o’clock. In that time, in a single service, there is not scope to cover much more than the staple fare of television; light entertainment shows, plays, series and serials, comedies, sport, news, current affairs, and documentaries. A single self-supporting service can be adventurous within limits, but not beyond.

15. Independent Television is one of the most potent forms of communication and enjoys a huge daily audience. Just as we would deprecate a public library system or an organisation of the cinema or the theatre which was unable to provide a wide range of material for its users, so we can say that television is weakened if it cannot cater well for different needs; the operation of a second ITV service would do much to solve this problem and would widen horizons, provided it was operated so as to extend the range of existing television programming.
IV. ITV 2 Complementary to and Not Competitive with ITV 1

16. The 1964 Television Act, in Section 25, requires that where there is more than one ITV service the Authority shall:

*ensure that, so far as possible, the same kind of subject matter is not broadcast at the same time in the different programmes.*

To some people, the provision of a complementary service is merely the avoidance of clashes as required by the Act. To the Authority, however, a truly complementary second service is one which, as well as being planned to provide alternative types of programme for the viewer at any given time, serves to complete and fill out the range of ITV programmes available. It is one which enables Independent Television to find the elbow-room referred to earlier.

17. It is possible to conceive of a complementary ITV 2 service provided by a programme company, or group of programme companies, separate from those of ITV 1 and in competition with them for the viewing audience, and therefore for advertising revenue. But in functional terms such an arrangement could not work. For each service would have an interest in looking to the size of its audience at any given time and would be competing not only with the BBC but with the other ITV service. This would be bound to affect the programme content and scheduling of the two ITV services, and to diminish opportunities to screen programmes designed for, say, 10 per cent of the viewers. A better situation would be one where programmes could be planned and scheduled without regard to their relative audiences as between ITV 1 and ITV 2. Thus, if there were a light entertainment programme on ITV 1, it would be better scheduling, in the Authority’s view, if the programme going out on ITV 2 were, for example, an arts or documentary programme, or an experimental programme, of a type likely to please those viewers who would not be attracted by what was on ITV 1. This programming policy points to a system where the two Independent channels are as little as possible in rivalry with each other for the same part of the audience at the same time, although there would be competition on an equal footing with the BBC. If this complementarity between ITV 1 and ITV 2 is achieved, then a wider range of the total audience will be provided with programmes which are to their taste. A self-supporting single service will always find it difficult regularly to screen programmes which it is known will attract a relatively small proportion of the total audience. With two services, the planners will be able to accept the possibility of small audiences at peak time with equanimity, since the audience for the alternative ITV programme need not be substantially affected. There is therefore, in a complementary situation, an inherent, rather than an imposed, reason for scheduling programmes in the way that serves the viewer best; and planners are not tempted to place programmes of mass appeal against each other, since that would diminish the following of both.
V. The Programme Possibilities

18. In programme terms there is a whole range of needs which cannot properly be satisfied by Independent Television unless scope for expansion can be provided by means of a second service planned in conjunction with the first. It is true that to a limited degree these needs, or some of them, can be met within the confines of a single service, especially if it is allowed to build up its transmission hours free from the existing restrictions. But viewers and programme makers would increasingly see the restrictions of a single service as depriving them of great opportunities. The alternative—an essential one, in the Authority's view—is to extend ITV's public service through a second channel which presents programmes coming from a wider number of sources and catering for a greater variety of viewers' interests.

19. It is time to be more specific about some of the fields in which opportunities would arise:

(i) It would be possible to deal in greater depth and detail, and more frequently, with current affairs, with arts and sciences, with political, economic, and social issues.

(ii) In an age of increased leisure, television can support a wide range of leisure pursuits; some of these, like gardening and motoring, have very wide appeal, while many others command smaller followings but equal, or greater, devotion.

(iii) To travel vicariously, to see what cannot be seen from the windows of home, is a special enrichment that can be enjoyed through television. As more viewers have colour sets, the importance of this will grow; more programmes of this kind in peak time should foster its growth and widen understanding. The relevance of Europe and of European programmes is obvious here.

(iv) It is desirable to stimulate the production of programmes of an experimental nature. These are, by definition, impossible to specify in advance. The need for freedom to experiment applies not only to production and writing techniques but also to assessing audience reaction to different types of programmes, whether they be designed to appeal to the mass audience or to particular parts of it.

