

**A STUDY OF THE EVOLUTION OF MAKE/BUY
CONTRACTING FOR UK INDEPENDENT TELEVISION
(ITV): 1954 – 2001**

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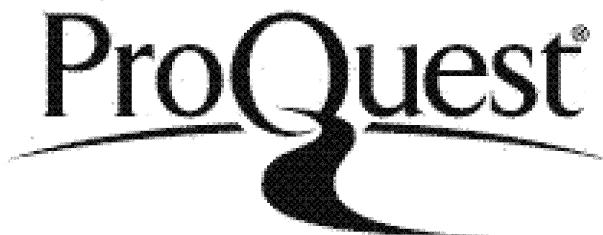
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PREFACE

The establishment of UK Commercial television and the ongoing programme supply make/buy arrangements of its main terrestrial operator ITV (Independent Television) has been studied as part of a broader social and business history pertaining to the emergence and development of both commercial and public service UK television broadcasting. Briggs (1970, 1995), Briggs and Spicer (1986), Briggs and Burke (2002) provide illuminating, general accounts of how socio-political concerns have interacted with economic interests in this industry. Descriptive accounts from industry insiders (Potter 1989, 1990; Sendall 1982, 1983) and others (Bonner & Aston 1998) richly supplement these academic business histories. Early attempts to form an economic perspective, such as Coase's (1950) case study of the BBC, also reinforced the view that socio-political concerns shaped UK programme supply make/buy arrangements in significant ways. However, detailed empirical work about how the interplay between socio-political concerns and economic objectives evolved to shape the initial period of ITV's programme supply make/buy arrangements, and the make/buy decisions of different programme types intended for showing on ITV, are limited. Further, explanations linking how changes to these arrangements in a later period affected programme supply make/buy decisions for some programme types had, when this research began, not yet been explored.

Nonetheless, rival explanations exist, in particular Williamson (1975, 1985, 1996) and Granovetter (1973, 1985, 1992) regarding the underpinning rationales for why particular make/buy arrangements arise and how they evolve. Whilst Williamson represents the established framework for considering the make/buy decision from an economic perspective, Granovetter's economic sociology directly challenges this approach from a socio-political standpoint. These perspectives, described in Chapter One, provide a theoretical orientation aligned to Yin's (1994; p. 13) technical definition of the case study strategy. This case, as the chosen research approach, does

not follow the form of testing hypotheses. Instead, it is a descriptive, historically based narrative that is supported by an analysis of state archives, interviews with key informants and analysis of official, confidential programme supply data. It provides an account of how the interplay between socio-political concerns and economic objectives shaped programme supply make/buy arrangements, and the make/buy decisions of programme types in the initial and later period of ITV.

Chapter One sets out the research framework. First, it summarises and compares the key propositions of Williamson and Granovetter to suggest that jointly considering these two perspectives is relevant for the purpose of demonstrating how the interplay between them has driven a particular historical path to effect programme supply make/buy arrangements. Second, a description of how a workable research design was constructed, and the complications that arose, is provided. The study does not analyse programme supply make/buy decisions at the individual programme level. Instead, it retains an emphasis towards a broader approach (i.e. programme supply make/buy arrangements for ITV as a whole and make/buy decisions for specified programme types) to consider how the transacting environment in the pre-competitive period and early years of commercial television in the UK has impinged on programme supply make/buy decisions and how this situation changed over time to effect contemporary outcomes.

Chapter two provides a detailed archival review of events during the pre-competitive period that led to the foundation of ITV and a constraint that disallowed the broadcaster to make programmes. It shows how socio-political fears, based on the potential negative impact commercial television might have on UK society, rather than economic objectives, were at the forefront of decisions even though those involved with designing the initial programme supply structure had a market oriented structure in mind and indeed, were obliged by legislation to do so.

Chapter three examines how tradeoffs occurred between these socio-political concerns and economic objectives to establish ITV's initial programme supply structure. It includes a detailed account of two applicants (ABDC and the Kemsley-Winnick Group) during the contractor selection process to illustrate the extent that economic priorities were willingly compromised to seek a reputable standing for UK

commercial television. During the selection process, we see efforts focused on removing a socio-politically unsuitable financial supporter (ABDC) and extensive effort made to retain a financial supporter deemed capable of elevating ITV's reputation.

Chapter four focuses on how the initial programme supply structure evolved to impinge upon the ways that programme supply make/buy decisions of the main programme types, intended for showing on ITV, could be expressed during the first contract period. It illustrates how constraints and preferences resulted in programme supply outcomes whereby costs were often a secondary concern and programme supply make/buy decisions were not always based on the least cost option available.

Chapter five provides an account of how economic objectives came to outweigh the socio-political concerns evident in the pre-competitive and initial contract period. In particular, it outlines a build up of views toward modifying the initial programme supply structure to introduce competitive elements to it after 1990, and then examines the effect that these changes have had on make/buy decisions of ITV's main programme types. A detailed review of programme supply data shows that programme supply make/buy decisions have tended towards lesser cost outcomes for some programme types, evidence of an economic rationale that was not previously apparent.

Chapter six compares the empirical findings regarding ITV's programme supply make/buy decisions and the evolving arrangements within which these decisions occurred during the time periods studied. It exemplifies how socio-political concerns impinged upon the ways that an economic rationale, evident even prior to ITV's inception, could be expressed. The study concludes with a view that although ongoing relations amongst the groups involved in determining programme supply make/buy outcomes have co-existed with an economic purpose, an economic rationale, showing some consistency with Williamson's perspective, only became a more relevant explanatory tool to programme supply outcomes as socio-political concerns shifted towards a market led orientation.

ABSTRACT

This study is an account of how the interplay between socio-political concerns and economic objectives shaped programme supply make/buy decisions for establishing UK commercial television and the ongoing programme supply arrangements of its main terrestrial operator ITV (Independent Television). A main interest is to build a credible explanation of why make/buy decisions for programmes shown on ITV diverged from initial expectations that they would be determined on a competitive basis. The enquiry examines the underlying reasons that affected these decisions to show how socio-political fear of the potential impact commercial television might have on UK society impinged on the outcomes that prevailed and how changes occurred as this fear diminished.

To achieve this aim, the investigation first focuses on the make/buy conditions impinging on decisions that led to the start up phase of UK commercial television. It is followed by a detailed examination of how programme supply make/buy arrangements for ITV evolved in the initial (1954 – 1964) and later (1990 – 2001) contract periods. These two contract periods are focused on as distinctive points of reference for guiding and containing the research within practical boundaries. The first represents a time when programme supply make/buy options were first established and the second when these options were substantively modified. An historical case study approach is applied, drawing upon state archives, interviews and programme supply statistics to explain the outcomes that prevailed.

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LIST OF ABBREVIATIONS

CRAC	Central Religious Advisory Committee
CT	Commercial Television
DGFT	Director General of Fair Trading
GPO	General Post Office
IBA	Independent Broadcasting Authority
IPPA	Independent Programme Producers' Association
ITA	Independent Television Authority
ITC	Independent Television Commission
ITV	Independent Television
MMC	Monopolies and Mergers Commission
NAR	Net Advertising Revenue
NARAL	Net Advertising Revenue After Levy
PA	Press Association
PACT	Producers' Alliance for Cinema and Television
PCA	Programme Contractors' Association
PMG	Postmaster General
PRO	Public Record Office
RIC	Radio Industry Council
SCC	Standing Consultative Committee
TAC	Television Advisory Committee
TAM	Television Audience Measurement

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	<i>Interview Date(s)</i>
Andy Allan, Director of Programming; Carlton Productions	23 May 1997
James Baker, Head of Programming; BskyB	12 May 1997
Gary Billingham, Head Librarian, Meridian Broadcasting Ltd.	26 March 1997
	14 June 1999
John Bridgeman, Director General; Office of Fair Trading	2 September 1999
Robin Britton, Regional Editor, Meridian Broadcasting Ltd.	9 October 1997
Michael Byrne, Economic Advisor; ITC	28 December 2001
	22 February 2002
Mark Cullen, Assistant Managing Director; L!VE TV	25 April 1997
Margaret Douglas, Head of the Parliamentary Broadcasting Unit	4 February 1998
Ron Eagle (former Marketing Director; Tyne Tees Television. Previously at HTV and Border Television)	27 April 2005
Janet Fookes, Baroness of Plymouth D. B. E.	4 February 1998
Colette Galza, Senior Legal Advisor; ITV Network Limited	14 June 1999
	22 May 2002
Paul Jackson, Head of Entertainment; BBC (former Director of Programmes; Carlton Productions)	14 May 1997
Michael Kidd, Economic Regulation Manager; ITC	24 June 1999
Mary McAnally, Managing Director & Director of Programmes; Meridian Broadcasting Ltd.	6 August 1997
Simon McKeon, Records Manager; ITC	8 August 2000
John McVay, Chief Executive; PACT	24 May 2002
David Raey (former Chief Executive; Tyne Tees Television)	18 August 1999
Andrew Read, Data Manager; ITV Network Limited	19 February 2002
Maureen Semple-Piggot, Head of Programme Finance; Channel Four	9 May 1997
Brian Sturgess, Global Media Analyst; ING Barings	18 July 1999
	7 October 2001
Graham Walker, Editor; The Royal Institute of International Affairs (former Editor of 'The World This Week' and 'International Affairs')	28 January 1998
David White, Senior Economic Analyst; ITC	24 June 1999
	20 August 1999
Shaun Williams, Chief Executive (until 2001); PACT	18 March 1999

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Chapter One

Research Framework for Studying ITV's Programme Supply Make/Buy Decisions

This chapter sets out the research framework applied in the following chapters.

Section 1.1 explains the basis upon which the chosen theoretical perspectives can be usefully judged in the context of the present study. Section 1.2 outlines the research strategy and design.

1.1 The Research Question & Theoretical Orientation

This study is an account of how the interplay between socio-political concerns and economic objectives shaped programme supply make/buy decisions for establishing UK commercial television and the ongoing programme supply arrangements of its main terrestrial operator ITV (Independent Television). A main interest is to build a credible explanation of why make/buy decisions for programmes shown on ITV diverged from initial expectations that they would be determined on a competitive basis. The enquiry examines the underlying reasons that affected these decisions to show how socio-political fear of the potential impact commercial television might have on UK society impinged on the outcomes that prevailed and how changes occurred as this fear diminished over time. To achieve this aim, the investigation first focuses on the make/buy conditions impinging on decisions that led to the start up phase of UK commercial television. It is followed by a detailed examination of how programme supply make/buy arrangements for ITV evolved in the initial (1954 - 1964) and later (1990 - 2001) contract periods. These two contract periods are focused on as distinctive points of reference for guiding and containing the research within practical boundaries. The first represents a time when programme supply make/buy options were first established and the second when these options were significantly modified. The intervening years, albeit important in the overall history of ITV, is beyond the scope, and main purpose, of the present study. An historical case study approach is applied to permit a richer understanding of the complex social phenomena under investigation (Yin: 1994; p.3). The suitability of this approach is further described in the research strategy section.

With respect to a theoretical orientation, the enquiry aims to provide a useful scholarly contribution by addressing both economic and socio-political rationales for the make/buy decision pertaining to ITV's programme supply arrangements during each contract period. The primary reason for doing so is because economic objectives regarding this decision, within the field of UK television, have been significantly effected by socio-political concerns (Bonner & Aston: 1998; Briggs: 1970, 1986, 1995, 2002; Potter 1989, 1990; Sendall: 1982, 1983) and, to the researcher's knowledge, have not previously been studied in this manner. In addition, an

interdisciplinary approach provides an empirical example for understanding how one discipline may inform another when applied to a specific industrial context. In so doing, the study should contribute to progressing a still limited dialogue regarding how an intellectually productive agenda might be advanced (Deakin, S., J. Michie 1997; p. 2).

The propositions of Williamson's transaction cost economics (1975, 1985, 1996) and Granovetter's economic sociology (1973, 1985, 1992) are chosen¹ because they present rival explanations for the make/buy decision. Williamson offers a long term, efficiency driven, relative cost minimising rationale that can be measured in precise ways and that has been extensively researched with some mixed results (Ghoshal & Moran 1996). One criticism of this approach is that attention to specific historical context is limited (Friedland & Robertson: 1990; Kamark: 1993). Granovetter offers an alternative rationale, which advocates that make/buy decisions will not necessarily align to the transacting outcome predicted by Williamson because they will also depend upon interpretations derived from the network² of pre-existing relations operating at the time. For this approach, historical context is an important part of predicting what outcomes will prevail³. Whilst Williamson represents the established framework for considering the make/buy decision from an economic perspective, Granovetter's economic sociology directly challenges this approach from a socio-political perspective. The key propositions of each theorist, and the complications arising from their comparison, are outlined before proposing how both perspectives can be usefully applied for the purposes of this study.

¹ Associated works concerned with contracting and property rights (Grossman & Hart 1986; Hart & Moore 1990, 1988; and Hart 1988, 1995; Libecap 1989; Macneil 1974, 1978, 1980, 2000a) were also examined.

² The term network is defined to mean, "a regular set of contacts or similar social connections among individuals or groups. An action by a member of a network is *embedded*, because it is expressed in interaction with other people" (Granovetter & Swedberg, 1992; p. 9).

³ Granovetter's approach and his empirical case studies also provide illustrations that contribute to extend the notion of path dependency beyond its traditional analysis of technology to the study of organisations and industries (Arthur 1994; David 1985, 1994).

Williamson's Transaction Cost Economics

Transaction cost economics (TCE) as devised by Williamson (1975, 1985, 1996) proposes three propositions to explain why firms alternate between make and buy activity⁴:

1. Economic institutions (i.e. governance structures) of capitalism have the main purpose and effect of economizing on transaction costs⁵;
2. Economic action is limited by bounded rationality and opportunism and;
3. Governance structure is determined by transaction characteristics - uncertainty, asset specificity and frequency of exchange.

The first proposition is an important dimension regarding the extent that Williamson expects make/buy decisions to be pursued for achieving a least cost outcome. His position is extreme⁶ - the main driver of economic activity is efficiency and specific governance structures prevail because they are, relatively, the most efficient solution to a particular economic problem. The assumption is that efficiency increases as decisions move toward the less cost alternative. However, this extreme 'economising' position is recognised as a simplification by Williamson (1985; p. xii) to facilitate empirical study of a complex phenomena. On this basis, it is sensible to

⁴ To mean governance structures, in Williamson's terms, which operate along a make/buy continuum to include hybrid forms such as joint ventures, strategic alliances, franchising, and other long term, non-standard contractual arrangements.

⁵ Transaction costs include the *ex ante* costs incurred in drafting, negotiating, and safeguarding agreements. They also include the *ex post* costs incurred by mal-adaptation of misaligned transactions, haggling to correct misalignments, the costs of setting up and running the mechanisms for conflict resolution, and the bonding (not defined) costs of effecting secure commitments (1985; p. 20-21, p. 388). A comparative assessment of total costs is also important, "the object is to economise on the sum of production and transaction costs" (1979; p. 245).

⁶ Williamson argues that his extreme position is intended to break away from "the thirty year hiatus between 1940 and 1970" (1985; p. 7) where technological features of the firm (production function) and the market (price signalling) determined how economic activities were organised. During this time, moves to supersede price signals and internalise exchange were largely interpreted as efforts aimed to gain monopoly power. These arguments ignored the costs of transacting in the market and the possibility that, in comparative terms, efficiency losses might be larger by forcing exchange to remain in a market mode. Williamson's interpretation of Coase (1937, 1960) began to identify the costs of market transacting that Coase first suggested, in more general terms, as the most plausible explanation for the emergence of the firm. The predominance of neo-classical views, the early difficulties in operationalising transaction cost variables, and the uncoordinated contributions from law, economics, and the study of organisation are forces that, in Williamson's view, inhibited the progress of transaction cost reasoning.

study programme supply make/buy arrangements for UK commercial television from a standpoint that details the extent that they might depart from a cost minimising rationale.

The second proposition refers to two behavioural characteristics that Williamson attributes to the reason why efficacy of the market, or ‘buy’, decision is limited. His view is not optimistic. According to Williamson, human beings are prone to behave opportunistically with guile. This behaviour goes beyond simple self-serving motivation. It involves a consistently calculating, crafty and scheming outlook for individual gain. Combined with rationality that is bounded by limited cognitive capacity, Williamson ascribes to Simon’s conclusion that, “economic actors are assumed to be ‘intendedly rational, but only limitedly so’” (Simon 1961; p. xxiv cited in Williamson 1985; p. 45). Bounded rationality, combined with opportunism, result in make/buy situations whereby information and its interpretation are incomplete. Shifts toward a make decision occur to limit exploitation caused by these behavioural shortcomings, operating in conjunction with the transaction features outlined below (Williamson 1996; p. 36).

The third proposition represents the main variables of interest that guide empirical research in the transaction cost approach. What constitutes a transaction cost and how do such costs operate to result in different governance outcomes?⁷ Williamson claims that all make/buy decisions display a discriminating pattern of three characteristics that determine their outcome. They are uncertainty, asset specificity, and frequency of exchange. He proposes that as uncertainty combined with asset specificity and frequency increase, so does the likelihood that decisions will shift towards a make outcome⁸. Uncertainty may exist for three reasons⁹ but the emphasis is on

⁷ Whilst Williamson’s early work (1975) emphasised the firm (make) in contrast to the market (buy), this approach has been recognised as a false dichotomy. Williamson now views transactions as operating along a make/buy continuum.