(v) Extended coverage would be possible for a number of sporting events of all kinds. The interests of those who like sport often conflict, on a single channel, with the needs of schools or housewives or children or general viewers. Moreover, sports which, though pleasing to watch, have only a limited following cannot easily be shown. Clearly lovers of sport, and haters of sport, are much better served by two channels.

(vi) It is an incentive towards excellence in educational and other serious programme fields if better viewing times are available for some of this output. More viewers should have the chance to see such programmes; more viewers (though possibly never a majority) will want to see such programmes as levels of education rise. There are a number of educational needs (both curricular and informal, for adults and for children) to which television could make a unique contribution, and
which are not at present being catered for on any channel. We would wish to explore ways in which the additional capacity provided by an extra service could be used for these purposes.

(vii) ITV lacks the equivalent of a newspaper's correspondence column. It has too few opportunities of hearing from viewers, and of conducting some dialogue about television itself and about the job which it is, or should be, doing. Without becoming narcissistic, we should hope that a second channel could enable us to deal more fully with television itself.

(viii) Much first-class television material goes to waste after a single showing. In a two-channel service there is scope for the planned repeating of worthwhile programmes of all kinds between the two channels.

(ix) Some of the programmes of the regional companies which are at present excluded from the network, because of too much programme pressure on too few outlets, should have wider distribution; creative staff will then be less drawn to the central companies if regional companies have opportunities for programme making that will effectively challenge their talents. Major centres of regular network programme production already exist in London, Birmingham, Manchester and Leeds. There is the production capacity available to add Glasgow, Cardiff and Bristol, Newcastle, Southampton, Norwich and possibly Plymouth to this list. The result would not only be a valuable stimulus to the system: it would also perform a social function, which ITV by its own record has always supported, of countering tendencies that would focus the nation's life too strongly on the metropolis.

(x) With more elbow-room, ITV would be freer to explore what can be offered by independent programme makers; and to act as patrons to such independents, encouraging, purchasing or commissioning their work.

(xi) In the particular case of Wales, the introduction of a second ITV service could do much to relieve the tensions which arise at present in attempting to provide a general service and also to serve the special needs and interests of those living in Wales—particularly those who want to have programmes in the Welsh language at good viewing times. Even if the programming of ITV 2 were largely on a national basis, there would be the opportunity for regional opt-outs during which programmes of special interest for Wales and in the Welsh language could be shown. It would also be possible for such programmes to be shown on ITV 1 in the knowledge that an alternative programme was available on ITV 2. All this is quite apart from the availability of the ITV 2 channel during the daytime and in the early evening when it would generally not be transmitting ITV 2. For we are assuming that ITV 2, like BBC 2, would be mainly an evening and weekend service.

These and other opportunities could be met by a second ITV service which would complement and supplement the output of ITV 1, with numerous common junctions, so that a choice could be offered in accordance with Section 25 of the Act.
20. Complementary planning of a two-channel ITV service is not just a question of calling a new channel into existence to redress the balance of the old. ITV 1, as it now exists, to a great extent already provides as balanced a service as can be expected from a single channel which is financed solely from the sale of advertising time. Some 30 to 35 per cent overall of the average weekly output is classified as serious, and this figure excludes all drama of whatever kind. In broad terms the essential elements of 'proper balance' already provided in the single service are (a) adequate daily bulletins of national news; (b) political programmes; (c) social programmes; (d) documentary programmes; (e) cultural programmes (i.e. the arts, history, science); (f) religious programmes; and (g) educational programmes for schools and adult audiences. Programmes in most of these categories are already to be found in the evening hours.

21. The Authority does not envisage the arrival of a second channel leading to any significant change in this balance on the first channel. Consequently, if ITV 2 is to be a genuine counterpart to ITV 1, with a view to both channels together catering for a wider spectrum of tastes and interests, then it would follow that a substantially higher proportion of its programmes than of those on ITV 1 would be classified as serious. More important, perhaps, it would be able to show a much higher proportion of its serious output in peak time. All this does not mean to say that ITV 2 should predominantly contain programmes of minority appeal. It would be the Authority's intention that both its services should have their own forms of balance and range. In the case of ITV 2, there would be advantage in a variety of programme elements so that the audience would be carried forward from diverting programmes to more demanding ones.

VI. The Reactions of the ITV Companies

22. With all these considerations in mind, the Authority came to the conclusion that a complementary second ITV service would enlarge the range of Independent Television's output, with benefit to the viewer and to creative people working for the system—especially those whose talents could not find full expression within the confines of a single service which is unable to cater extensively for minority audiences in peak time. It remained to be seen whether what it wanted seemed feasible to those who were directly involved in the operation of the system.

23. The companies, without exception, took the view that a second service, run on the lines so far described, was indeed possible and desirable. It was plain that the establishment of such a service could not be a very rewarding prospect financially for the companies, and indeed, for the first few years at least, would be almost certain to reduce profitability. Simple arithmetic, or the most general look at BBC 1 and BBC 2, made it plain that the increase in production costs brought about by a two-channel operation could not be matched by a comparable increase in total ratings. Nevertheless, the com-
panies were in no doubt that proposals for ITV 2 should go forward and should be supported in principle by them. In our view, there are four main reasons for their attitude:

(i) The companies, like the Authority, are sensitive to the limitations which a single-channel service imposes on the range of programmes which can be offered to the viewer, particularly in peak time. They are also even more aware than the Authority is of the amount of creative talent and ability within the system which could be producing worthwhile programmes (especially perhaps in the documentary and current affairs fields) if a two-channel system greatly increased (as it would) ITV's freedom to present such fare in the evenings.

(ii) There is inevitably much spare studio capacity and surplus potential in a system which (with ITN) has 16 production companies. The spare capacity has come into being over the years for a sound reason—that ITV depends on a federal and regional structure which is one of its strengths; nevertheless, it is frustrating both to those with production abilities and to those who care about managerial efficiency that this capacity cannot be fully used by a single channel. NBP1 Report No. 156 discusses this problem and makes its plain that there are inevitably substantial reserves here which the companies would want to use. A second service would provide greater scope for those working in the system to produce programmes knowing that they would receive a wide showing. The result would be the fuller use of the capacity of a diverse system, and the injection of further elements of diversity into it.

(iii) The possession of two channels by the BBC has upset the competitive balance between BBC and ITV in several ways, some obvious and some more subtle. For example, if ITV is providing an evening programme which is serious but not very popular, it can no longer expect to hold its audience on the basis that the opposition also will be a serious rather than a popular programme; for this will only be true of one of the two BBC channels, while the other, following the principles of complementary programming, will very often be popular and drawing off many viewers. Although the overall position has not yet seriously changed, it is natural that the companies should fear that, without a second ITV channel, a position might eventually be reached in which each of the three channels took a third of the audience. This consideration would apply with even greater force if the fourth channel were to be allocated in such a way that the ITV companies faced three competitors, rather than two as now, for the audience. Serious difficulties would obviously arise if there were a downward drift of audiences, not only for the companies but also for the Authority which would find it harder to impose its present public service requirements on the companies in such a situation.

(iv) There are dangers to morale and to quality in a confined situation. All companies felt that the system must move forward and that, while ITV 2 might have disparate effects upon the prospects of individual companies, it was right that a new outlet and a new opportunity should be provided.
VII. Alternative Possibilities

24. There is then, within the ranks of those who work for Independent Television, broad agreement about what is wanted. But there have also been three other propositions examined by the Authority. They are best discussed here with the acknowledgement that two of them have been regarded favourably by the Authority in the past.

(i) A COMPETITIVE SERVICE FURNISHED BY DIFFERENT CONTRACTORS?

It is now clear to us that this solution is not the right one. The reasons are not only that the range of the service is better enlarged by two complementary channels, and the public and the viewer better served thereby, but also that a double service on these lines would be so wasteful of resources, without greatly extending the present range of ITV programming, that it could only produce one of two consequences: either two inferior services would be run on inadequate budgets, or so much advertising revenue would be drawn into television advertising, if two decent services were to be supported, that newspapers and other media which rely on advertising revenue would be damaged and perhaps put out of business. We understand the attraction, in principle, for some advertisers of a system which would give them two competitive television outlets in the same place at the same time. But, in practical terms, we think that a competitive system on these lines would be injurious to the viewer, to ITV, and before long to the advertisers themselves. The fifteen different markets which ITV provides for advertisers represent the maximum competition which can exist without reducing programme standards and choices in a way that would be unacceptable to the Government, the Authority, and the public. The ITV 2 possibilities for the advertisers are likely to lie elsewhere than through competition, notably in the increased scope available for reaching the smaller sections of the total audience who will be attracted to the particular programmes of ITV 2.

(ii) A FOURTH GENERAL SERVICE INDEPENDENT OF BBC AND ITA?