⁸ If moves toward a make decision are disallowed for transactions exhibiting these characteristics then it is expected that, “long-term contracts will be devised in which bilateral (private ordering) safeguards are carefully crafted” (Joskow 1985 cited in Williamson 1985; p. 106). Williamson’s position also implies that a make decision results in complete ownership of the assets employed and, therefore that all residual rights of control (and residual income) of them are retained. His concern is not about how these rights arise and become defined but instead, he focuses on the degree to which property rights, once assigned, have security features to avoid the hazards of expropriation between the contracting parties (1996; p. 112).

behavioural uncertainty that manifests itself in strategic nondisclosure, disguise, or distortion of information. In Williamson's view, behavioural uncertainty leads to transacting costs that are largely avoidable by shifting, ultimately, to a make decision, because arrangements are managed by fiat¹⁰.

Asset specific investments are only marketable elsewhere at a cost¹¹. Williamson separates these investments into transaction specific physical or human capital¹². They include site specificity¹³; physical asset specificity¹⁴; dedicated assets¹⁵, and human assets¹⁶ (1985; p. 55, p. 90). He has since added brand name capital¹⁷ and temporal specificity¹⁸ (1996; p. 59 – 60). Whenever asset specificity of any form arises, the specific identity of the transacting parties becomes an important feature of

⁹ Williamson (1985; p. 56 – 59; 1996; p. 60) considers that uncertainty may exist for three reasons: 1) primary; unforeseen events, 2) secondary; imperfect information or lack of contingent communication and, 3) behavioural; strategically created. Behavioural uncertainty arises within such transacting situations due to the relative incompleteness of the contracts devised. These contracts, more so than their short-term, standard, and anonymous counterpart, are incomplete because they either 1) fail to specify performance obligations in all states of nature or, 2) fail to specify the nature of the performance itself, or both. Williamson's view is that these gaps incite opportunism and raise costs associated with re-haggling for price or quantity adjustments to an original agreement. This renegotiation, first identified by Goldberg (1976) as the hold-up problem, has the effect of diminishing joint profits.

¹⁰ The 'make' decision strengthens the incentive and authority options available to safeguard against opportunistic behaviour.

¹¹ They are special purpose investments that are "risky, in that specialised assets cannot be re-deployed without sacrifice of productive value if contracts should be interrupted or prematurely terminated" (1985; p.54).

¹² Transaction specific human capital relates to the value that arises from application of job skills within the boundaries of a specific firm. Firm specific knowledge is essential (1985; p. 242).

¹³ Site specificity refers to plant-proximity benefits attributable to flow-process economies that are impossible or very costly to replicate (1979; p. 242). In the case of television, for example, editing studios may be placed adjacent to production studios for programmes that require near to live broadcasting on an ongoing basis such as News.

¹⁴ Physical asset specificity refers to physical aspects of production that are specially designed or, 'fit for purpose'. For example, dedicated production studios built for long running serials. There are some indications that this type of asset specificity continues to increase if it is internalised (Masten 1984; Perry in Schmalensee & Willig 1989; p. 218).

¹⁵ Dedicated assets refer to tangible investments made to solely service a specific transaction. A programme producer may acquire specialist equipment that it would not otherwise have purchased and which is of negligible value outside the particular agreement.

¹⁶ Human asset specificity refers to persons moving from employment to freelance contracts. In relation to human assets, Williamson considers reputation as a means to reducing costs of hybrid contracting. In his view, individuals calculate the immediate gains of opportunism against the future costs caused by a damaged reputation.

¹⁷ The effects of brand name capital, one of the newer identified forms of asset specificity, may follow a similar reasoning to that of reputation although Williamson does not link the two nor does he indicate how either emerges.

¹⁸ Equally, the human assets deployed in Williamson's concept of temporal specificity are not, *per se*, transaction specific. Their specificity only occurs in conjunction with the technology used. Temporal specificity is thus considered to be a specialised form of site specificity.

the exchange. The nature of the transaction ‘fundamentally transforms’ into a relationship of bilateral dependency (1996; p. 61 – 63). Each party is reliant on the other for some aspect of the transaction’s successful completion. This bilateral dependency can be established from the onset or it can develop over time. The key point is that any large numbers, market driven, scenario is transformed into a small numbers game when asset specific investments are involved and this change always increases the risk of inciting opportunistic behaviour that increase costs and, thus the likelihood of a make solution. Finally, as frequency of exchange¹⁹, also in combination with asset specificity, becomes characterised as large and recurrent, the need to internalise the transaction becomes further heightened. On this basis, and insofar as it is possible to do so, examining programme supply make/buy decisions according to these characteristics are an instrumental part of understanding how transaction options and outcomes are determined.

Granovetter’s New Economic Sociology

The key propositions for a new economic sociology as described by Granovetter (1985, p. 6; 1992, p. 4) and summarised in Granovetter and Swedberg (1992, p. 6) are as follows:

1. Economic action is a form of social action;
2. Economic institutions (i.e. governance structures) are social constructions and;
3. Economic action is socially situated.

The first two propositions are based on a premise that economic action is not intrinsically different from other types of human activity, “the pursuit of economic goals is normally accompanied by that of such non-economic ones as sociability, approval, status and power” (1992; p. 4). According to Granovetter, it is equally plausible that economic action is predominantly driven by interpersonal power, or status incentives as it is by efficiency aims. The tendency to direct effort towards a particular objective depends on, “an ongoing process, continuously constructed and reconstructed during interaction” (1985; p. 486). From Granovetter’s perspective, to

¹⁹ Williamson divides frequency into three categories: single, occasional, and recurrent (1985; p. 72).

understand the extent that non-economic goals may impinge on ITV's programme supply make/buy outcomes, social influence must be taken into account in ways that measure how social relations shape behaviour of the individuals and groups involved. The main contention of these two propositions is that economic institutions (i.e. governance structures) do not arise, or evolve, as automatic responses to economic needs, "rather, they are constructed by individuals whose action is both facilitated and constrained by the structure and resources available in (the) social networks in which they are embedded²⁰" (1992; p.7). It is less clear what function these networks might serve to account for the presence of particular types of economic institutions.

The third proposition is an important part of how Granovetter's socio-political rationale approaches make/buy decisions within an economic context because the assumption is that institutional forms²¹ derive from initial decisions that, in various ways, were shaped by existing social networks²². The underlying premise is that make/buy decisions, in this case operating within ITV's programme supply arrangements, are, as termed by Granovetter, socially situated²³. They exist as outcomes from actors' placement within ongoing social networks²⁴ interacting with environmental factors such as technology, ownership structure, or culture. However, networks could serve many functions. To account for how they may impinge upon programme supply make/buy outcomes in the periods studied, it is useful to make some distinctions. Networks could serve as a means to building coalitions toward a certain view, provide access to information from an expanded number of sources,

²⁰ Granovetter adopts the notion of embeddedness as a way to consider how network patterns may vary, "an action by a member of a network is *embedded*, because it is expressed in interaction with other people" (Granovetter & Swedberg 1992; p. 9).

²¹ Institutional forms are equivalent to governance structures.

²² He cites several examples as anecdotal evidence to illustrate how transaction features do not prescribe make/buy outcomes. For example, the existence of trade associations, executive clubs, the reluctance of trading partners to mention, much less enforce contractual rights, the non-tariff barrier effect of Japanese industrial groups, and extensive use of subcontracting in some industries, particularly construction. He argues that a vertically integrated structure in the construction industry is superseded because longstanding relations exist between subcontractors and contractors that are embedded within a 'construction personnel' community.

²³ Granovetter advocates that more meaningful explanations of economic action will prevail by identifying the patterns of social relations underpinning observed behaviours, "I proceed (instead) by a theoretical elaboration of the concept of embeddedness, whose value is then illustrated with a problem of modern society, currently important in the new institutional economics: which transactions in modern capitalist society are carried out of the market, and which subsumed within hierarchically organised firms?" (1985; p. 483).

²⁴ The term network is defined to mean, "a regular set of contacts or similar social connections among individuals or groups" (Granovetter & Swedberg 1992; p. 9).

reinforce and create new sources of power and/or trust within relations, or reduce costs. In so doing, networks could effectively shape the outcomes feasibly possible.

Granovetter's empirical evidence about the possible effect of social network patterns in an economic context was first advanced from his doctoral thesis (1970) of a labour market study in which he found that individuals predominantly found a new job through persons with whom they had weak ties²⁵. Further investigation from this study led him to conclude that these outcomes depended upon the degree that social networks overlap²⁶ or exist separately from one another. He concluded that the strength of weak ties occurred because, "those to whom we are weakly tied are more likely to move in circles different from our own and will thus have access to information different from that which we receive" (1973; p.1371).

Additional empirical evidence is based on Granovettor's study (1992) investigating the evolution of the American electrical utility industry. Within this study, he describes a series of stages where the personal networks of a few individuals were, in his view, crucial to explain why certain, equally plausible, alternative governance structures did not occur (1992; p. 8). He concludes that the creation of the holding company, a new institutional form, emerged from pre-existing personal networks between individuals whose presiding preferences led to this outcome. A similar conclusion was reported from a case study (Coase 1950) investigating the reasons why UK television, the British Broadcasting Corporation (BBC), was created and upheld as a monopoly governance structure. In Coase's view, the monopoly governance structure was created, and upheld, to reflect the preferences of a particular pre-existing social network. Initial programme supply decisions were driven by socio-political concerns in which a monopoly structure was considered necessary to retain editorial control over perceived morally suitable broadcast material. Although other governance alternatives were available at the time, as far as he could surmise,

²⁵ The strength of an interpersonal tie is defined as "a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (1973; p. 1361).

²⁶ Social overlaps refer to the extent that individuals share the same friendship networks (1973; p. 1360).

the reason was largely due to one individual's ability, John Reith²⁷, to mobilise a powerful network of business and government elites to establish an industry with primarily non-economic objectives²⁸. Coase concluded, "It may be asked why I ascribe such a dominant influence to Mr. Reith in forming opinion on this question (monopoly). My reason is simple. I can see no other explanation. Nor, to my knowledge, has anyone else who has made a serious study of the question" (Coase 1950; p. 54). Business histories, such as those by Briggs (1970, 1986, 1995) and Sendall (1982, 1983) provide further academic and industry insider viewpoints that suggest social networks are important in relation to the development of particular governance structures prevailing in the UK television industry.

Related to the present study, is Granovetter's position that social networks existing in initial stages of developing economic institutions effect later stages of its development. He proposes that existing social networks in initial stages of developing economic institutions, such as those in his study of the American electrical utility industry, remain relevant because decisions in later stages are predicated on their earliest institutional form²⁹. As such, conclusions from Coase's BBC study are a useful measure of the earliest institutional form for UK television from which future stages of development might be predicated. From Granovetter's perspective, it should be expected that the networks presiding to effect the initial governance structure of the BBC would also impinge on how programme supply make/buy arrangements might prevail for establishing UK commercial television. On this basis, characterising pre-existing social networks is an important part of understanding how transacting options are devised and what interactions direct the choices taken. For UK commercial television, social networks might be characterised by examining the interactions that occurred prior to, and during when, programme supply make/buy

²⁷ John Reith was General Manager (1922) then Managing Director (1923) of the British Broadcasting Company. This company became a public corporation, the British Broadcasting Corporation, on July 14, 1926, to which Mr. Reith became its first Director General. He became Sir John Reith in 1927 and Lord Reith in 1940.

²⁸ Archive material considered by Coase (1950: p. 46 – 55) illustrated Mr. Reith's fierce defence for maintaining a vertically integrated broadcast structure and a monopoly over programme supply. In Coase's view, Mr. Reith increasingly held this position on the basis that a monopoly was necessary to retain editorial control over morally suitable broadcast material.

²⁹ In Granovetter's view, "stable economic institutions begin as accretions of activity patterns around personal networks" and, in their later stages of development, become "congealed social networks" (1992; p. 8 – 9). Although social networks still matter as an industry evolves, future decisions are 'locked in' within existing institutional forms.

options were forming to judge their effect on outcomes. Whilst a detailed network analysis is beyond the scope of this study, Granovetter's position is pertinent for explaining why programme supply make/buy decisions may have changed over time.

Comparison & Intended use of Williamson and Granovetter

This brief outline of each theoretical perspective's key propositions brings to light the difficulty of their comparison when aimed at devising precise, testable propositions for application to a detailed, historically based, case study. First, in this research setting, fitting extracts of evidence spanning nearly three quarters of a century to variables in such an exact manner make it difficult to construct a convincing, narrative account of how specific occurrences within the case study have evolved over time. Second, difficulty also arises from opposing views regarding the role that social relations have on make/buy decisions. Whereas, the new institutional economics as devised by Williamson (1975, 1985, 1996) largely negates there being a significant role for social relations, the new economic sociology as devised by Granovetter (1985, 1992) insists on its primacy. It is for this reason that Williamson's analysis begins by identifying the transaction characteristics pertaining to make/buy decisions while Granovetter begins by seeking to identify social structure. This disparity leads to a major complication when attempting to compare possible rationales driving ITV's programme supply make/buy outcomes in a mutually exclusive manner.

Williamson is criticised³⁰ for maintaining an extremely under-socialized view of individual behaviour³¹. His position permits him to reject the notion, with some

³⁰ Granovetter presents his position on make/buy decisions as a reaction against the neo-classical economic model of perfect competition whereby individual behaviour, "disallow(s) by hypothesis any impact of social structure and social relations on production, distribution, or consumption" (1985; p. 483).

³¹ An extremely under-socialized view of individual behaviour is one whereby individuals are perceived to be immune to social influence. They are always acting on internal drives that are aimed at maximising personal gain from an ordered set of predetermined preferences. Granovetter reasons that perfectly competitive markets and individuals of this sort are idealisations that persist because, "self-regulating economic structures are politically attractive" and, they remove, "the problem of order from the intellectual agenda...if traders encounter complex or difficult relationships, characterised by mistrust or malfeasance, they can simply move on to the legion of other traders willing to do business on market terms; social relations and their details thus become frictional matters" (1985; p.484).

inconsistency (1985; p. 293n), that interpersonal trust³² influences make/buy decisions. It also accounts for his view why problems arising from the effects of personal power, manifested in opportunistic behaviour, are sufficiently resolved through fiat. On this basis, Williamson expects make/buy outcomes to always be efficiency driven towards a relatively least cost alternative, in the manner previously described. In contrast, Granovetter insists that interpersonal trust³³ and conflicts arising from power in social relations are crucial to understanding the possible rationales driving make/buy outcomes³⁴. This position accounts for his view that social relations either engender trust, or at least restrain opportunistic tendencies, so that transacting situations that Williamson expects to be internalised may not occur³⁵. However, a difficulty arises from Granovetter's limited explanations regarding the functions that these relations might serve.

Some supportive empirical evidence exists (Macauley 1963; Woodbury, Besen, and Fournier 1983) to suggest that social networks are an important reason why transacting behaviours may not correspond to formal governance structures and that this feature may have cost reducing (i.e. efficiency) effects. However, from Granovetter's viewpoint, it is equally plausible that outcomes are not based on an efficiency rationale. They may be driven more so by social networks whereby issues of power and social influence are more directed towards achieving non-economic objectives. Efficiency is not a presiding concern. The abstract nature of

³² Williamson contends that this concept is not relevant in explaining behaviour in an economic context. Calculative trust is a contradiction in terms, personal trust does not apply to commercial relations, and institutional trust refers to the organisational context within which transactions are organised in a calculating and cost minimising way (1996; p. 275). However, there are some inconsistencies (1985; p. 293n).

³³ Granovetter's approach is aligned to the view that trust arises from ongoing interpersonal relations that are utilised in specific economic contexts (Zucker 1987; Fukuyama 1995). Trust is a by-product of interpersonal relations that enable certain economic options to arise and evolve. However, the definition of trust varies and others (Kreps 1990; Lane & Bachmann 1987) consider that creating appropriate incentive and authority structures can create trust in economic contexts. In this case, trust is facilitated by a formal set of rules that direct behaviour in an economic context. The distinction partly explains why Granovetter, along with others (Ghoshal & Moran 1996), do not consider that an uncertain, asset specific transaction is necessarily misaligned if it remains in a hybrid form.

³⁴ In Granovetter's view, these mechanisms, "define the boundaries of trust and social affiliation (and) must become central matters for a theory of economic institutions" (1992; p. 7).

³⁵ Granovetter suggests that the complexity accompanying transactions with high uncertainty combined with asset specificity, and frequency may be handled as effectively, or even more so, without formal hierarchy. He advocates that some patterns eliminate the need for hierarchical devices because they "generate standards of expected behaviour that not only obviate the need for but are superior to pure authority relations in discouraging malfeasance" (1985; p. 498).

Granovetter's propositions makes it more difficult to empirically examine them in comparison to those of Williamson. It is not easily conceivable how Granovetter's notion of overlapping networks might be usefully applied to an empirical situation involving a complex pattern of social relations beyond the dyadic ties that he examines (1973). It is also difficult to ascertain the circumstances whereby programme supply make/buy arrangements may be predominantly driven by reasons other than Williamson's efficiency rationale. Granovetter also does not specify how current programme supply make/buy decisions might be effected by previous decisions, while Williamson largely ignores the notion of change over time³⁶ where make/buy decisions may need to adapt³⁷ to different socio-political circumstances.