Many of the disadvantages of (i) apply to this idea also, with four further adverse factors to be taken into account. First, it would not be possible (unless some new superstructure were set up) even to secure the broad avoidance of programme clashes which the Authority would, under the Act, have to try to secure with competitive ITV services; there would, therefore, be no means of seeing that the services fitted together. Secondly, if the system were not supported by advertising, it could presumably only be supported by public money, which would raise various difficulties. Thirdly, there would be all the expense of setting up an entirely new broadcasting system which had its own supervisory body and studio facilities, and which, for transmission facilities, would have to come to some arrangement with the Authority and the BBC to use the common UHF sites. Fourthly, the new service would itself have all those constraints of a single-channel operation from which we now think it is in the public interest that we should be free.
A SPECIALIZED FOURTH CHANNEL, PERHAPS FOR EDUCATION?

It is suggested by some that the allocation of the fourth and last of the UHF channels at present available should be for a serious purpose, that is, for increasing the amount of education and information available to the viewer, or alternatively for increasing the amount of experimental and unusual viewing, rather than for increasing the amount of entertainment. While we sympathize with the ideas underlying this proposal, we do not believe that the best way of achieving what is sought is by turning over one channel exclusively to this purpose. Already the three existing channels contain education, adult education, information, and so on, intermingled with programmes which have as their object the attraction of viewers. It seems to us that, if the fourth channel is to perform a real educational service—and not only for those who already feel that they want more education—it must not be a channel reserved for avowedly educational programmes; it must rather at times woo the viewer as well as lead him on to new experiences and new insights. The existence of a second ITV channel would, as we have indicated above, give good educational opportunities and would put more serious programming into peak hours. But we do not feel that making ITV 2 educational throughout the day would be the best way of performing the very important educational function (particularly for those who left school at 15) which we would want to see an ITV 2 performing. Our belief, therefore, is that those who ask for the fourth channel to serve a wholly educational purpose are both underestimating the degree to which, under our proposals, ITV 2 would differ, in its proportion of serious content, from ITV 1 and also overestimating the educational power of a channel which is solely and directly devoted to education. Moreover, on BBC 2 now (and perhaps ITV 2 in the future) there is no lack of channel space in the daytime hours, when programmes which are directly educational are most likely to meet untired minds. Our hope, therefore, is that ITV 2 would indeed perform, with ITV 1, a most vital service of educating and informing the mass of viewers—but without deterring them by carrying a special label which could diminish its effectiveness.

VIII. Possible Arrangements for ITV 2

25. The need then is, in our view, for a complementary and viable ITV 2, which would greatly extend the range of programmes available to the viewer and which would also use resources already within Independent Television, for the most part, by involving in some way the existing producers of ITV programmes. The effect of this would be to provide for this country a four-service system in which two complementary ITV services competed with two complementary BBC television services. This seems to the Authority to be a desirable mid-way position between the usual European practice (where the lack of competition in some countries diminishes the thrust and effectiveness of the television service available) and the US practice (where excessive
competition tends to squeeze out many of the desirable programmes which in a complementary situation can be shown).

26. An important feature of any arrangements proposed for ITV 2 is that they should meet two needs which are, to some extent, at odds with each other:

(i) Valuable to any television service is the momentum which is generated by large production teams, planning ahead, using their resources of plant and existing skill, and devoting proved expertise to fresh ideas. The success of Independent Television has owed much to its use of the five central companies in such a way that they could plan ahead and bring major resources to bear on creative ideas, with the knowledge that the resulting programmes would be assured of a showing throughout the network. This means that much of the time on ITV 1 is shared out and scheduled by these five major suppliers in a way that facilitates planning and production. As a result, more of the programmes shown on Independent Television are successful, in the various senses of that word, than they would be if a central exhibitor simply shopped around for programmes already made and if none of the providers could be certain that what he was spending time and talent and money on could be assured of a nationwide showing. The results of this general impetus to good programme making should be seen in ITV 2 as well as in ITV 1, if the second service is not to be a rag-bag; a large number of the programme makers who could provide good material to fill a second channel worthily are already working for these five central companies.

(ii) It is also essential that wider facilities should be available for access to a network showing by other programme makers. Programmes of quality which come from regional companies or from freelance producers should have a fair chance of being selected for a national showing. The knowledge that this possibility is available, and more widely available than it can be when a single channel is supplied by so many programme makers, would be of the greatest benefit to the morale of producers in different areas of production; and this increase of access, provided that the new material was of good calibre, seems to us one of the most potent reasons for having an ITV 2. It would be useful also to see how valid is the proposal that there should be freer access to the medium by particular sections of the community who feel that they have some special message or viewpoint. There are dangers of amateurishness in production and difficulties in incorporating such programmes in a national television service without sacrificing impartiality and editorial control. Nevertheless, it would certainly be more possible to consider contributions of this kind in a two-channel ITV situation than it is at present.

27. With these conflicting needs in mind, we have given careful thought to possible forms of organization which would best meet the requirements of ITV 2. Of these, the three which seemed to us the strongest possibilities were:

(i) ITV 2 could be run by the existing companies in their own areas without the creation of any new legally constituted consortium. Under this arrangement, each company would sell advertising time in its area
over two services and, just as it now provides ITV 1 programmes from a mixture of its own production, acquisition from other programme companies, and purchases of film and other recorded material from outside producers, so it would supply a second service from similar sources.

(ii) ITV 2 could be supplied by a company (say, “ITV 2 Limited”) formed on ITN lines and owned by all the companies. Within this arrangement it would be possible to have the various subsidiary options:—

(a) “ITV 2 Limited” could be owned by all the existing companies in the same proportions as their interest in ITV 1 (as measured by advertising revenue after Levy);
(b) it could be owned by them in differing proportions (say, smaller companies having a larger interest than now);
(c) there could be participation in the ownership of “ITV 2 Limited” from outside the system and, as some would have it, by the ITA itself;
(d) “ITV 2 Limited” could itself sell the advertising in ITV 2;
(e) “ITV 2 Limited” could sell no advertising; this would be done by the programme companies in their own areas and they would then pay from their total ITV 1 and ITV 2 advertising revenue an annual subscription to “ITV 2 Limited” sufficient to meet its programme budget and overheads.

(iii) The existing companies could sell the advertising revenue of ITV 2 in their own areas. The ITA could then, in conjunction with the programme companies, “run” ITV 2 in the sense that:—

(a) the ITA would decide what kind of programmes should be broadcast at given times in ITV 2 and would then arrange for their purchase (if they were already on offer) or commission them, in both cases using the services of the programme companies (network and regional) and of outside producing agencies; and
(b) the ITA would determine, through its existing powers in Section 15 of the Television Act, the financial terms under which the various programme companies purchased either from other companies in the system or from outside suppliers the programmes decided upon by the Authority.

There are variants and blends of the above ideas, and subsidiary questions of detail (such as presentation), which could be discussed: but broadly these were the three basic systems which emerged when we thought the matter through and when we consulted those who were involved in ITV.

28. Each of the possible arrangements has its attractions and drawbacks. The need for joint planning of the two services (and for a shared interest in their joint success) led us eventually to decide against recommending (ii). Its attractions were mainly the seeming novelty of a fresh programme planning body (which yet could not be genuinely independent without
spoiling complementary planning, as the experience of BBC 1 and 2 has shown), and the protection that might be offered to smaller companies if revenue were being diverted to the larger areas. (It seemed that there were better ways of securing this protection, through the Authority's control of rentals and programme prices, while in a dual-service situation the regional companies' status in the system could be upgraded through the increased national showing of their programmes which would be possible.)

29. Our recommendation is that a blend of (i) and (iii) in paragraph 27 above would provide the best solution. The Authority, in addition to the general oversight of the schedules which it now exercises over ITV 1, would participate on a continuous basis in the programme scheduling of the two channels in future, being itself a selector, though not a maker, of programmes for some portion of the time; the existing programme controllers, together with some controllers from the regional companies, would share in the preparation of schedules and bring to this task their close awareness of companies' resources and programme ideas. In order to share the scheduling function fully and effectively with the companies, the Authority would have on its staff two programme planners with similar expertise to that of the programme controllers of the companies; and these programme planners would have the kind of awareness of production plans and possibilities across the full range of companies that the company programme controller, in more intense form, has of the possibilities within his own company. We now proceed to give more detail of the new arrangements on the Authority's side which we would envisage in a situation where ITV had two channels.

IX. A New Programme Planning Board for the Network

30. The first change would be an organizational one. The Authority has so far adopted the view that the requirements of Section 5 of the Television Act call for it to be represented at the later and more general stages of the companies' scheduling meetings. Regular meetings also take place of the Programme Policy Committee, under the chairmanship of the Authority and with the companies' chief executives and programme controllers present, at which important matters of broad programme policy are discussed. The Authority has not, however, attempted to control in the earliest stages the programme planning of the system.