As these differences suggest, it is not clear-cut how the propositions put forward by Williamson and by Granovetter might be compared in ways that allow one to ascertain, precisely, when they are opposing or consistent. The propositions of these two theorists leave the possibility that inconsistency arises from interaction between the rationale driving their expected outcomes, which makes it difficult to draw clear conclusions in an analytically exact manner. Further, as noted, the richness of a case study narrative would be difficult to fit to such propositions without it appearing superficial. However, these difficulties do not necessarily lead to a conclusion that the two theories are incompatible for analytical comparison. Indeed, comparison of rival theories that posit mutually exclusive outcomes so that alternative hypotheses might be tested is relatively rare (Klein 2004) and a general problem exists whereby evidence taken to support one approach may also be consistent with alternative approaches. This study contains the same weakness as a chosen trade-off to construct a more comprehensive understanding of the research question.

³⁶ Transactions are assumed to occur within a fairly static institutional environment so that even the role of production costs in make/buy decisions is diminished. Differential production costs are deemed to be relatively small, and therefore inconsequential, across firms operating in the same product markets.

³⁷ Some minor modifications are occurring. For example, asset specificity is beginning to be interpreted as a choice variable rather than as an exogenous technological condition, "the market alternatives surrounding the buyer and the seller become important in determining the choices of asset specificity" (Perry cited in Schmalensee & Willig 1989; p. 215). These transactions become bilateral but they remain, "circumscribed by the surrounding markets" (Holmstrom & Tirole in Schmalensee & Willig 1989; p. 63).

On this basis, jointly considering Williamson and Granovetter remains theoretically relevant for the purpose of demonstrating how the interplay between the two perspectives has driven a particular historical path to effect programme supply make/buy outcomes in a broader sense. The objective is to demonstrate that as socio-political concerns based on the fear of the social impact commercial television might have on UK society diminished, an economic rationale impinging on programme supply make/buy decisions began to be realised in ways that show some consistency with Williamson's transaction cost reasoning. Studying these programme supply make/buy decisions in this manner adheres to a suggestion by Friedland and Robertson (1990: p. 6) that the first task in understanding organising modes of economic activity is to, "return the market to its social context and to understand its social history". This interpretation of the literature surveyed, alongside the chosen approach of enquiry, suggest that the following research strategy will be helpful in deriving a reasonable explanation of the make/buy decisions considered in the case study that follows.

1.2 The Research Strategy

The research strategy for this enquiry is a case study approach. It investigates historical and contemporary events pertaining to decisions that account for how programme supply make/buy arrangements for UK commercial television, in the context of ITV, have evolved with a specific focus on understanding how the interplay between socio-political concerns and economic objectives impinged on programme make/buy decisions during the time periods studied. The reasons for pursuing this approach are aligned to Yin's (1994; p. 13) technical definition of the case study strategy. Yin presents this research method as an overall design logic that incorporates a plan for data collection and analysis of contemporary and historical events (p. 8 – 9) when boundaries between phenomena (i.e. programme supply make/buy decisions) and context (i.e. ITV) are not clear and when 'how' and 'why' questions are posed. These types of questions invite the study of sequences of actions that permit explanatory links over time. This study deliberately investigates specific contextual conditions because it is likely that they are highly pertinent to the

phenomena studied. However, it is less clear how the prevailing context has impinged on the phenomena and how it has evolved to shape the phenomena over time. In this instance, the case study, as a research strategy, more adequately addresses the possible causal links between phenomena and context than a variable oriented approach would permit.

The Research Design

To clarify more precisely the nature of the main research question (Yin 1994: p. 21), namely, how the interplay between socio-political concerns and economic objectives shaped programme supply make/buy decisions for establishing UK commercial television and the ongoing programme supply arrangements of its main terrestrial operator ITV (Independent Television), a series of preliminary interviews were conducted. These open ended, industry wide interviews with key informants provided valuable insights. Of the individuals interviewed, several held many years' experience dealing with programme supply make/buy issues. Collectively, their views strongly suggested that contemporary programme supply make/buy decisions derived from a particular transacting environment that had existed even prior to the introduction of commercial television to the UK. The further this historical context was looked into, the more convincing was its importance. In particular, it appeared that socio-political fears about how commercial television might impact on UK society had led to the creation of organising structures and practices that still had a legacy effect on more recent programme supply make/buy arrangements for the main industry operators.

As a result, it seemed imperative that a relatively complete understanding of the factors impinging on programme supply make/buy decisions required an examination about how these earlier arrangements had been created and evolved. For this reason, it was decided to retain an emphasis in the research towards a broader approach that would consider how the transacting environment in the pre-competitive period and early years of commercial television in the UK impinged on programme supply make/buy decisions and how this situation changed over time to effect contemporary outcomes.

Many complications arose for constructing a workable research design. An in depth comparison of experiences across all UK commercial television operators would be impractical and only one television service, ITV, could be considered from the point when the start up of UK terrestrial commercial television was first considered. Further, this one television service, ITV, had evolved to comprise fifteen separate companies. A comparison of each company's experiences, in detail, over time, was also beyond the resources and data available. Financial information during the early years of commercial television was sparse and more recent detailed cost and revenue information regarding programme supply make/buy decisions proved extremely difficult to acquire. However, the collection of documents, archive material, and confidential programme supply data, which was building up alongside the interviews conducted during this preliminary stage, pointed to a way forward.

It was decided to narrow the focus of the research to what Yin refers to as an embedded single case study design (Yin 1994; p.41-42). Since terrestrial commercial television in the UK, until 1982, comprised one television service, and because detailed information on the individual television companies of the nature described was insufficient, the case study's primary unit of analysis became the programme supply make/buy arrangements for ITV (Independent Television) as a whole. Conducting the case study at this level enables it to be related to other studies concerned with broadcast policy. Make/buy decisions of the individual companies for programmes intended for ITV transmission remain an important intermediary unit of analysis. These decisions are embedded, as empirical examples relevant to outcomes that characterise the interplay between socio-political and economic rationales operative for ITV over the study's chosen time span. In so doing, they depict relations with policy makers and other industry participants.

Although a comparison of the theoretical propositions does not follow the form of testing hypotheses for the reasons previously described, a logic linking the data to the two rationales is explicitly pursued. Three primary research questions that tie the phenomenon to the context are posed alongside the requisite data collection technique/s used:

Research Questions	Data Collection Technique
What accounts for the reasons why early opportunities to establish UK commercial television were delayed and why did its initial set up prohibit the broadcaster from making programmes?	State Archives Interviews Government Reports
How was the initial programme supply structure established and what accounts for the reasons why programme supply make/buy decisions varied according to programme type?	State Archives Industry Documents Government reports
Why was the initial programme supply structure modified and what effect did this have on programme supply make/buy decisions?	Interviews Industry documents Official programme supply data

Each of these questions is investigated using data collection techniques that establish complementary evidence from multiple sources. They also direct the analysis according to the theoretical orientation drawn from the rival propositions of Williamson and Granovetter. Judgement on the quality of this case study report overall, relies on whether the reader is sufficiently convinced that its content credibly illustrates that as socio-political fears associated with UK commercial television (ITV) diminished after the pre-competitive and initial contract periods, programme supply make/buy decisions moved towards an economic rationale that was not previously possible.

Chapter Two

UK Commercial Television: The Start-Up Phase

This chapter covers the pre-competitive period leading to the foundation of ITV. The preliminary period is important because it explains why UK commercial television came to be set up with an initial programme supply structure that prohibited the broadcaster³⁸ from making programmes. The historical account focuses on events that impinged upon decisions that led to this constraint. The main purpose of the chapter is to illustrate how decisions during this time period affected the programme supply make/buy options that would be considered for establishing ITV's initial programme supply structure (Chapter Three). Section 2.1 describes the main obstacles that had to be overcome before agreement, in principle, could be reached to introduce commercially funded television in the UK. Section 2.2 describes the intended formation of the programme supply structure for, the yet to be established, ITV. This part of the study shows that even though it was precluded that the broadcaster would not make programmes, programme supply make/buy decisions for UK commercial television were still intended to operate within an economic rationale.

³⁸ A broadcaster is the organising body responsible for, and in control of, transmitting visual and/or audio material to the end user.

2.1 Main Obstacles to Introducing Commercial Television

2.1.1 The Challenge of the Relay Companies

The relay companies³⁹, first licensed by the Post Office in 1927, were amongst the earliest contracts that presented a possibility for devising a model of programme supply for commercial television in the UK. These existing contracts between the relay companies and the Postmaster General (PMG)⁴⁰ inadvertently permitted visual along with sound transmission. At the time when the British Broadcasting Corporation (BBC) reopened its television service after World War II on 7 June 1946, it was the only authorised UK broadcaster of television programmes although programmes technically could be relayed from other countries. The relay companies were not a threat⁴¹ to this monopoly situation so long as they extended the BBC's reach to areas where it had approved plans for expansion, but were not yet broadcasting, or where they could provide improved reception for existing transmissions in geographically difficult areas. By 1946, however, the relay industry anticipated technical developments in wire broadcasting which would provide an opportunity for further, and more commercially aggressive, expansion. They intended to carry BBC programmes but also saw growing opportunities to relay programmes from other sources such as the film industry and sports promoters, both of whom were interested in adapting their material for television.

As such, possibilities existed for commercial television to be launched, both in terms of content and distribution⁴². For instance, there could have been a system of subscriber based wire distribution providing BBC services and additional entertainment programming. Alternatively, commercial television could have begun by permitting entry from the film and cinema industries. Companies such as Cinema-

³⁹ Private firms that operate wireless relay exchanges and then distribute one or more programmes to subscribers over wire, or cable, networks.

⁴⁰ Minister responsible for broadcasting

⁴¹ Advisory Minute to the Postmaster General, "We understand that the Corporation's (BBC) main interest is in maintaining their existing monopoly of transmissions through the air...the Corporation are, in fact, generally sympathetic towards your desire to be as liberal in licensing relay operators as seems politically possible" (HO 256/160: Public Record Office).

⁴² See Sendall B. (1982) for a broader historical account of the origin and foundation of UK commercial television.

Television Limited were interested in establishing a cable network between a number of cinemas in London for the purpose of distributing live programmes and films by television. This possibility would have had an immediate competitive effect because film companies originated their own programmes whereas relay companies would initially only distribute BBC programmes. However, neither option was adopted beyond a limited extent.

Instead, the Post Office and the Postmaster General (PMG) agreed a policy to discourage relay companies from distributing television programmes. They employed delay tactics that eventually extinguished all possibility for relay companies or the film and cinema industry to be mainstream players in establishing UK commercial television. The Post Office agreed not to proceed until the Postmaster General's Television Advisory Committee (TAC) made a definitive recommendation on the possibility and extent to which film interests should be permitted to be involved in television. It expected TAC to advise that the film industry, if permitted entry, should be restricted to safeguard television as a public service. London Rediffusion Service Limited⁴³ was the biggest concern to the Post Office. It was by far the largest firm in the wireless relay business and the most vocal regarding its interest in supplying television programmes. The decision to inhibit entry into television required skilful contractual rearranging on the Post Office's part because technical developments and existing licence terms *de facto* permitted relay companies entry into television with few restrictions.

The relay companies, however, had been disfavoured ever since the report by the Ullswater Committee on Broadcasting (1935). The report recommended that the ownership and operation of relay exchanges, along with further technical development of wire broadcasting in general, should be undertaken by the Post Office. Control of relayed programmes should remain with the BBC. The intention to nationalise wire broadcasting was largely provoked by the opportunities that

⁴³ Before the war, Radio Furniture and Fittings Ltd. (later London Rediffusion Service Ltd.) provided aerial facilities for a television service to tenants in various blocks of flats the same way they supplied a 'sound' service. No licence was required for this service because programme distribution solely within a building was not regarded to be a relay service. This was restored following the reintroduction of the BBC television service and Rediffusion proposed to relay BBC television programmes completely by wire to subscribers in the London area (HO 256/144: (November 1946 – January 1947). Submission to DG on Private Relay Companies and Related Correspondence. Public Record Office).

technical advancements created for developing the television industry. Wire broadcasting by co-axial cable was viewed as providing a superior technology for transmitting television programmes because it overcame problems with extending range and electrical interference. However, the Government perceived that expansion by relay companies into television created a powerful new medium that it needed to control⁴⁴.

Nevertheless, the Government deferred taking a decision in 1935 to nationalise wire broadcasting and renewed the contracts of relay companies to operate until 31 December 1939. This date was chosen to coincide with a broader discussion on broadcast policy during review of the BBC's charter. There are indications that the relay industry was also technically ahead of the Post Office's own developments and that this extension gave them time to progress technically⁴⁵. However, due to the outbreak of the Second World War, the contracts were further renewed for ten years to 31 December 1949. All new contracts made during this period were terminable on the same end date. As the termination date neared, a further White Paper on Broadcast Policy (Cmnd. 6852: July 1946) again deferred the question of public ownership and operation of wire broadcasting services.

Government Delay by Contract Revision

As the termination date came nearer, applications received from London Rediffusion⁴⁶ and other relay companies, along with film and cinema interests, placed pressure on the Post Office to act. The Post Office considered that the existing contract expiry date, 31 December 1949, did not leave enough time to nationalise wire

⁴⁴ Policy Recommendations for Wire Broadcasting, "television by cable, unlike other Post Office private line facilities, was such a new departure that it should not be permitted at present to any private concern" (HO 256:144. 19 December 1946).

⁴⁵ The Government of the day came to the conclusion that this recommendation should not be adopted immediately "in view of the many practical and technical considerations involved and that it would be expedient that the system of licensing private concerns to conduct relay services should continue for a further period during which the Post Office could undertake technical and experimental work" (HO 256:161 (1947). Wire Broadcasting Policy; Minute to Postmaster General. Public Record Office).

⁴⁶ London Rediffusion Service Ltd. first wrote to the Post Office on 13 August 1946 requesting a licence to establish a television cable network system that could be directly connected to the BBC television studio. They desired "a sufficiently long term licence to permit our undertaking the elaborate and costly system". When the Post Office replied one month later saying the request was still under review and that they could only issue a licence up to 31 December 1949, the company replied the following day saying they wished to proceed.

broadcasting in an orderly manner. As a result, contracts were further extended to 31 December 1951. Again, this date was chosen so that the future of wire broadcasting could be considered in conjunction with the BBC's next charter review. In addition, delay tactics were also maintained⁴⁷ to ensure that further inroads were not made by the relay companies to advance their television transmission ability. This objective was difficult to achieve for two reasons.

First, the Postmaster General had already issued a statement in the House of Commons⁴⁸ that television licences would be treated in the same way as sound licences, which required carrying a minimum of two programme services. The relay industry assumed this situation would continue. Second, it was not possible under existing licence terms to stop relay companies from receiving television programmes and from allowing these programmes to pass to subscribers by means of connecting wires. Any attempt to terminate existing sound licences before 31 December 1951 would place the Post Office in breach of contract⁴⁹. It therefore set out to implement amendments and, following extensive negotiation with the Relay Services Association⁵⁰, it succeeded in creating three types of relay licence: sound only, television only, and sound and television combined. The resulting contractual arrangements effectively burdened the companies' progress and marked the beginning of a pattern of excluding wire broadcasting from mainstream commercial television broadcast policy. Key aspects of this negotiation are considered.

The revised television wire broadcasting licence agreements only permitted relay companies to carry BBC programmes (clause 1 (b)), and prohibited them from making their own programmes (clause 4 (2)). The first clause caused a great deal of debate

⁴⁷ The Director of Telecommunications writes to the Director General and the two Assistant Director Generals of the Post Office, "relay companies should be discouraged so far as possible from embarking on the distribution of television programmes. This can be done by delaying tactics in regard to technical conditions on which we have to be satisfied under the terms of the companies' licences". This is concurred but thought to be a policy that would be difficult to sustain beyond the immediate future (HO 256:144. (19 December 1946). Policy Recommendations for Wire Broadcasting. Public Record Office).

⁴⁸ Statement made 26 April 1950 by Rt. Hon. Ness Edwards.

⁴⁹ "We have no case to argue that the existing licences do not permit the reception and distribution of television; our only line can therefore be to admit the force of the Association's argument...from Post Office considerations revision of the licence is necessary, and that revision of the technical conditions only would not be adequate", (HO 256:153 (August and September 1950). Television Wire Broadcasting – Notes of Meetings. Public Record Office).

⁵⁰ Trade organisation for the relay industry.

because the Relay Services Association believed that the Post Office was establishing a point of principle which, in effect, would exclude them from expanding into television in the future. They were, to a large degree, correct in this pessimistic view of their prospects despite the Post Office saying this was not the case. Records of early meetings show the Post Office arguing against giving relay companies the right to relay non-BBC programming on the basis that it would be a radical departure from existing licence terms. It went so far as to threaten to proceed with the revised contract terms irrespective of the Association's unwillingness to comply⁵¹.

The real problem was that previously agreed contract terms, technological advance, and private sector ingenuity, threatened existing Government policy for television broadcasting. The policy was one of programme monopoly, entrusted to the BBC, and a solution was sought to uphold it. This intention was accomplished by imposing technical delays. The Postmaster General refused to include a general clause in the revised contracts regarding programme supply on the basis that no other television service existed at the time that could be received at a level of reliability acceptable to the Post Office. This viewpoint was strongly contested by the Relay Services Association⁵². They found it unreasonable that their television service should have to prove a particular reception standard prior to it being accepted if individuals were willing to buy television sets to view any programmes they could receive.

They were also anxious that newly imposed terms might be difficult to reverse or to modify. Contract terms were requested to provide long-term assurances in return for the investment that the Association's member companies would be undertaking. The re-negotiation of licence terms was not formally accepted by the Association until 23 January 1951 and only after the Postmaster General provided, in writing, three assurances that:

⁵¹ See in particular, notes from meeting held 3 August 1950 between Post Office and Relay Services Association; items 8 and 13 (HO 256:153 (August and September 1950). Television Wire Broadcasting – Notes of Meetings. Public Record Office).

⁵² The Relay Services Association wrote to the Post Office on 26 October 1950 that they regarded the new licences, which only permitted distribution of BBC programmes, as a serious departure from the practice of sound relay systems and again pressed their views in a meeting held 22 November 1950 that it was unreasonable to, "restrict the relay operators to BBC programmes, and thus effect the competitive value of their service" (HO 256:158 (October 1950 to January 1951). Television Wire Broadcasting – Notes of Meetings and Acceptance of terms of licence. Public Record Office).

- 1) Relay restrictions were not intended as an act of principle;
- 2) Requests for exception to this rule would be accepted on a case by case basis for specific programmes meeting the technical requirements and;
- 3) The Association could revive the issue following the Government's decisions on any recommendations made by the Beveridge Committee of Inquiry into Broadcasting.

It may be judged that the acquiescence of the relay companies occurred because they anticipated that the upcoming national election might change UK television broadcasting policy to its advantage. Nevertheless, the revised contracts effectively constrained and placed on hold the relay industry's plans whilst the Government determined what decisions to take from recommendations of the report of the Beveridge Committee (1951). This report epitomized the dominant socio-political concerns and was the first to note economic issues regarding residual rights of control to programmes. For these reasons, its outcomes are considered in more detail.

2.1.2 The Reinforced Views of the Beveridge Report (1951)

Three outcomes arose from the Beveridge Report that further shaped the programme supply make/buy options that could prevail for UK television: 1) wire broadcasting was not nationalised, 2) the principle of a BBC programme monopoly was upheld and, 3) copyright of televised material became a crucial issue for all groups involved in the emerging industry.

Nationalization of Wire Broadcasting

The ongoing possibility that wire broadcasting could be nationalized was a continuing threat to the relay companies. Evidence submitted by the Relay Services Association to the Broadcasting Committee⁵³ proposed that twenty-five year licences were merited on broad commercial, economic, and social grounds. Short-term licences, in their view, had plagued relay services throughout their existence and had stopped

⁵³ Report of the Broadcasting Committee 1949; Appendix H (Cmnd.8117). HMSO (January 1951). Paper 119; p570-572.

implementation of modern wiring methods developed by the industry. Further, recommendation from the Ullswater report that a distribution service should be provided by the Post Office had not progressed and relay companies had made considerable advancement. Licence insecurity had also stalled developments to provide additional television services.

The Beveridge committee did not support these views and its report further changed the potential options available for starting up a commercial television service.

Although the report advised against nationalising wire broadcasting, it did so with provisos that largely endorsed the Postmaster General's earlier licence revisions for the relay companies. Recommendations supported the removal of rights from the relay companies that had permitted them to consider most programme supply make/buy options. Relay companies should be:

- 1) Limited to reception and distribution of programmes and forbidden to originate (make) television programmes;
- 2) Prohibited from receiving money or valuable consideration for distributing particular programmes;
- 3) Required to include a certain proportion of BBC programmes in their distribution, and;
- 4) Granted licences for ten years in the first instance, with power to rescind compulsorily with two years' notice on an on-going concern basis.

These transacting conditions reduced the likelihood that relay companies could successfully pursue their interests in developing commercial television.

The Principle of a BBC Programme Monopoly

The Beveridge Report also upheld the monopoly principle. This decision was defended on the basis that, at this early stage of television's development, a monopoly was the most effective and efficient governance structure available for maintaining

television broadcasting as a public service⁵⁴. Although the committee did not unanimously agree with the view that provision of socially suitable broadcast material could only be ensured by monopoly control over programmes⁵⁵, it considered that no comparative gain existed in creating an additional firm to duplicate the BBC's activities. This assumption, in itself, expressed how extensive the socio-political concerns would impinge on future development options. Prospects of private funding also raised fears about 'creeping commercialism' that would damage programme aims to a greater extent than did the doubtful efficacy of sustaining the BBC's monopoly.

Copyright of Televised Material

The Beveridge Committee was the first to formally take evidence about emerging concerns regarding television programme rights. However, it also decided that the copyright issue was outside its terms of reference. As such, the issue was referred for consideration to a general inquiry into the working of copyright law. The Committee did, nonetheless, provide its view on how copyright in television programmes might develop. It considered that the BBC could only justify a monopoly position by aiming to broadcast its programmes to the greatest number of people. At the same time, it should be protected from its programmes being sold without permission.

Copyright of televised material became a crucial issue during debates regarding the existing distinction between home viewing and public showing. The BBC's broadcasting domain was agreed to be home viewing. Other sources of public entertainment, such as live theatre and films in the cinema, were seen to be public showings. The advent of television, as an extension of radio broadcasting, challenged these perceived boundaries. It also threatened to damage the revenue base of entertainment businesses reliant on collecting fees from public showings. The BBC televised material that previously had to be paid for and viewed in a theatre, cinema,

⁵⁴ Report of the Broadcasting Committee 1949 (Cmnd. 8116). HMSO (January 1951). See in particular paras. 167, 179.

⁵⁵ The Minority Report submitted by Mr. Selwyn Lloyd, para. 3, "if VHF transmissions were to be undertaken...technically possible to give majority of listeners a further choice of two or three television programmes" and whilst he welcomes most of the safeguards proposed to moderate the negative effects of monopoly, in para. 9, "I believe that the only effective safeguard is competition from independent sources. Without that competition the basic evils and dangers of monopoly will remain" (Report of the Broadcasting Committee 1949 (Cmnd. 8116). HMSO (January 1951).

or sporting arena. The theatre industry did not want to enter the television domain. It was vehemently opposed to having its performances televised except under very strictly controlled conditions. In contrast, the film industry saw advantages in entering both production and distribution of television.

For the theatre industry, the BBC was viewed as a serious competitive threat, taking advantage of its monopolistic position. The BBC was televising plays from the theatre, and even more damaging, televising unsolicited critiques of those plays⁵⁶. In the case of the film industry, it was the BBC who felt threatened. Although the BBC did not disapprove, in principle, of the film industry using its programmes for public showing, disagreement arose from the potential of such material being transmitted via radio (wireless broadcasting) rather than land-lines (wire broadcasting). The film industry was pushing for access to wireless distribution and the BBC argued that such public showings would spread to home viewing. In particular, it was concerned about the film industry's intention to make their own studio-based programmes for television transmission to cinemas. In the BBC's view, the film industry would deliberately use wireless broadcasting to transmit programmes beyond their cinema destinations. In so doing, the film industry would achieve greater audience reach that, in turn, could be used to attract advertising revenue. This outcome would have effectively created a commercial television service that could compete directly with the BBC's programme supply arrangements.

The BBC presented this potential outcome as one that would impose unfair competition on it and work against the public interest. It argued that the organisation's capacity and rate of developing public service oriented programmes would be damaged to the extent that it might lead to a complete loss of some programme types from the public domain. The Beveridge Committee, however, considered that these concerns could be overcome by introducing similar safeguards as those applied to the relay companies. As a result, many of the BBC's proposals

⁵⁶ The concern was that these unsolicited critiques, in which no alternative opinion was televised, inflicted the worst damage possible because the BBC was generally accepted as the, "authoritative official opinion of a semi-Government body" (Report of the Broadcasting Committee 1949; Appendix H (Cmnd. 8117). HMSO (January 1951). Paper 123; p. 579-582).

were incorporated into its recommendations⁵⁷ including advice that the Postmaster General should only issue licences to cinema television using radio wavelengths, with provisos that would:

- 1) Restrict revenue sources to payment only from 'box office' viewers;
- 2) Prohibit the film industry from excluding the BBC from televising certain types of programmes, and;
- 3) Require reciprocal agreements with the BBC to televise more films.

Although copyright debates were not resolved within the report of the Beveridge Committee, the arguments presented provide an explanation regarding how these concerns impinged on programme supply make/buy options prevailing in the pre-competitive period. Deliberations derived from the potential to expand demand for existing and new forms of audio-visual material. All of the parties involved in the fledgling television industry including the BBC and its existing providers of programme material (in particular theatre, sporting and other spectacles) and the film industry, were concerned with establishing rules to clearly define the residual rights of control for programmes. The technical possibility and the failed attempts to expand programme supply arrangements in competition with the BBC brought these legal issues to the forefront. Whilst providers of programme material that was televised by the BBC were most concerned about establishing a principle of programme copyright (whereby residual rights of control would reside with the originator of the programme), the BBC argued that copyright should be a broadcaster's right⁵⁸, established either by amendment to the Copyright Act (1911), or by a separate Act. A main objective, expressed on both sides, was to prevent unauthorised third party users reaping economic benefit from those contributing substantially to programme making activities.

⁵⁷ Report of the Broadcasting Committee 1949 (Cmnd.8116). HMSO (January 1951) p. 97, "subject to being satisfied that wavelengths not needed for home television or other prior purposes can be used for public showing television, the Postmaster General should be prepared to license their use by a responsible organisation or organisations established for this purpose, but should require the resulting pictures to be available to the BBC and to others on financial and other terms approved by himself, and on conditions preventing the new licensees from introducing commercially controlled television indirectly into the sphere of the BBC, that is to say to viewers at home".

⁵⁸ The BBC argued that it was the originator, or maker, of programme material such as sports events and therefore copyright should derive from statutory rights in connection with the image being televised (a broadcaster right).

On the BBC's part, unprotected re-diffusion was making it difficult to access performing talent. Performers were unwilling to take part in making television programmes without assurances that transmission would not damage the value of their performances in other places of entertainment. Sports promoters were also concerned about unauthorised re-diffusion to cinemas because it was expected to have a negative effect on attendances at the actual events and devalue the film rights that they sold on to newsreel companies. On the other hand, the BBC was unsympathetic to the argument posed by its existing providers of programme material, particularly theatre, sporting, and other spectacles. These groups felt that the current situation did not permit them to establish equitable terms with the BBC for use of their material. Dramatic and similar productions, however, were in a relatively stronger position than sports events. Copyright protection already existed⁵⁹ for dramatic and musical performers to receive payment from the BBC, fixed prior to production, whereas no such protection existed for any sporting or spectacular event.

Sporting interests embraced these difficulties by forming a lobby group⁶⁰ for the purpose of establishing copyright of their material for television broadcasting. They particularly wanted an amendment to the Copyright Act (1911) that would place the promoter of any event in the same legal position as the author of a book. This would provide them with the right to negotiate as they saw fit regarding television usage, "to obtain the protection of the rights of the promoter or producer, of any sporting spectacular or other event capable of being televised or otherwise reproduced whether of public interest or otherwise".⁶¹ At the time, payment was required to access the promoter's property to televise an event but this arrangement was ineffective and inadequate⁶² for exploiting the economic possibilities they envisioned for television.

⁵⁹ The Dramatic and Musical Performers' Protection Act 1925.

⁶⁰ The first signs of dissent amongst sports promoters arose in connection with the televising of the Derby in 1938 and 1939 that eventually led to the establishment of the Association for the Protection of Copyright in Sport in November 1945.

⁶¹ Report of the Broadcasting Committee (1949) Appendix H. (Cmnd. 8117). HMSO (January 1951). Paper 104; p. 520 – 522.

⁶² Unauthorised televising could occur from an adjacent vantage point to the promoter's stadium, for example. Equally, expanded reach to larger viewing audiences did not increase revenues to the promoter.

The Association's efforts⁶³ to correct this situation were repeatedly frustrated, over nearly four years, to the point that its members agreed unanimously to withhold permission to broadcast.

The BBC was relatively indifferent to the Association's copyright concerns because so long as a programme copyright did not exist for these programmes and a monopoly was maintained over distribution, it could access material at lower or no cost. Effectively, it could suppress the economic value of the material that the sports promoters provided⁶⁴. However, the Beveridge Committee was persuaded that this outcome was less of a danger to the public interest than was the possibility that the BBC might no longer televise popular sporting events. Assigning copyright to the sport promoters and permitting the film industry entry to television broadcasting, would, in the BBC's view, increase prices to a level that it would no longer be able to afford. Further, the film industry might use its financial strength to secure exclusive rights for sporting events and thus remove such programmes from the BBC.

By far the greatest concern alongside these debates was the possibility that such events would attract large audiences that advertisers would be interested in and commercialism would 'creep' in. In light of this socio-political fear, the Committee's recommended safeguards against the 'danger' of commercial competition were laid out in the license conditions described above. This outcome regarding programme supply arrangements established a principle contrary to the basis of copyright legislation in the UK that recognised the originator's right to safeguard the product of artistic creation against unauthorised exploitation. The Committee further interpreted the Sporting Association's position as a 'special copyright' request that, if granted, would lead the BBC to having to negotiate financial terms for televising any event.

⁶³ The Association for the Protection of Copyright in Sport submitted a proposal for a draft extension to the Copyright Bill, awaited TAC's gathering of the cinema industry's views, and endured being deferred to the BBC, who after two further meetings, also provided no indication of a means for progressing the situation. After nearly four years of negotiations with TAC and the BBC, the Association exercised its ultimate sanction. It unanimously agreed to withhold permission to broadcast.

⁶⁴ Paper 105, as expressed by the Radio Industry Council (RIC), "many items of national interest, particularly in the sphere of sport, are denied to the television viewer because the BBC is unwilling to pay the required fee, whereas many commercial sponsors would be willing to meet the costs of such broadcasts and thus add immensely to the interest in television". Report of the Broadcasting Committee (1949) Appendix H. (Cmnd. 8117). HMSO (January 1951).

It's concluding view was that televised live sports events should remain the property of the 'home viewing' broadcaster, i.e. the BBC, not the sports promoters. These debates, delays, and decisions foreclosed many opportunities to establish UK commercial television.

2.2 Formation of A Programme Supply Structure for Commercial Television

2.2.1 Events Establishing the Principle To Permit Commercial Television

The preceding section has shown how the predominating socio-political concerns resulted in programme supply arrangements that upheld the BBC's monopoly.

However, evidence was growing that the BBC's monopoly was a contestable starting point from which television broadcast policy should be based⁶⁵. Disagreements were ongoing regarding provision and broadcast of programme material, particularly sport, theatre, and spectacular events. A number of significant events occurred between 1951 and 1954 that radically changed this situation.

The first event threatened to halt the interest in developing the television industry. In March 1951, the Labour Government decided to reduce the rate of television development for defence purposes. The Government took a view that it did not want to stimulate demand for television sets. Its position was that consumer demand would put unmanageable strain on scarce radio industry personnel and other materials that it wanted to reserve for defence purposes. As a result, even the BBC's plans for

⁶⁵ A letter to *The Times* on 26 June 1946 from Sir Frederick Ogilvie (Director-General of the BBC; Autumn 1938 – early 1942) indicated, " the BBC itself would gain vastly by the abolition of monopoly and the introduction of competition" and, "the only possible losers would be the various Governments of the day...what better could any Government wish for than to have at the end of the street a powerful efficient instrument which has all the appearance of independence, but which by the existing provisions of the Charter and licence it can control at will?".

expanding its television service were slowed down and the possibility for commercial entry was essentially put on hold⁶⁶.

The second event accelerated the television industry's development. In October 1951, the national government changed over from Labour to Conservative. This Government looked more favourably at competition. It did not support a policy for nationalised industries or state monopolies in general, and even less so in the case of broadcasting. A formal response to the recommendations made by the Beveridge Committee was outstanding. It appeared that the preceding Government had wholly accepted the report. The Conservative Government was quick to publish a response. Its first response, published in May 1952 (White Paper on Broadcasting; Cmnd. 8550), established, in principle, the entrance of commercial television:

"The present Government have come to the conclusion that in the expanding field of television, provision should be made to permit some element of competition when the calls on capital resources at present needed for purposes of greater national importance make this feasible". (para. 7)

This paper provoked public debate as to the timing for ending the BBC's monopoly and as to what programme supply make/buy arrangements would be socio-politically acceptable for introducing a commercial television service. Significant fear still remained amongst the Opposition, the Government, and some members of the public regarding the impact that commercial television might have on people's lives. This socio-political concern substantively impinged on the outcomes that prevailed. A subsequent White Paper (Cmnd. 8550) advised that broadcasting policy would have to adequately control commercial television and protect the BBC in a new competitive environment. Prior to competition commencing, the BBC was to be permitted to establish a national television service and to have significantly advanced its plans for sound broadcasting. At this point, the terms and conditions of commercial television were expected to be subject to consideration and control by Parliament, a controlling

⁶⁶ HO 256:214 (1951). Ministerial Review of Television Development. Public Record Office. The Economic Policy Committee (5th meeting; 9 March 1951) approve recommendations of the Chancellor of the Exchequer memorandum EPC (51)19 to reduce the rate of television development on the basis that if the BBC was allowed to proceed unchecked it would prejudice the carrying out of the defence programme.

body would regulate the new stations, and broadcast of political and religious programmes would not be permitted.

Plans for accommodating interests from the relay and film industries were further revised but both groups remained in a marginalized position. Relay licences could be granted for fifteen rather than ten years but restrictions regarding programme supply make/buy arrangements continued. The White Paper also rejected an earlier recommendation from the Beveridge Report that the film industry's programmes, intended for televised public showing, should be available to the BBC as of right, on terms approved by the Postmaster General. The White Paper presented a view that no television service should have access, as of right, to another's programmes or films. However, the recommendation was upheld that certain 'event' programmes should not be exclusively contracted for in a way that would remove the programme from either the public showing or private viewing domains. Further, if cinemas were licensed for television they should be prepared to make films more readily available to the BBC, providing that adequate safeguards for their interests were established.