31. In a two-channel situation (and not least with the requirements of Section 25 of the Act in mind), the Authority considers that a Programme Planning Board should be responsible for all aspects of ITV network planning and scheduling. Such a Board might comprise three members of the ITA staff (one as the Chairman of the Board, and the two ITA programme planners), five controllers from the central companies, and three controllers from the regional companies. The secretary of the Board would be a member of the ITA staff and the Board would be serviced by the ITA in conjunction with the existing ITCA Network Programme Secretariat. Local programming would continue to be the responsibility of each company individually.
32. The function of the Board would be to oversee all programme planning and scheduling for the ITV network. It might well not itself undertake all the detailed planning for incorporating the output of up to sixteen companies into two services; but, in formal terms, those involved in such planning would be doing so as agents of the Planning Board, to whom they would report. The arrangement proposed would broaden the present structure of the company programme controllers’ committee and would leave the companies’ creative momentum as the primary source of specific programme ideas; but it would also provide a strong ITA presence at the centre of the system and enable the ITA to survey, at an early stage, the full range of what was available, or potentially available. Thus the Authority’s involvement in the organization of ITV’s network output would not only take the form of mandating programmes and receiving schedules for consideration, as now, but would also include discussion of scheduling at an earlier stage: the full Authority’s means of exercising this oversight would be unchanged, since its senior staff would continue to be answerable for what was planned to it and to the committee (the Programme Schedule Committee) which gives special consideration to this part of the Authority’s work.

X. Freer Access to the National Audience

33. The second change would relate to the basis of ITV scheduling. At present, partly for the reasons given in (i) of paragraph 26 above and partly because of the constraints imposed by the limited opportunities of a single service, the amount of programme production which each company can undertake for national showing is broadly speaking laid down in advance. If a company wants to increase its network output it is difficult for it to do so, however good the programmes in question are, except at the expense of, and by agreement with, other programme companies.

34. These somewhat rigid arrangements have their advantages in terms of rational planning and equitable use of the physical and creative resources of the various companies. They do, however, inevitably limit the competition to supply programmes and the possibility of arranging networking for programmes of merit that are not pre-ordained to be on the network. They also engender frustrations among creative people in the companies.

35. If ITV 2 were authorized, the system would be able to break out of these rigidities. The extra home-produced programmes required would be supplied both by guaranteed access and by commissioning and choice outside any quota system in the following way. There would be, to fill the newly available time, two blocks of planned and guaranteed access to the network, one for the central and one for the regional companies. There would be a third block, not allocated in advance, which would be filled by the Programme Board from equal competition. The Board would consider what the companies and outside producers had (or could have) to offer, how it fitted into the programme needs of two complementary services, and, in particular, any requirements for neglected areas of programming.
36. It is tempting to say at this stage what the size of each "block" should be—and perhaps that each should consist of the same number of hours. It would also be tidy to announce a fixed quota within the third block reserved for independent outside producers. But the Authority would need to make a closer study both of what the companies themselves could do in a situation that is at least two years away and of the amount of first-class programming by independent producers, not now used, which might be available in such a situation (to be supplied probably through the programme companies on terms settled by the Programme Planning Board) before it established firm proportions. The general thought is that effective scheduling for two complementary channels demands unity of control but variety of interest and method; that an arrangement such as we describe could best meet both of the needs described in paragraph 26 above; that up to one-third of the total networked output of the two channels should come forward in a new way, by regional allocations and by choices made by the Programme Planning Board; and that the possibility of considering programmes on their merits and scheduling to meet particular needs would be greatly increased if a two-channel operation was organized in this way.

XI. Financial Prospects of ITV 2

37. Given the assumption of a complementary service of ITV 2, it is not expected that its introduction will lead to any dramatic increase in advertising revenue above that earned by a single service.

38. Advertisers will expect to pay for the audience delivered to them by the two services. It is, therefore, necessary to make some assumptions about how the total audience will divide between ITV 1 and 2 and BBC 1 and BBC 2. It must be remembered that BBC 2 has been broadcasting for more than seven years and that it will have a lead of nearer ten years, or more, by the time the first ITV 2 transmissions begin. It is likely, therefore, that ITV 2 will start with a smaller audience than BBC 2. It has been suggested that some more than proportionate increase in revenue might result from two special factors: that some smaller advertisers who find the present cost of a television campaign too high may be more ready to advertise on ITV 2, and that certain specialised advertisers may be attracted to the particular audiences of ITV 2.

39. The ITV 2 Working Party asked the British Bureau of Television Advertising to make the best estimates that it could of the likely revenue of a second ITV service. In summary, the estimate of the net revenue addition resulting from a second service (allowing for loss of revenue in ITV 1 as a result of diversion of audience from the first to the second service) showed, after two years of transmitter development giving a total population coverage of about 80 per cent for ITV 2, a possible figure of around £14m., no allowance being made in that figure for inflation or for any Levy deduction.

40. There are various ways in which advertising might be sold in a second ITV service. One possibility is that it should be sold and inserted into the
programme on a centralized and national basis; another that it should be sold “across the board” with that of ITV 1, i.e. that an advertiser would pay for simultaneous insertions in both ITV 1 and ITV 2 programmes; a third is that it should be sold by existing companies, but as an entirely separate commodity from ITV 1 advertising. This is a question on which no conclusions need yet be reached. Indeed it is better, rather than attempting now to forecast the best arrangement, to leave it for resolution in the light of the circumstances prevailing when ITV 2 begins.

41. The ITV 2 Working Party also asked a small group of specialists from the companies to prepare an estimate of the extra cost of an ITV 2 using existing facilities. The advice given was that the additional direct cost of a specimen programme schedule, based on the concept of a complementary service and limited in the first place to about thirty-five hours a week, would be around £11m., and the indirect cost about £4m. In addition the companies collectively would probably need to spend between £2m. and £2½m. on capital account on the provision of additional master control and other facilities.

42. These figures exclude the costs of the Authority, where capital expenditure on the construction programme envisaged for the first five years would be of the order of £7m. The additional rental needed in order that, after tax, the Authority can cover this expenditure and the operating costs of the additional transmitter and link network is likely to be of the order of £5m. a year for the initial period. A proportion of the capital costs would have to be incurred before the service became operational. The method of financing this would depend very much on the point in time at which the service was authorized, but the money would be found either from the Authority's accumulated reserves or by borrowing, as appropriate. It is not the Authority's intention that the development of ITV 2 should prejudice the planned UHF extension of ITV 1.

43. The exact interrelation between these two sets of figures of revenue and total ITA and company expenditure will depend upon what is done about the Levy. If the Levy remains, as now, a charge upon advertising revenue, then difficulties will arise for, assuming that the revenue of both ITV 1 and ITV 2 accrues in any area to the same programme company, it will be treated as a single unit for Levy purposes. Over much of the system, this would mean that the additional income earned by ITV 2 would be subject to the higher rates of Levy. Discussions are, however, proceeding with Government about the basis of charging the Levy. If this were altered so as to be related to profits or to revenue after specified heads of programme spending had been deducted, then it would be one which was better adapted to a two-service situation. It will be seen that, with the Levy currently running at an annual rate of £12 m., and with the possibility of an eventual net increase of revenue of £14m. or so, there is reason to suppose that ITV could support a second service even if the estimate of cost given in the preceding paragraphs proves, in the event, to have been too conservative.

44. It is not a precondition for ITV 2 that it should necessarily be self-supporting from its own income. Just as the total income of ITV 1 is at present available for financing programmes as a whole, and the advertising associated with a particular item does not have to be sufficient to pay for the
item's production, so, in a dual-service situation, there could be, if necessary, a transfer of revenue from the more profitable ITV 1 to ITV 2. The use of a single pool of revenue to finance more than one service is the position in the BBC where there is no predetermined allocation of the global licence fee to the various services: it would not be possible if ITV 2 were run competitively with ITV 1 by different contractors, nor would it be possible if the fourth channel were given to an entirely new body.

45. If ITV 2 were authorized, there would undoubtedly be a complex financial situation at the beginning. The full audience potential would not be realized immediately, nor is it certain that a second service could be opened on a nation-wide basis from the start. The smaller regional companies have expressed fears about the effect on their revenue if ITV 2 starts in the larger areas in advance of its start in the remoter parts of the country. The larger companies have also suggested that, if this is to be the initial position, they also will suffer in the early years since the financial burden of the additional production will fall upon them and not be immediately shared by other ITV 2 companies. In the early years it may be necessary for the Levy in whole or in part to be returned to the system, with benefit to the larger companies, unless the Levy burden is alleviated in a dual-service system as a result of the introduction of a different basis of charging. If the larger companies are benefited in such a way, it would be more possible for them to bear the additional costs, and, if the fears of the regional companies about a diversion of revenue to the centre were realized, to pay such additional rental to the Authority as would be necessary if the Authority found it desirable further to reduce its rental demands upon the smaller companies. An equitable sharing of profitability across the system as a whole could also be secured by appropriate changes in the financial arrangements for the supply of programmes between companies.