The Postmaster General, charged with developing policy⁶⁷ from this White Paper, re-instituted the Television Advisory Committee (TAC)⁶⁸. TAC comprised Government, BBC, and radio industry officials, all of who were expected to contribute as individual not organisational representatives, under strict confidentiality. Of its first priorities, it had to determine which band or bands of frequencies in the appropriate frequency spectrum would be allotted to commercial television. This remit included advising on how available frequencies might be shared to cover commercial stations as well as the BBC, based on 'purely technical considerations'.⁶⁹ The task did not completely exclude TAC from advising on policy matters. TAC's technical sub-committee, established to undertake its more detailed work, found it difficult at times to refrain from taking a view on the socio-political and economic implications of its technical recommendations. Sensitivities became more evident as discussion moved from frequency availability to frequency allocation between the BBC and commercial

⁶⁷ Development relied on industry initiative to prepare a detailed scheme for consideration by the Television Advisory Committee in view of the Government's revised position.

⁶⁸ TAC held its first meeting in November 1952 and provided its first report in May 1953.

⁶⁹ HO 258:13. Television Advisory Committee Minutes (TAC 6; 7 November 1952). Public Record Office.

television interests. The first frequency allocation proposed to Parliament provided sufficient space on Band III to initially enable three transmitting stations to be built with an expected coverage of between 40 to 50 percent of the UK population. It was publicly announced that limited frequency space was provided because commercial television remained a controversial experiment and it was too early to decide how far it might expand⁷⁰.

2.2.2 The Intended Programme Supply Structure

A separate Commercial Television (CT) Sub-Committee led by the Assistant Postmaster General, pursued further policy questions in connection with devising a governance structure for competitive television. This committee comprised individuals from the Post Office and officials from other Government departments that had a role in the development of television. By its sixth meeting, held on 5 November 1953, the committee decided on a general governance structure for the new television service. Although a number of detailed options were still under consideration, it was proposed that UK commercial television should be established by setting up a public corporation to build and operate television broadcast stations under licence from the Postmaster General. This public corporation would enter into agreements with programme contractors and exercise a general oversight of the programmes supplied and transmitted on the new television service. It would not make programmes. This governance structure was chosen because:

“the Government would prefer programmes to be produced by private enterprise because (i) it wants to minimise the first hand Government control of programmes and (ii); it does not want to use large sums of public money in a commercial venture of this sort (viz. entertainment)”⁷¹

On 13 November 1953, the Postmaster General presented these policy recommendations to Parliament in a new White Paper on Television Policy (Cmnd.

⁷⁰ HO 256:250. (1953). Minutes and Papers of Commercial Television Sub-Committee. CT(53)9. Public Record Office.

⁷¹ HO 256:250. (1953). Minutes and Papers of Commercial Television Sub-Committee. CT(53)14. Public Record Office.

9005). He emphasised that television had 'great and increasing power to influence men's minds', that the existing programme supply arrangements constituted a monopoly in 'the very important realm of ideas', and that fears expressed about commercial entrants were mainly based on a misconception of the form that competition in television broadcasting might take. He argued that the formation of a public corporation, acting as a broadcaster, would provide sufficient control over programmes to ease socio-political concerns. As a result, there should be no need to restrict the new corporation from televising political or religious programmes because the corporation would safeguard impartiality. It would also limit the programme contractors' fixed asset investments so that contracts could easily be modified or terminated⁷² if the programmes supplied were unsatisfactory.

The CT sub-committee, prior to presentation of this White Paper (Cmd.9005), had also devised an outline for the first Television Bill, which anticipated the contractual arrangements between the Government, the public corporation, and the programme contractors. This document possibly represents the first to outline, in detail, the Government's intention for implementing its plans⁷³ for the start-up of commercial television. The most pressing socio-political concerns that the sub-committee considered it had to address in this draft programme supply structure included:

- 1) The expectation that programme contractors would be profit oriented in the types of programmes they chose to supply;
- 2) The new corporation would not have sufficient control to safeguard programme standards and;
- 3) Government would be viewed as subsidising private enterprise.

Parliament had to be convinced that profits would be proportional to some measure of programme quality, that adequate powers would exist to safeguard programme standards, and that the programme contractors would rent the corporation's facilities so that capital provisions would be rapidly reclaimed.

⁷² Broadcasting: Memorandum on Television Policy (Cmnd. 9005) HMSO (November 1953) para 11, "private companies would be free to produce their own programmes, to buy or contract for programmes prepared by outside bodies specialising in this type of work".

⁷³ HO 256:250 (1953). Assistant Postmaster General's Sub-Committee on Commercial Television. CT(53)5. Public Record Office.

At this planning stage, it was expected that the new public corporation would build or acquire transmitting stations and operate or have them operated on its behalf and build or acquire studio facilities for lease to programme contractors. It was also expected that the final decision regarding the selection of programme contractors would be a power reserved to the Postmaster General as a means of ensuring that programme supply arrangements would operate on a competitive basis. In this regard, the new Corporation would have to seek the Postmaster General's approval to accept any tender other than the highest and show within its own arrangements that it could ensure effective competition. Programme conditions within the Postmaster General's licence to the new Corporation were also intended to prescribe permitted broadcast hours and to prohibit some sporting or similar events (yet to be defined) from being supplied on an exclusive basis. In addition, agreements between the Corporation and the programme contractors would extend over a one to two year period and the programme contractors would undertake to provide programmes for specified times of the day and days of the week. They would not transfer more than ten percent of their ownership without prior approval from the Corporation nor enter into exclusive make/buy arrangements for sporting or similar events. They would also arrange separately to lease the Corporation's studios.

Some of these plans were modified before the first Television Act was approved that would significantly impinge upon subsequent programme supply make/buy arrangements. One such change was the Government's intention to provide a substantial level of capital investment, which had to be significantly reduced. The extensive preparatory work undertaken by the CT sub-committee to devise possible options for commercial television's programme supply structure also had to be transferred to the Corporation, and only in an advisory capacity to the sorts of arrangements possible. The final programme supply structure, including selection of programme contractors, would be settled at the discretion of the Corporation, not the Postmaster General. Amongst many points made by speakers during this preparatory stage, two additional items were adopted that would further shape how programme

supply make/buy decisions might be considered⁷⁴. First, the Corporation would be expected to obtain sufficient income from independent sources to enable it to commission programmes to be made that might not have popular appeal. Second, the exact basis of the financial relationship between the Corporation and the programme contractors would be decided after the Corporation was set up.

Other changes that occurred while instructions for the first Television Act were being prepared included issues regarding programme range, programme content, and further, the extent to which programme supply decisions were expected to be made on a competitive basis. These modifications were devised with an aim to provide flexibility that would permit substantial scope for interpretation. By virtue of the Corporation being publicly owned, commercial television would be required to have regard to the public interest. However, whether or not the Corporation should be expected to duplicate the functions of the BBC would determine its programme range. Explicit rules requiring commercial television to provide a programme mix similar to the BBC was intentionally avoided to suggest that this was not the intention. It was agreed that a requirement to provide a balanced programme service, in the same way as the BBC, would impose detrimental restrictions. It would be difficult to assess what 'proper balance' was and, in practice, difficult to enforce. Programme range would depend to some extent upon cost and it was deemed unreasonable to impose programme requirements that might endanger the programme contractors' commercial success.

It was, however, necessary to appease critics who believed that programme contractors would concentrate on providing light entertainment programmes only. In the final assessment, a consensus was achieved by requiring a 'varied' rather than 'balanced' programme mix and without specifying details about most programme types. Explicitly banning certain types of programmes in the Act (wrestling in particular) was omitted on account of the perceived changeable nature of public taste. It was concluded that these changes required flexibility to deal with changing circumstances and could be more easily dealt with through directives by the

⁷⁴ See, in particular, points mentioned by Government speakers in Hansard Columns 55, 58, 332, 529, 535,680 & 681 (HO 256:250).

Corporation. However, socio-political concerns regarding gambling were more severe and banning competition with prizes in programmes was deemed an unchanging principle. As a result, restrictions were written into the Act that would oblige the Corporation to judge such programmes on an individual basis.

The presiding expectation that programme supply arrangements should occur on a competitive basis was a troublesome feature to write into the Act in a precise manner because of the uncertainty regarding how many programme contractors might be forthcoming. The eventual programme supply structure was considered to be contingent on how many suitable applicants existed. As a result, this aspect of the Act was written in less specified terms to ensure that the Corporation would not be prevented from entering into agreements that might not meet more strictly defined requirements. The passage of this Bill on 30 July 1954 represented an enormous undertaking for the Post Office who, under the Postmaster General, was responsible for administration of the Act.

This examination, based on a detailed review of correspondence held in the Public Record Office archive, government reports, the Act (1954), and the licence agreement between the Postmaster General and the Corporation has demonstrated the interplay between socio-political concerns and economic objectives prevailing during the pre-competitive period. It has shown that socio-political concerns rather than economic objectives were at the forefront of decisions taken prior to establishing, in principle, the entrance of commercial television in the UK. However, it is equally evident, from the documents reviewed, that even though socio-political concerns were sufficient to impose constraints on the initial programme supply structure that precluded the broadcaster from making programmes, those involved in designing it had a market oriented structure in mind. The next chapter describes how these intentions evolved to impinge on establishing programme supply make/buy arrangements during the initial contract period.

Chapter Three

Establishing the ITV Programme Supply Structure: 1954-64

As described in the previous chapter, once socio-political will permitted commercial television in the UK, it was decided that a public corporation should act as a broadcaster, responsible for overseeing and transmitting programmes supplied to it by programme contractors. The official administration of the Act (1954), regulating the programme supply arrangements that could prevail during the initial contract period, remained the responsibility of the Postmaster General. This governance structure was considered the best option for the Government to maintain arm's length control over programmes while not directly financing a commercial venture. This chapter focuses on how the ongoing interplay between socio-political concerns and economic objectives established a programme supply structure that did not provide the competitive arrangements expected of it. Section 3.1 illustrates the tradeoffs that occurred in selecting the programme supply structure. Section 3.2 examines, in detail, how selection of the programme contractors was determined.

3.1 Selection of the Programme Supply Structure

3.1.1 The Transacting Environment

The transacting environment that shaped the options available for establishing a programme supply structure to jointly satisfy socio-political concerns and economic objectives had to be addressed within the context that television was a recent innovation. The governance structure first outlined by the CT sub-committee for a commercial television service in the UK was untested and programme production methods were still relatively primitive⁷⁵. Just a few years earlier at the Festival of Britain 1951, people of the United Kingdom were marvelling at the possible uses of this new innovation called television or, “seeing at a distance with the aid of electricity” (HO258/29; Public Record Office). Also, when the public corporation, named the Independent Television Authority (ITA), commenced work in August 1954, a broadcast infrastructure⁷⁶ for commercial television did not exist.

Ongoing socio-political sensitivities had a major influence on how the ITA conducted its activities⁷⁷. Executive committee members displayed extreme concern for secrecy⁷⁸. Public interest and political scrutiny also increased their urgency to get on-

⁷⁵ With the main exception of foreign films, it would be difficult to acquire pre-packaged programmes from producers or from programme libraries. At the beginning of the initial contract period many television programmes and the adjacent advertisements were produced and broadcast live. Often, if a programme was shown a second time, the performance had to be repeated. The close interdependency between programme production and transmission continued until mid 1959 by which time recording technology was sufficiently advanced so that most television programmes were pre-recorded⁷⁵. This change allowed for more efficient use of studio space and time. It also allowed programme libraries to develop for future programme exchange.

⁷⁶ The technical and organising apparatus needed for delivering programmes to the viewer including transmitters, transmitting stations, outdoor broadcast equipment, production and editing studios, a method for scheduling transmission and switching between programmes.

⁷⁷ For example, recording technology raised fears amongst some ITA executives that they might be accused by political opponents of “deception of the public” where, “recording and editing might give grounds to doubt their genuineness”. (SCC Minutes 59 (42); 8 April 1959).

⁷⁸ It was an expressed view that there was a great deal to prove before commercial television could win over its critics. The ITA’s first chairman, Sir Kenneth Clark, repeatedly impressed upon members that proceedings required absolute confidentiality; members should not even reveal meeting dates. The committee also repeatedly considered how they could effectively limit the detail and expression of opinion from their meetings. In 1954, and from 1957 to 1958, the accepted form of recording ITA

air as quickly as possible (ITA Minutes; 4 August 1954). These concerns were augmented by the limitations proffered upon them by the Act (1954). The obligation that the ITA had to broadcast programmes supplied by programme contractors independent in finance and control from each other and from itself (Television Act 1954, Section 5(2)) was a prolonged concern. They were also apprehensive that initial financial resources would not be sufficient to cover their costs⁷⁹, that they were expected to be ‘at least’ financially self sufficient ‘at the earliest possible date’ (Section 10; The Television Act 1954), and that it was yet to be determined how advertising revenues, collected by programme contractors, might be apportioned.

How the ITA came to attract sufficient funds to build the necessary infrastructure, claim sole ownership of it and charge rental fees for its usage was contingent upon tradeoffs it made regarding the options considered for establishing a programme supply structure. The ITA could consider all conceivable options between market and long-term arrangements. However, in practice, these financial concerns and three other socio-politically derived factors limited the ITA’s perceived options. These factors, discussed further in Chapter Four, were: 1) restricted broadcast hours and their timing, 2) uncertainty of frequency allocation and, 3) Government pressure on the ITA to form relations with the BBC. The following sub-section examines how the programme supply structure was selected.

3.1.2 Creation of The Mosaic Programme Supply Structure

When the ITA held its first meeting on the 4 August 1954, it already had the CT Sub-Committee’s draft programme supply structure for consideration⁸⁰. Apart from

executive meetings changed three times. In the course of researching these archives, two official versions of minutes were found; one that contained numerous untitled agenda items marked “Confidential Members Only”. The most carefully protected issues pertained to the programme contractor agreements.

⁷⁹ Financial resources were limited to a loan facility and a grant provision from the Postmaster General (PMG), upon consent from the Treasury Sections 11 and 12 of the Act (1954). The ITA was entitled to a £750,000 per annum grant and a loan facility during the first five years not exceeding £1 million in year 1 or £2 million in total over the ten year term of the Act.

⁸⁰ As noted (Chapter Two), prior to the ITA’s establishment, policy development for commercial television was the responsibility of the General Post Office (GPO) and the Minister responsible to

building its broadcast infrastructure, the ITA's main priority was to design a programme supply structure and select its initial programme contractors. Relations between the Post Office and the ITA were also important and ongoing. Joint involvement included: 1) seconding senior administrative, legal, and engineering staff from the Post Office, 2) having the ITA initially operate from Post Office premises and, 3) extending ITA executive committee discussions to the Postmaster General (PMG) whose point of view was unofficially incorporated into a number of planning decisions. The decision making process for establishing the ITV programme supply structure involved the ITA considering options generated by itself, the Post Office, and potential applicants. The programme supply preferences of the three groups are summarised in Diagram 3.1.

Parliament was the Postmaster General (PMG). The PMG's two main advisory committees were the Television Advisory Committee (TAC) and the Competitive Television Sub-Committee (CT); the later chaired by the Assistant PMG. These two advisory committees undertook extensive work leading to the first Television Act (1954) including preliminary discussions with potential contractors. By the end of 1953 and prior to the ITA commencing, the CT Sub-committee had already anticipated the contractual relationships between the Government, the ITA, and the programme contractors in detail (HO: 256/250; Paper CT (53)5. PRO).

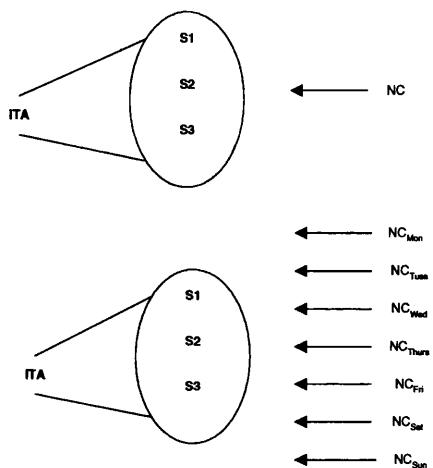
DIAGRAM 3.1 PROGRAMME SUPPLY MAKE/BUY STRUCTURE ALTERNATIVES



Source: ITA Minutes; 5 August - 14 October 1954. ITC Archives

PREFERENCE	OPTIONS CONSIDERED
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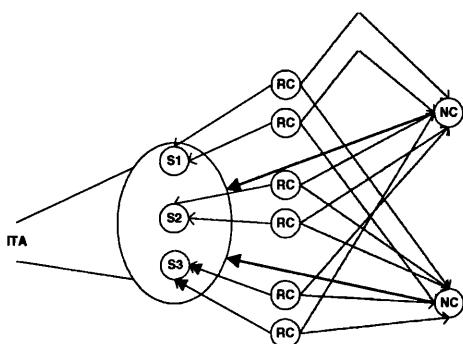
A. Applicants



ABDC
All stations are under programme control of one contractor.

Others
7 Contractors each supply all stations on a network basis one day per week.

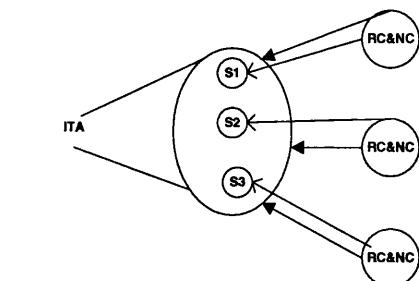
B. Post Office (Government)



Postmaster General (PMG)
Same as 'Others'; allocation by days of the week

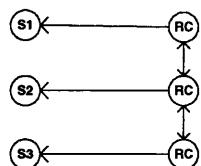
Deputy DG, GPO
2 network contractors each supplemented by one or two regional contractors at each of the initial three stations. Regional contractors might be subsidiary or completely independent, transmitting at particular times of the day.

C. ITA (Regulator/Broadcaster)



Kenneth Clark, Chairman

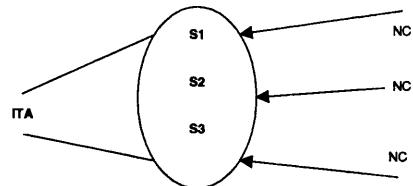
One station per contractor with the ITA controlling allocation of the Network



Robert Fraser, Director General

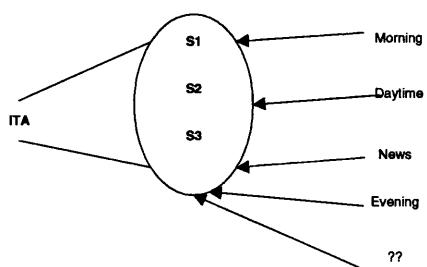
Vertical Structure

One station per contractor with the contractors permitted to exchange programmes. No network transmission.



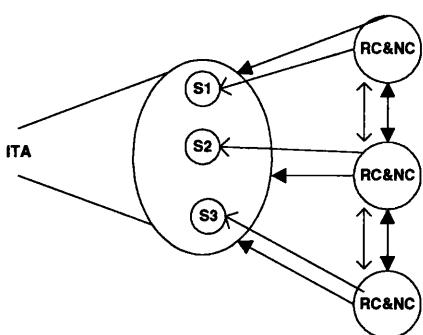
Horizontal Structure

Three contractors sharing the Network with approximately one third of the time each.



Natural Lines of Division Structure

Approximately five contractors supplying a particular theme of programmes to the Network during a specific time period.



Final Proposed Structure

One station per contractor with the contractors permitted to exchange programmes

As depicted in Diagram 3.1, these groups held very different assumptions and the notion that studio facilities would form part of the ITA's broadcast infrastructure disappeared from minutes of discussions. In general, the Applicant Group (A) preferred a programme supply structure that permitted each contractor to supply programmes for relatively less time but to a larger audience⁸¹. The Post Office, or Government Group (B) preferred a supply structure of multiple contractors, either by dividing station areas by region or by time. Although these groups could influence the final decision, the ITA's (Group C) preference could prevail so long as they did not contravene section 5 (2) of the Television Act⁸². How these options arose and led to a final decision was strongly influenced by a perceived need to shape an economic rationale to accommodate the socio-political concerns described. Indeed, a market option was not considered:

DIAGRAM 3.2 PROGRAMME SUPPLY MAKE/BUY STRUCTURE MARKET OPTION



Sir Robert Fraser, the ITA's Director General, generated most of the ITA's options. He was convinced, even prior to his appointment, that the programme supply structure should operate on the basis of one contractor per station because, "one station with several companies of equal status would surely be troublesome, costly, and confused for the companies" (Letter to Sir Kenneth Clark, 31 August 1954. Confidential File; A/X0043/01. ITC Archives). Within a week of being appointed, Sir Robert presented a paper to the executive members considering, "a possible line of escape from the difficulties and dangers of insufficient competition on the one hand and the

⁸¹ ABDC was against sub-dividing a national network amongst multiple contractors on the basis that a unified direction of programmes was necessary to ensure high quality programme standards and to avoid 'Londonisation' that would ignore local and regional interests (Letter from ABDC Ltd. to ITA 18 August 1954. ITC Archive: A/S/0032/13).

⁸² For example, the PMG disallowed the ITA to choose a programme supply structure that would allocate programme contracts to only three contractors. (ITA Minutes; 14 October 1954).

fragmentation of programme unities and responsibilities on the other" (Memo: The Third Way: The Theory of "Natural Lines of Division"; 6 September 1954. Confidential File; A/X0043/01. ITC Archives). He outlined three alternatives: the Vertical option, the Horizontal option, and the Natural Lines of Division option. He acknowledged that the vertical option would create regional monopolies. To moderate the situation, he recommended that the programme contractors should be obliged to exchange (buy and sell) programmes between themselves and to each secure (buy or commission) some good proportion of programmes from sub-contractors. Fifty per cent was suggested.

The horizontal option would create what Sir Robert called a 'time monopoly' because each of the programme contractors would divide the network into roughly equal time periods. He considered that this option would optimise advertising revenues by reaching larger audiences without increasing production costs but that it gave less programme choice to viewers. The possibility of sub-contracting under this option was not suggested. The Natural Line of Division option was the one exception that Sir Robert made to his 'one company, one station' preference. This alternative involved dividing the three available stations into specific programme type⁸³ time periods. He saw this option, as the only way to give two or more programme contractors access to one station without causing co-ordination problems that would diminish programme quality⁸⁴. Sir Robert later vehemently rejected this option⁸⁵ and his final position was one that would require programme supply make/buy decisions to occur on a competitive basis, "although I want a system to be vertical in control, I want to see it largely horizontal in operation, in the movement of programmes...unlimited introduction of programmes from any one region into either

⁸³ Under this option, ITV would comprise programme contractors each providing either a morning schedule of programmes, an afternoon schedule of programmes, a news programme, a general evening schedule of Programmes, and a yet unspecified schedule of programmes; possibly, a Sunday morning service schedule of programmes.

⁸⁴ A reason that is identical to that given by the BBC's Director General, Sir John Reith, to justify the BBC's programme monopoly.

⁸⁵ Sir Robert Fraser writes, "I am in revolt against horizontalism and specialisation because they seem to me on reflection to bring with them almost terrifying monopolies" The fear is that specialist contractors would "have a stranglehold in that field...no one dares to stand up to them...nor would there be healthy competition between subcontractors, because there would be only one buyer of each class of material. Horizontalism in control means monopoly" (letter to Sir Kenneth Clark, 29 September 1954. Confidential File; A/X0043/01. ITC Archives).

of the others" and "insist that each producer company should secure a proportion of its own original programmes from sub-contractors" (letter to Sir Kenneth Clark, 29 September 1954. Confidential File; A/X0043/01. ITC Archives). The final proposed structure was intended to meet these objectives.

The chosen supply structure (A/S/0032/32; ITC Archives), decided on 14 October 1954, most resembled a compromise between Sir Robert's final proposal and the option preferred by the ITA's chairman, Sir Kenneth Clark. It came to be known as the 'Mosaic Structure'; a structure that could allow for six initial programme contractors to supply programmes for broadcast from the ITA's first three transmitting stations split by weekday and weekend time blocks. The expectation remained that these arrangements should require the programme contractors and sub-contractors to pursue programme supply make/buy decisions on a competitive basis. However, selection of the initial programme contractors occurred in tandem and resulted in a mosaic supply structure that only went so far as to imply⁸⁶ that sub-contracting would be part of its programme supply make/buy arrangements. Further, at this stage, it was still unclear precisely how network airtime would be shared alongside an undetermined quota for new entrants⁸⁷.

At this point, the ITA executive members were more concerned about how the programme contractors might share airtime to a growing network, where larger advertisement revenues could be expected. They proceeded in an indirect manner. The majority were against specifying programme supply allocation to the network because they feared that the initial programme contractors would collude and form a cartel to jointly maximise advertising revenues. On this basis, they decided that programme supply to the network should be an optional feature, with a view that they could 'reserve' some amount of network time for new entrants as the mosaic structure expanded. However, they also left implementation of networking arrangements to be agreed amongst the programme contractors.

⁸⁶ Rejection letters to failed applicants advised them to approach the selected programme contractors on a sub-contracting basis.

⁸⁷ It was agreed that network operation would be optional with an agreed network access quota given to regional stations (ITA Minutes; 14 October 1954).

The decision to adopt the mosaic structure, with its existing ambiguities, was not unanimous because the ITA knew that competitive programme supply make/buy outcomes would be difficult to achieve from it. They only reached agreement on the basis that its decision could be revoked in the future (ITA Minutes: 14 October 1954). The Postmaster General also privately made known his strong reservations to the ITA's choice. He warned of possible legal reprisal from rejected applicants. Based on legal opinion provided to the Postmaster General (ITA Minutes: 5 October 1954), it was considered that the ITA had failed its competition obligation. The mosaic structure technically contravened the Television Act by creating regional advertising monopolies that could permit restrictive practices to arise in the supply of network programmes. The predominating view of the ITA, however, was that it could prevent this outcome and further, that its decision to adopt the mosaic structure resulted from socio-political concerns that had led to: 1) technical constraints, 2) financial and commitment requirements and, 3) indirect administrative expectations.

The ITA's first defence of its decision to adopt the mosaic programme supply structure derived from its perception that the technical constraints imposed upon it left no other alternative. It argued that 'real' competition was not possible until sufficient frequency space was released to operate two independent television services⁸⁸. However, because the Government only undertook to clear sufficient frequency space for a single television service 'as practically possible' and remained noncommittal about further allocation for a second television service, the ITA considered that it had sought an adequate solution. Limitations largely continued because ongoing scepticism still regarded commercially funded television as an experiment. Indeed, these concerns overrode technical constraints insofar as they led to restriction of broadcast time on already allocated, and therefore technically available, frequency space (H. Thienn 1954 (p. 34)).

⁸⁸ The ITA, to a large extent, defined its competitive capacity at the network level. Competition at the network level refers to competition between multiple networks (television services) whereas competition at the programme level refers to competition amongst multiple suppliers seeking access to a network or channel.

The ITA also reasoned that the mosaic programme supply structure ensured long-term contractor commitment and a sense of ownership in the channel. This concern, in the ITA's view, was important in order to develop a television service that could be relied on to satisfy requirements regarding variation of programme types supplied. The ITA was convinced that, "under any system of time-sharing by days or hours, the programme contractors' sense of responsibility might be diminished because there would be no identifiable unity of programme for which they would be responsible" and further, "if the Authority controlled the network it might in practice once again lead to a breakdown of the programme contractors' own sense of responsibility" (ITA Minutes; 21 September 1954). It was also increasingly anxious about limited financial resources and considered that supply of programmes on an individual basis would require an additional mechanism to co-ordinate schedules without providing the financial means to build a broadcast infrastructure. In light of these concerns, the ITA argued that financial requirements had moved it to consider a programme supply structure that involved larger concessions to a relatively smaller number of programme contractors that were willing to provide a wide range of programmes.

The ITA also considered that it had to satisfy expectations, on the Post Office's part, that it should minimise direct administrative responsibility for coordinating the programme contractors' operational activities⁸⁹. The mosaic programme supply structure enabled it to do so and to avoid buying and commissioning programmes on an individual basis. Choosing this alternative would impose a relatively heavier administrative burden on the ITA and also put it at risk, in the Post Office's view, of becoming directly involved in programme making, "it was desirable to keep the number of separate companies quite small, partly to simplify the corporation's (the ITA's) arrangements...there should be no question of the corporation selling small packages of time since this would complicate arrangements, need a bigger sales staff, and might well involve the corporation in planning programmes⁹⁰" (HO 256:250 CT (53) 10. PRO). As a result, the ITA argued that it would rather delegate operational responsibility for schedule management to a relatively small number of programme

⁸⁹ The ITA also did not want to be responsible for co-ordinating technical link facilities or managing a pool of outdoor broadcast equipment for collective usage by the programme contractors.

⁹⁰ 'Planning programmes' in this instance referred to planning the production of the programme rather than planning the schedule.

contractors. By doing so, the ITA considered it could more easily retain executive control over programme planning.

This situation led to an application process, particularly for the initial programme contractors that involved 'fitting' applicants into the mosaic structure in ways that would continue to be aimed at satisfying these socio-politically driven concerns.

3.2 Selection of the Programme Contractors

Development of the mosaic supply structure gradually created a situation whereby the ITA had to negotiate with a small number of large programme contractors. The following examples illustrate some of the socio-political and economic realities that steered the ITA's selection of programme contractors in the initial contract period towards relatively higher cost outcomes. It shows how the ITA's efforts were predominantly aimed at selecting programme contractors that would establish a reputation for UK commercial television to appease socio-political concerns.

3.2.1 Selection of the Initial Programme Contractors

As noted, selection of the mosaic programme supply structure and the initial programme contractors occurred simultaneously. When applications were first advertised on 25 August 1954, the mosaic structure had not yet been chosen. The situation was extremely fluid and open-ended. No submission deadline existed and applicants were unaware of the coverage area and airtime they were applying for. The intention was to attract applicants for the initial three stations and to measure private sector interest for stations in planning. Applicants were only required to submit general outlines of their programme plans, the anticipated finance available for underwriting their activities, and to specify a preferred length of contract. The ITA

accepted applications from specialist programme producers⁹¹ and indicated that both network and local/regional broadcasting were contemplated⁹². It outlined that broadcasting at peak hours would be on a network basis provided by a yet unspecified number of programme contractors to satisfy competition requirements in Section 5(2) of the Act. Programmes made for local or regional transmission, required to satisfy Section 3(1)(e), would be broadcast outside peak hours. It was therefore unclear, at the time of application, exactly how broadcast time would be divided, how many programme contractors would be appointed, and how network airtime would be shared.

The ITA also indicated that if a structure of ‘network companies’ were adopted then local or regional companies would likely augment it. Until the number and calibre of applicants available could be verified, this aspect of the programme supply structure was intentionally left open-ended. Instead, a principle was introduced that, “under any system, we envisage that during the bulk of the evening hours, the same programme would go out over the main network, whether it was provided by a “network” or a “local” company” (Preparations for Press Briefing – 24 August 1954; A/S/0032/34. ITC Archives). While ‘Network programmes’⁹³ received priority, either a ‘network’ or a ‘local/regional’ contractor could provide them. Since the latter were yet to be developed⁹⁴, network programmes would be supplied by programme contractors that were, *de facto*, ‘network contractors’. Fusion of the concept ‘network programme’ with ‘network company’ would establish expectations amongst the initial

⁹¹ Section 3 (1) of the Act required the ITA to broadcast a varied programme schedule in terms of total programme output only (Press Notice for 25 August 1954; A/S/0032/34. ITC Archives). A programme producer specialising in a specific programme type could, therefore, be accepted.

⁹² Section 3 (1)(e) of the Act required the ITA to ensure that programmes broadcast from its stations contained a suitable proportion of material aimed to appeal specifically to the tastes and outlook of persons served by the stations; and under paragraph 7 of the 2nd Schedule provision, to allocate a reasonable amount of time to local advertising.

⁹³ Network programmes were termed by the ITA to be a programme type aimed to appeal to larger audiences at peak viewing times.

⁹⁴ ‘Regional’ and especially ‘local’ were vague terms. Regional referred to future coverage areas that could represent culturally defined areas such as Scotland, Wales, and Northern Ireland. Local referred loosely to catering to smaller future coverage areas in England.

programme contractors of their priority access to network airtime⁹⁵. Table 3.1 summarises the intended programme supply arrangements at this early stage:

TABLE 3.1 THE ITA'S EARLIEST INTENDED PROGRAMME SUPPLY ARRANGEMENTS

Factor	ITA Intention
<i>Finance</i>	<ul style="list-style-type: none"> • To make a 'fairly high' block charge to each contractor for the amount of broadcasting time allotted and for station to station links • To consider taking a percentage of contractor profits to fund further ITA development • To permit contractors to control advertising charge rates
<i>Contract Term</i>	<ul style="list-style-type: none"> • 3-5 years but open to applicant suggestions
<i>Broadcast Time</i>	<ul style="list-style-type: none"> • Allocated and fixed
<i>Other</i>	<ul style="list-style-type: none"> • For contractors to provide their own studio facilities, camera equipment, and staff; to pay additionally for studio to transmitter links • To 'welcome' co-operation amongst contractors to ensure programme variety

Source: File A/S/0032/34; ITC Archives

Table 3.1 shows that the ITA was willing to enter into longer-term contracts than the two years period envisaged by the Post Office. It also wanted to attract large specific investments and avoid direct responsibility for the programme schedule.

By 15 September 1954, a total of twenty-seven applications were received. The applicants fell into two groups, those that offered to provide a full schedule of varied programmes and those that only offered to provide a particular programme type. These two groups had different ambitions regarding the number of programme hours

⁹⁵ The notion that programme type rather than contractor type has network access priority disappeared when the ITA explicitly assigned priority to the initial programme contractors and did not require network time to be made available to new entrants (Chapter Four).

they wanted to supply, whether they would provide network or local (or both) programmes, and the financial resources they had available. Nearly all applicants requested longer contracts than the ITA anticipated, ranging from three years to the ten years' duration of the Television Act. They also placed priority on network transmission irrespective of offering a single programme type or a variety of programmes. Hours offered ranged between one to twenty hours per week with the financial resources of the applicants ranging between £100,000 and £3 to £4 million. Six applicants were short listed and interviewed by an ITA sub-committee⁹⁶. A further three non-short listed applicants were also interviewed separately by the ITA Chairman and the Director-General. Table 3.2 summarises the selection outcome.