46. There are some in the ITV system who assert that it would be desirable with the arrival of ITV 2 to create larger units. The argument is that this would give all companies a worthwhile possibility of providing programmes to the network, whereas, if contract areas remain as now, the smaller companies will be able to make only minor contributions, if any. Existing studio centres would not be closed when the larger units were created but the smaller ones would concentrate on purely local production as part of the larger unit. The Authority would hope that, if ITV 2 were introduced before 1976, some useful lessons could be learnt before the award of contracts for the period after 1976, when all the relevant considerations and not only the ITV 2 position could be taken into account in deciding whether any change in the contractual shape of the system was desirable.

XII. The Timing of ITV 2

47. If an early start for ITV 2 were authorised without delay, it would be possible for first transmissions to start in 1974. This, together with an early derestriction of television broadcasting hours, would enable the Authority
to extend its service to the public. By 1974, Independent Television will be nearly twenty years old, having broadcast, with limited hours, only one service during the whole of that period. During the same period there have been a number of Government indications that the Authority would in due course be authorised to open a second channel in order that it might, to quote the December 1962 White Paper, be given full scope to offer more selection to viewers and to experiment. The Authority itself has consistently felt that this further outlet for Independent Television should be given. There is thus nothing new in the idea of ITV 2. The start of ITV 2 transmissions in 1974 would take its place in an orderly progression in the television services available in this country: 1946, the restart of BBC 1 after the War; 1955, the start of ITV transmissions; 1964, the start of BBC 2; and 1974 the start of ITV 2. During the recent Consultation, reference was made by a number of people from the creative side to the need for television to take a further stride forward if the danger of stagnation and frustration is to be avoided.

48. The Authority understands the attitude of those who say that a decision about the allocation of the fourth (and, for the time being, only remaining) channel should be delayed until it can take its place with any other changes in the pattern of broadcasting in the United Kingdom for the post-1976 period. 1976 is, however, five years away, and if a decision about a further television service is to become effective only after that date, then the public and those people who work in broadcasting and who have been hoping for further opportunities to deploy their creativity and their talent must wait quite a long while. Moreover, though audiences for ITV 2 should become established more quickly than BBC 2 (as more sets are UHF), station building would be a gradual process; thus, if ITV 2 were authorised in 1972 and began in 1974, it would still not cover a majority of regions before 1976.

49. Even if there are reservations on the part of Government about an actual start before 1976, there are important reasons why the Authority should receive a decision in good time. Assuming that ITV's present broad two-tier structure, with programme providers in contractual relationship with a public authority, continues, the ITA and the companies would need to know well before 1976 if there was to be a second service after that date—and preferably to see its operations beginning in practice. This would enable the ITA to provide the necessary transmitters for the service to operate fully from 1976, simultaneously with the start of new contract arrangements. The Authority would also be able to plan the future shape of the system, and negotiate contracts on a clear basis. The expiry of the present statutory term of the system in 1976 is sufficient of itself to run counter to the maintenance of that sense of stability which the National Board for Prices and Incomes last year called ITV's greatest requirement. It would be even more damaging if the Authority had to grant interim contracts for a short period after 1976 pending the completion of arrangements for the full introduction of a second ITV service.

50. But the main reason for asking that an early decision be taken, preferably that ITV 2 may begin in 1974, is simply that we believe this step to be the right one for reasons which we have given fully in this submission. If the
service needs this development, for the viewer's sake and for its own, and if
the next two or three years offer a good time for bringing it to birth, then we
would regret seeing this, or any other broadcasting development, postponed
for extraneous reasons. To freeze arrangements for some years does not seem
to us to make for better scrutiny or for better arrangements.

Conclusion

Most of those who have made their views known to the Authority, in the
working party or in the consultation, in discussion or through the Press,
will find some of what they said reflected, or at least considered, in parts
of this submission. But it is not to be expected that any of them will endorse
all of what we have written. The Authority has tried to weigh and to balance
different ideas, and to come forward with the proposal which it believes
the best one in the public interest. Its view, in summary, is as follows:

(i) there is a strong case for a second ITV service;
(ii) it should be complementary to and not competitive with ITV 1;
(iii) its introduction should provide greater opportunities for producing
     companies both within and outside Independent Television, and in
     particular for the regional programme companies;
(iv) its introduction would call for greater involvement by the Authority
     in programme planning;
(v) there are substantial arguments for an early decision being taken.

INDEPENDENT TELEVISION AUTHORITY

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