TABLE 3.2 SUMMARY OF INITIAL PROGRAMME CONTRACTORS' SELECTION

Short Listed 21 September 1954	Interviewed	Hours	Variety	Finance	Term/ yrs	Contract Offer	Contract Signed
Associated British Picture Corporation Ltd. (ABPC Ltd.)	28 Sept 1954	2 day/wk Network & regional	All	'Enough'	5 (min.)	13 Sept 55	16 Feb 56
Broadcast Relay Service Ltd. (and Associated Newspapers Ltd.)	"	1 or more day/wk Network w/local subsidiaries	All	£2-4m or more	Max. under Act.	26 Oct 54	23 May 55
Incorporated Television Programme Co. Ltd. (ITPC)	"	3 day/wk or equivalent hours 7 day/wk	All	£2m or more	7 (min.)	No ¹	n/a
The Maurice Winnick Group	14 Oct 1954	1.5hrs/wk network; 1 day/wk on whole station	All	£3m	10	26 Oct 54	No
Granada Theatres Ltd.	"	7 day/wk Exclusive for S. Lancashire. Network & local.	All	Presume sufficient	10	26 Oct 54	25 May 55
Associated Broadcast Development Company Ltd.	"	7 day/wk Exclusive London	All	£3-4m	8	2 Nov 54	3 May 55
Not Short Listed							
Sports Television Ltd.	14 Oct 1954	Hrs not stated presume network	Mainly Sport	Ample	Not stated	No	n/a
Monseignour News Ltd.	"	7.15-8.15 daily 2.5 hrs/Saturday	Some Mix	Not Stated	Longer	No	n/a
Programme Contractors (Manchester) Ltd.	"	7 hours/wk Network	Entertainment	£100,000	3 (min.)	No	n/a

Source: File A/S/0032/34; ITC Archives

¹ Combined with ABDC Ltd.

⁹⁶ The Sub-committee comprised the Chairman, Sir Kenneth Clark; the Deputy Chairman, Sir Charles Colston; an Executive Member, Sir Henry Hinchliffe; and the Director General, Sir Robert Fraser.

The ITA's objective whilst still deciding its supply structure was clear. It preferred applicants offering the largest amount of finance and providing a full programme service, "if under one method contractors were willing to pay the Authority far more for its facilities than under another method, then the Authority might be forced to choose the former for that reason alone" (ITA Minutes; 25 September 1954). The ITA was unwilling to seriously consider specialist contractors or those proposing to provide programmes for a short period only. These contractors offered relatively less finance and would require more effort on the ITA's part to achieve the programme variety expected of it, "it is extremely unlikely that the Authority would be willing to grant a contract to a company which proposed to provide programmes for a short period only each week...(variation) can best be ensured by having contractors prepared to provide a varied output for a substantial portion of the total broadcasting time" (Letter to applicant 27 August 1954: A/S/32/36; ITC Archives). All such applications were rejected, including the three 'not short-listed' in Table 3.2.

Failed applicants were advised to consider becoming sub-contractors to the 'main' contractors. Although it was for the appointed programme contractors to decide exactly how to provide their programmes, the ITA stressed, "we have reason to believe that the contractors would wish to go to sub-contractors for some of them" (Letter to rejected applicants 2 November 1954: A/S/0032/12; ITC Archives). The ITA would not get involved in such arrangements but would, "in general look on sub-contracting arrangements with a kindly eye" as this would improve competition (Letter to failed applicant, Hulton Press Ltd.; 16 October 1954. A/S/032/37 ITC Archives). The encouragement was misleading insofar that questionnaire responses⁹⁷ regarding sub-contracting intentions were predominately negative.

⁹⁷ The ITA distributed a questionnaire to applicants including question 10(a) How much would you propose to sub-contract? The majority of the questionnaires viewed, indicated no intention to sub-contract (A/S/0032/10; ITC Archives).

One of the main consequences flowing from the decision to adopt the mosaic structure was that the ITA's short list was depleted even further. First, the ITA rejected Incorporated Television Programme Co. Ltd., largely because it distrusted their capability to produce a varied range of programmes. It then attempted to fit the remaining applicants in the following manner:

Transmitting Station & Region	Time Period	Applicant
1) London	Weekday	Radio Relay/Associated Newspapers (A-R)
	Weekend	ABDC (Granada as backup)
2) Birmingham	Weekday	Undecided
	Weekend	"
3) Manchester	Weekday	Winnick/Kemsley
	Weekend	Granada

Source: ITA Minutes; 14 October 1954; ITC Archives

Allocating the London programme contractor was the first priority because it was the flagship region that the ITA and commercial television would be most critically judged. Selecting programme contractors for the two other stations were held back until the London situation was clarified. Sir Robert was instructed to approach, but not to firmly promise, the London weekday contract to Radio Relay/Associated Newspapers and the London weekend contract to both ABDC and Granada. However, he went much further and held discussions with all five remaining applicants to produce the following outcomes:

<i>Applicant</i>	<i>Proposal & Outcome</i>
Radio Relay/Associated Newspapers (A-R)	<ul style="list-style-type: none"> • London Weekday; provisionally agreed.
ABDC	<ul style="list-style-type: none"> • Suggests that ABDC take Birmingham station all week. ABDC prefer taking London Weekend and Birmingham Weekday.
Winnick/Kemsley Group	<ul style="list-style-type: none"> • Suggests that Winnick/Kemsley take either Manchester Weekday or Manchester Weekend. Winnick/Kemsley prefer taking Manchester Weekend.
ABPC (ABC Ltd.)	<ul style="list-style-type: none"> • Suggests might possibly be offered either London Weekend, Birmingham all week, or Manchester Weekend. ABPC are only willing to take London Weekend.
Granada	<ul style="list-style-type: none"> • Suggests all options except London Weekday as possibilities. Granada's first choice is London Weekday but is willing to take Manchester Weekday.

Source: Note for Record; 18 October 1954. A/S/0032/34; ITC Archives

These discussions prompted ABPC to withdraw its application. According to the ITA, ABPC "had withdrawn of their own accord because of difficulties with their American interests" (ITA Minutes; 9 March 1955. ITC Archive). However, ABPC's view was that it would not be economically viable to become a programme contractor unless, at minimum, they were offered a London weekend or a single day transmitting from London on a national basis. They had existing facilities and trained staff in London and they were unwilling to see manpower dissipate to another station area (Note for the Record; 18 October 1954. A/S/0032/34 ITC Archives).

Sir Robert's recommendation to the ITA Committee on 26 October 1954 was approved to fit the remaining applicants into the mosaic supply structure as follows:

Transmitting Station & Region	Time Period	Applicant
1) London	Weekday	Radio Relay/Associated Newspapers (A-R)
	Weekend	ABDC
2) Birmingham	Weekday	ABDC
	Weekend	Winnick/Kemsley Group
3) Manchester	Weekday	Granada
	Weekend	Winnick/Kemsley Group

Source: ITA Minutes; 26 October 1954. ITC Archive

Although this arrangement was presented as being derived from the selected programme contractors, dissatisfaction about the mosaic structure existed to the extent that ABDC⁹⁸ requested for it to be reconsidered. Their view was that a national network should not be divided amongst multiple contractors. Programme quality and regional/local interests would be damaged unless “unified direction of the programmes produced” was achieved (A/S/0032/13: ITC Archives). ABDC’s dissent was interpreted by the ITA as a reaction to not being allocated the entire London station while ABDC denied that exclusive control of any one station was never part of its intentions. Indeed, all of the selected contractors, when presented with the mosaic structure, preferred to have the London station because holding the exclusive advertising rights⁹⁹ to the London region provided the largest profit potential¹⁰⁰. They also wanted adequate assurances in return for their high level of investment,

⁹⁸ ABDC considered themselves to be the first entrant into competitive television, having invested in studios, electronic equipment and staff as early as August 1952.

⁹⁹ The ITA provided contractors the exclusive right to sell advertising in an allotted region for an assigned period of time.

¹⁰⁰ Revenue estimates from the two other stations combined were less than half that of the London station (A/S/0032/34: ITC Archives).

particularly with respect to network airtime. The ITA disagreed with views that they should have exclusive right to supply programmes to their allotted region or to the network¹⁰¹. This difference of opinion about sub-contracting and networking arrangements was left undecided.

The ITA refused to change its mosaic supply structure and published a pre-announcement that it was about to offer contracts, omitting ABDC from the list and not disclosing the allocation pattern. This pre-announcement raised criticisms that the ITA had chosen newspaper funded contractors with a right wing political bias. Newspapers were viewed as holding strong political interests and the fear was that their influence would be extended to the powerful new communication medium of television. However, the sources of finance forthcoming were limited on the scale required by the mosaic structure. Groups willing to underwrite the start up of commercial television mainly consisted of newspapers¹⁰², larger established entertainment companies, and electronic manufacturers. This criticism did not abate and the ITA feared that unless stations were equally shared between right and left wing inclined contractors, commercial television might be closed down in the event of a change of Government (ITA Minutes; 14 October 1954 ITC Archives). As a result, extensive attempts were undertaken to reorganise applicants' funding to impart respectability and achieve socio-political acceptance. This process frustrated and greatly delayed selection of the initial programme contractors.

ABDC and the Kemsley-Winnick Group are examined in further detail because of their importance in demonstrating the extent that the ITA willingly compromised economic priorities to seek a reputable standing for UK commercial television. For ABDC, the ITA's efforts focused on removing a socio-politically unsuitable financial supporter whereas for the Kemsley-Winnick Group, extensive effort was made to retain a financial supporter, deemed capable of elevating their reputation.

¹⁰¹ As noted by ITA member Sir Henry Hinchliffe, "the contractors were not being offered a monopoly of the air; they were merely being given a monopoly of the right to have advertisements" (ITA Minutes; 18 February 1955. ITC Archives).

¹⁰² Commercial television represented the first competitive threat to newspapers for advertising revenue.

ABDC

The ITA hesitated to offer ABDC a contract due to its intention to be partly financed by the *News of the World*. There was also concern that the *Daily Express* might become involved (ITA Minutes; 14 December 1954. ITC Archives). However, the ITA was on precarious footing because the Act¹⁰³ did not expressly prohibit investment by newspaper interests. No statutory reason existed for the ITA to refuse involvement from any newspaper. Further, it could not apply a restrictive covenant to ABDC without applying it to all contract offers. Such a move would have immediately threatened two of the remaining three groups who also relied substantively on newspaper involvement. Nevertheless, the ITA was convinced¹⁰⁴ that a contract could not be offered to ABDC so long as the company remained associated with the *News of the World*. ABDC was made aware that, "it would be politically impossible to contemplate participation by the *News of the World*" either as a substantial investor with other shareholders or even as a small investor representing the only newspaper interest (ITA Minutes; 26 October 1954 – 9 March 1955. ITC Archives). However, since the ITA could not offer ABDC a contract subject to rejecting *News of the World*, it relied on persuading ABDC to seek alternative finance. The process that followed was political dynamite. It led to the resignation of the second most senior executive member of the ITA and risked associating the Government with manipulating selection of the initial programme contractors.

Private discussions to find a socio-politically suitable funding solution involved the ITA's Deputy Chairman, Sir Charles Colston¹⁰⁵, liaising with the PMG and Sir Robert

¹⁰³ The ITA interpreted its obligation under Section 5(2) of the Act regarding finance and control to mean that it should avoid having a dominant shareholder in any one contract and that shareholders should be permitted to have a financial or executive interest in one contract only. Section 5 (1) of the Act disqualified advertising agencies and non-UK residents or corporations from being contractors. Technically, applicants funded by sources outside this definition could not legally be refused a contract.

¹⁰⁴ The *News of the World* and the *Daily Express* were two newspapers that the ITA considered would bring ITV into disrepute (ITA Minutes; 16 August 1955. ITC Archives)

¹⁰⁵ Sir Charles was a supporter of the one station per contractor structure and he was personally acquainted with many of the principal applicants, including Sir Robert Renwick. Sir Charles considered ABDC to be the strongest applicant for a programme supply contract. As noted in later ITA

Renwick of ABDC. In Sir Charles' view, an agreement was reached whereby the PMG accepted financial involvement from the *News of the World* so long as, 1) ABDC refrained from revealing the information publicly for a suitable period and, 2) so long as Sir Robert made approaches to left wing newspapers as well. On this apparent understanding, allocation of the initial programme supply contracts was publicly announced on 2 November 1954¹⁰⁶. A few weeks following the contract offer, the earlier private conversations were revealed. The PMG denied having undertaken any agreement accepting involvement by *News of the World*. Immediately following a meeting with the PMG on 9 December 1954, Sir Charles Colston resigned from the ITA claiming 'urgent private reasons'. The PMG informed Sir Kenneth, the ITA chairman, of Sir Charles' departure and included in his notification that he had been 'reminded' by Sir Charles of their meeting on 1 November 1954 to discuss the make-up of ABDC. The PMG acknowledged that Sir Robert (Renwick) had been telephoned during the meeting where the, "*News of the World* was mentioned though dismissed as not being practical politics" (Letter to Sir Kenneth Clark from The Rt. Hon. Earl De La Warr; 14 December 1954; copy attachment to ITA Minutes 21 December 1954. ITC Archives).

This letter, copied to Sir Charles Colston, prompted an immediate rebuttal, "in the conversation with Renwick, the whole purpose of getting him to see *Odhams* and the *News Chronicle*, and to commit his offer to writing, was so that the position could be defended if the *News of the World* did come in at a later date". Sir Charles considered that the PMG's earlier letter to Sir Kenneth should be modified to read that, "*News of the World* was mentioned though dismissed as not being practical politics for at least a month or six weeks" and to meet with himself and Sir Robert (Renwick) if this statement did not line up with the PMG's recollection (Letter to The Rt. Hon. Earl De La Warr from Sir Charles Colston; 15 December 1954; italics added, copy attachment to ITA Minutes 21 December 1954. ITC Archives). The PMG held steadfast to the

meetings (ITA Minutes; 21 December 1954. ITC Archives), ABDC was determined that the ITA should not dictate to them who was to compose their company. Sir Charles agreed with this view and expressed it to the Deputy PMG, Sir Ben Barnett, whilst stating his intention of also putting his views forward formally in 'diplomatic' language to the Authority.

¹⁰⁶ All contract offers were accompanied with a request that programme contractors reveal the exact origin of their finances. In the case of ABDC, its offer letter indicated that the ITA, "would wish to satisfy itself about ABDC's associations and the sources of their finance before the contract was finally settled" (ITA Minutes; 2 November 1954. ITC Archives).

view that there had been, “some disagreement in our recollection of what took place” and refused to meet directly with Sir Charles (Renwick) because, “the responsibility for the choice of programme contractors is vested in the Authority” (Letter to Sir Charles Colston from The Rt. Hon. Earl De La Warr; 18 December 1954. ITC Archives). The issue of suitable financing for ABDC was at best a set of clouded misunderstandings that brought Sir Charles close to linking the PMG, and therefore the Government, to manipulating selection of the initial programme contractors¹⁰⁷.

Following this episode, the ITA decided a new policy that it could not accept, due to socio-political concerns, further participation by national Conservative newspapers. It also decided that, as a principle, it would not continue with contractors that had changed their original proposals¹⁰⁸. The new policy, combined with this adopted principle, allowed the ITA to shape a justification for refusing the *News of the World*. According to the ITA, revealing the *News of the World*’s proposed participation after the initial offer entirely changed the character of the company. It was no longer the company to which the ITA had made its offer. The contract offer lapsed because ABDC had failed to bring into existence a company resembling the one in the original proposal. The Lord Chancellor endorsed the ITA’s view and if they chose to reject ABDC, they would not be legally obliged to explain their reasoning (ITA Minutes; 14 December 1954. ITC Archives).

However, it was abundantly clear that the ITA would have rejected ABDC even if it had known about the *News of the World* beforehand¹⁰⁹. The main problem was

¹⁰⁷ Shortly following this event, the PMG instructed Sir Kenneth to inform members that, “the composition of the companies to be appointed was a matter within the discretion of the Authority in whom the Government had complete confidence” (ITA Minutes; 4 January 1955. ITC Archives). The PMG also formally emphasised the ITA’s need to conduct all discussions and meetings in utmost confidentiality.

¹⁰⁸ Applicants for the ITA’s first three stations had not been required to submit detailed financial information. This was due to the incompleteness of the ITA’s position regarding its financial obligations under the Act. The ITA was still in discussion stage about how to keep future changes of shareholding under its control; a principle referred to as keeping ‘control of the control’. It was nearly impossible to clearly distinguish between information that had not been ‘revealed’ and information that reflected a preliminary stage of planning when proposals were first submitted.

¹⁰⁹ “it was unthinkable that the *News of the World* should be associated with television programmes for the London Sunday. The fact was that if ABDC had said to start with that they would be associated

caused by the ITA's perceived need to remove a morally unsavoury participant from commercial television. It was decided that if ABDC could not be convinced to remove the *News of the World*, they would threaten to re-advertise the contract. Although the ITA did not rescind the contract offer, the issue was unresolved for a further four months, until 9 March 1955. A resolution was only reached after ABDC was reconstituted as ABC Ltd. In so doing, ABDC eliminated all national Conservative newspaper participation and changed its original plan of raising money from multiple sources to comprising approximately equal holdings from three sources¹¹⁰. The ITA accepted a relatively higher ownership concentration than it preferred as an exception to remove the *News of the World*¹¹¹.

The Kemsley – Winnick Group

In contrast, the demise of the Kemsley-Winnick group was not attributable to efforts to diminish national Conservative newspaper interests. Indeed, excessive efforts were made to keep Lord Kemsley involved as one of the ITA's initial programme contractors. The difference was due to the positive reputation Kemsley Newspapers¹¹² was expected to bring to commercial television along with a large financial investment. The terminal breakdown of this group was predominantly due to an internal power struggle over executive control. Five months following the contract offer, the ITA surmised that the Kemsley-Winnick Group's participation was, "too bound up with personalities and personal considerations" (ITA Minutes; 9 March

with *News of the World* they would not have been offered the contract" (ITA Minutes; 14 December 1954. ITC Archives).

¹¹⁰ Only a third shareholding remained with the original associates of ABDC and a third by Incorporated Television Programme Co. Ltd. (ITPC), a previously failed applicant. The equivalent shareholdings between ABDC and ITPC raised problems regarding management control that were subsequently resolved.

¹¹¹ ABDC (now ABC Ltd.) was an example of how the "control of control" issue was intentionally kept flexible by the ITA to meet its need for politically arranging the initial contracts. It decided that no uniform provision should be inserted in all contracts. Although "the Authority's aim must be to prevent any one interest or person getting into a position of complete domination of the company, unless the Authority otherwise decided...it would be a difficult point to insist upon since it would look like discrimination against Associated Broadcasting Company as at least one other contracting company, i.e. Granada Theatres, was controlled by a single interest".

¹¹² In the 1950's, the *Kemsley Newspaper Group* was an impressive force in the British Press. Its titles included the Sunday Times, the Daily Graphic, the Sunday Chronicle, the Daily Dispatch, and a number of provincial newspapers.

1955. ITC Archives). The situation continued for a further three and a half months before the ITA accepted that their efforts to preserve Lord Kemsley's prominent role in the contract had failed. Even then, the decision to find an alternative contractor was only taken after Lord Kemsley voluntarily withdrew.

Based on the Kemsley-Winnick data examined¹¹³, the ITA willingly pursued a strategy that cost relatively more in time and money than was necessary to resolve the contract's allocation. The ITA undertook this more costly approach to enhance its own reputation and the reputation of commercial television. In so doing, it contradicted the policy and principle adopted in rejecting ABDC by pursuing national conservative newspaper involvement and by repeatedly trying to reorganise the original proposal. The ITA's efforts to retain Lord Kemsley's leadership in the Kemsley-Winnick Group, and its eventual replacement with ABPC (ABC Ltd.), a previously withdrawn applicant, illustrates further, some of the socio-politically based tradeoffs made in the initial contractor selection process.

The application submitted to the ITA did not reveal Lord Kemsley's participation¹¹⁴ nor did it specify from where the amount of between £3 to 4 million would be sourced. When the group was interviewed on 14 October 1954 (then identified as the Maurice Winnick Group), backing by Kemsley Newspapers¹¹⁵ was revealed. On this basis, finance was assumed to be sound¹¹⁶ but after repeatedly failed attempts by the ITA to obtain further shareholder and financial details of the group (now known as the

¹¹³ Data sources include: the original Kemsley-Winnick Group application, ITA internal memoranda, the history of correspondence between the ITA and Lord Nathan (the Group's solicitor), Lord Kemsley, and Maurice Winnick, respectively (A/S/0033/01; ITC Archives); the ABC Ltd. application and interview transcript (A/S/0032/40; ITC Archives); and the minutes of ITA meetings relating to the subject between 1 March – 30 August 1955.

¹¹⁴ The application was submitted by solicitors Herbert Oppenheimer Nathan & Vandyk and only identified Mr. Ian Hunter and Mr. Maurice Winnick to serve as Chairman of the proposed Advisory Council and as a Director of the Management Board respectively. All others did not, "wish to have their names recorded in this document because of their immediate connections" (Kemsley-Winnick Application; 14 September 1954. A/S/0033/01 ITC Archives).

¹¹⁵ In this case also, one of the ITA members revealed ongoing relations with this applicant group. The knowledge of Dilys Powell's employment with Kemsley Newspapers was minuted retrospectively five meetings after Lord Kemsley was revealed as the financial backer to the Maurice Winnick Group. It is speculation whether this had any impact on selection.

¹¹⁶ According to Sir Kenneth, "although not particularly forthcoming when pressed about their financial backing, he felt they must on the whole be considered sound" (ITA Minutes; 14 October 1954. ITC Archives).

Kemsley-Winnick Group¹¹⁷), suspicion arose about problems within the group regarding executive control that might lead it to collapse. The ITA was not informed how severe the situation was until 1 March 1955¹¹⁸. Lord Kemsley expressed concerns at the highest political levels¹¹⁹ and the ITA was extremely concerned by his diminished interest. In their view, the credibility to be earned by Lord Kemsley's name and investment was vital.

Lord Kemsley's name was undeniably the distinguishing factor in offering the contract. He was a forcible character who wielded considerable power through both his business and political activities. However, the nature of the ties between Lord Kemsley and Mr. Winnick, and Lord Kemsley alongside his co-investors, were not compatible with Lord Kemsley's intention to retain control of the contract in return for his investment and use of his reputation. The ITA did not want to proceed with the contract unless Lord Kemsley remained significantly committed to it. They argued that they had made the contract offer based solely on Lord Kemsley's participation and considered any change in this respect as a withdrawal of leadership, thereby collapsing the group. The group's solicitor, and especially Mr. Winnick, argued that the changes did not affect the offer's status. The legal position was ambiguous and the ITA reluctantly requested the group to quickly re-submit a proposal¹²⁰. The ITA

¹¹⁷ Robert Fraser writes, "The group had been named the Kemsley-Winnick Group at his instance, he was intending to take the Chair. Indeed, he was determined so to do, for when the Postmaster General suggested to him privately that the announcement of his chairmanship might be politically provocative, the most to which he could be brought to agree was to delay the announcement for a little" ("The Trouble in the Kemsley-Winnick Group" Memorandum by Robert Fraser; 12 March 1955. A/S/0033/01 ITC Archives).

¹¹⁸ Letter from Lord Kemsley to Mr. Winnick; 18 February 1955. Lord Kemsley decides to reduce his participation to taking up shares in the amount of £50,000 and to offer one staff member, his step-daughter, Mrs. Alexander, to become an executive director of the projected company. A/S/0033/01 ITC Archives.

¹¹⁹ Lord Kemsley was privately complaining to the PMG about the length of time it was taking to reach agreement on the terms of the contract (Letter from Sir Robert to Sir Kenneth; 24 February 1955. A/S/0033/01 ITC Archives). The group's solicitors were intimating that shareholder and financial details would have to wait until a contract was made available (Letter from Lord Nathan to Sir Robert; 31 December 1954. A/S/0033/01 ITC Archives).

¹²⁰ Mr. Winnick made it clear that any proposals put forward, "should not be regarded as fresh proposals to be compared with those of other applicants" (Letter from Mr. Winnick to the ITA Executive; 14 March 1955. ITC Archives). In Sir Kenneth's view, it was considered doubtful whether the ITA would want to deal with the re-constituted group (ITA Minutes; 9 March 1955. ITC Archives).

did not expect to be satisfied with the submission¹²¹ and, simultaneously encouraged a previously rejected applicant, Programme Contractors Ltd. to become involved. This effort also failed¹²².

It was essential to quickly allocate the contract to avoid damaging the launch of ITV by any further delays but the ITA did not want to face the public embarrassment they felt their failure with Lord Kemsley would attract. They considered that, “it would now be impossible to demolish the existing structure of the company without a tremendous upheaval which might well end in litigation” and concluded that they had to, “persuade Lord Kemsley to increase his proposed holding possibly up to a figure of around £1/4 million” (ITA Minutes; 15 March 1955). Lord Kemsley still did not formalise his plans for numerous reasons¹²³ and on 24 June 1955, he formally withdrew his involvement. The efforts to build reputation through association with Lord Kemsley cost the ITA a great deal and as Sir Kenneth indicated to Lord Kemsley, his decision, “coming so late in the day, is a serious blow for commercial

¹²¹ The ITA was unimpressed with the alternative proposal. It disliked the new leadership, particularly the individuals Mr. Goldberg and Mr. Peskin. Mr. Goldberg, a newcomer, was considered a light-weight (A/S/0033/01; 12 March 1955. ITA Archives) while Mr. Peskin was considered to lack an understanding of the “art of television” and, “the Authority would not find it satisfactory that the direction should be in the hands mainly of commercial interests without a stake in television” (ITA Minutes; 15 March 1955. ITA Archives).

¹²² Although initially interested in the new approach, Henry Hall and his associates of Programme Contractors Ltd. withdrew their application. The initial reason for their withdrawal was under-capitalisation. However far this may have been the case, they also refused to combine with the re-constituted Kemsley-Winnick group because, “there was a difference of view about whether the association with one of the leading personalities in the group would be tolerable” ¹²²(Letter from Sir Robert Fraser to Sir Kenneth Clark; 16 March 1955. A/S/0033/01 ITC Archives).

¹²³ Sir Kenneth met with Lord Kemsley, in a final effort to boost his involvement. Sir Kenneth reported to the ITA that Lord Kemsley felt he had been misinformed on a number of issues. However, he now understood the situation and he intended to put forward another proposal by 29 March 1955. Lord Kemsley did not come forth with the proposal. He claimed to be preoccupied with the demands of a newspaper strike and by difficulty in dealing with Messrs. Winnick, Peskin, and Goldberg, “who had clearly been resolved that they should be in effective control of the company” (ITA Minutes; 5 April 1955. ITC Archives). The difficulties over control continued to be the reason given by Lord Kemsley for why he had not formalised his plans although he also notified the ITA to say that the hold up was essentially due to their vagaries. Lord Kemsley complained that he did not know the precise location and completion dates of the relevant stations and that there was no contract ready for his signing, “Frankly, my feeling is that unless you are able to let me have some definite assurance almost immediately on these points I shall be unable to proceed any further” (letter from Lord Kemsley to Sir Kenneth; 11 May 1955). The ITA provided the requested station details and urged him to “complete his preparations with all possible speed” (Reference to letter in ITA Minutes; 17 May 1955. ITC Archives). However, Lord Kemsley continued to procrastinate. He indicated he still had ongoing problems with certain persons. At the same time, information was flowing informally to the ITA from potential contributors to the project that Lord Kemsley’s arrangements, “were not on a particularly business-like basis” (ITA Minutes; 26 April 1955. ITC Archives).

television" (Letter from Sir Kenneth to Lord Kemsley; 29 June 1955. A/S/0032/40 ITC Archives). Mr. Winnick returned with yet another proposal, unfortunately including the *Daily Express* which, the ITA deemed entirely unsuitable, "the proposal to bring in the *Daily Express* created an insuperable difficulty as to accept this might bring the Authority into great disrepute" (ITA Minutes; 5 July 1955. ITC Archives).

The fallout of both ABDC and Kemsley-Winnick had long led some ITA members to believe that the only reasonable solution was to reconsider the mosaic supply structure and allow for a larger pool of applicants that would remove the need to rely on such enormous capital expenditure from each contractor (ITA Minutes; 4 January 1955. ITC Archives). However, such a radical departure from the previously agreed mosaic structure was now considered impossible. The expected time scale to launch ITV was too near and the ITA could not afford further public embarrassment. Instead, it re-advertised the fourth contract and delayed development of its next station, Scotland (ITA Minutes; 5 July 1955. ITC Archives). The selection criteria were refined¹²⁴ and within a four weeks application period, six new applicants¹²⁵ and applications from each of the three existing contractors were submitted. Mr. Winnick was unsuccessful in his final attempt to convene another group¹²⁶ and the existing contractors were immediately rejected. It was also certain that the returning *News of the World* could not succeed despite being "the richest and most powerful group" because the individuals involved were "unlikely to have a proper sense of public responsibility in operating the medium" and "to give a company which was dominated by *News of the World* a contract to produce programmes on Sunday would make the worst possible impression" (ITA Minutes; 16 August 1955. ITC Archives).

¹²⁴ A *pro forma* application with a submission deadline was introduced (Particulars for Re-advertised Midlands & N. England Weekend. A/S/0032/40. ITC Archives). Applications required full disclosure of shareholder identity and finance. It was also noted that any deviation from the facts submitted gave the ITA complete discretion to withdraw any invitation it may have made prior to contract signing. These changes clarified the troublesome contract ambiguities regarding finance and control. All parties and their respective interests in the transaction were identified *a priori*. It was also now clearly understood when an agreement existed and when it did not.

¹²⁵ The applicants were: A.D. Peters Group, Regent Film Corporation, Hulton Group, TDC Ltd., *News of the World*, and Associated British Picture Corporation (A/S/0032/40; General Applications July 1955. ITC Archives).

¹²⁶ Hulton Press had intended to jointly apply with Mr. Winnick but later withdrew to apply separately (Letters to Sir Kenneth and to Sir Robert from Mr. Winnick; 11 August 1955. A/S/0032/40 ITC Archives). The Hulton Group later withdrew their application.

The ITA was intent on allocating the contract to Associated British Picture Corporation Ltd. (ABPC), the last of the short-listed candidates that had previously withdrawn¹²⁷. However, it had to overcome the difficulty that ABPC Ltd. was 37 per cent owned by Warner Bros., an American company¹²⁸. Although ABPC Ltd. was not legally disqualified¹²⁹, the ITA was concerned about adverse public reaction to American investment in UK television¹³⁰. The main concern was to ensure that the contract could not pass into foreign control¹³¹. The ITA offered the contract to ABPC Ltd. (ITA Minutes; 30 August 1955 ITC Archives) but undertook to keep the offer private¹³² until further negotiations were adequately concluded. These negotiations continued for five months after allocation was publicly announced (ITA Minutes: 4 October 1955; 6 December 1955; 6 March 1956. ITC Archives).

At this point, the selection of the initial programme contractors and the mosaic structure was complete as depicted in Diagram 3.3:

¹²⁷ Sir Robert described nearly three years after the contract's allocation that, "they (ABPC) had not applied for a programme contract in 1954 with the original applicants and it was only as a result of persuasion on his part that they had agreed to apply" (ITA Minutes; 3 June 1958. ITC Archives).

¹²⁸ The contract would operate through a wholly owned subsidiary to be named Associated Broadcasting Company Ltd. (ABC).

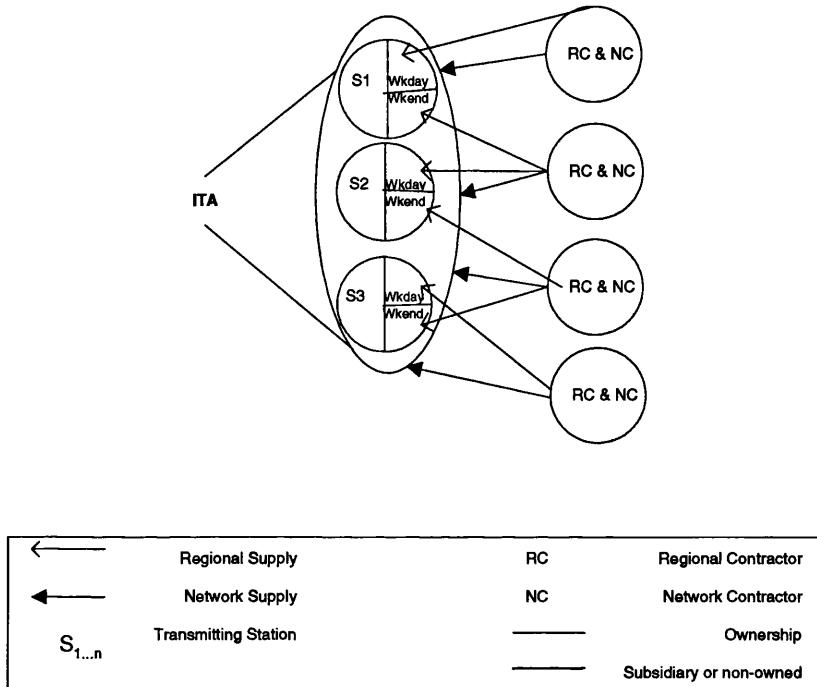
¹²⁹ Control under the Act was interpreted to mean 50 per cent shareholding (ITA Minutes; 16 August 1955).

¹³⁰ The ITA explored the possibility of "improving the appearance" (Notes from interviews with Applicants; 19 August 1955. A/S/0032/40 ITC Archives). Prior to the ITA's meeting to select the fourth initial contractor, ABPC Ltd. was informed of the conditions it would likely need to agree to if offered a contract.

¹³¹ The ITA was aware that ABC Ltd. would not have the power to guarantee the conditions it requested. All the ITA could do was terminate the contract (Letter to ABPC Ltd. from Sir Robert Fraser; 29 August 1955 A/S/0032/40 ITC Archives).

¹³² As noted by Sir Kenneth, "we obviously cannot keep secret indefinitely that we are negotiating only with ABPC but we hope to keep the Press off for awhile by saying that we are considering fresh information which has come to hand" (Letter from Sir Kenneth to ITA Members; 1 September 1955 A/S/0032/40 ITC Archives).

DIAGRAM 3.3 INITIAL MOSAIC PROGRAMME SUPPLY STRUCTURE



Data Source: ITA Minutes; 5 August - 14 October 1954. ITC Archives

In summary, Diagram 3.3 represents a programme supply make/buy arrangement that, from the ITA's perspective, encapsulates the economic and socio-political concerns most pressed upon it during the start up period for UK commercial television. Selection of the initial programme contractors was strongly shaped by the mosaic programme supply structure adopted and by the ITA's persistence in 'fitting' applicants to obtain financial viability and a reputation of high regard. As a result, extended negotiations and hold ups occurred, leading to a relatively more costly outcome than could be expected from choosing the market option. The following sub-section shows how the ITA extended the mosaic structure nationally and in so doing continued to make relatively more costly choices.

3.2.2 Selection of the Remaining Programme Contractors

Selection of the remaining programme contractors occurred within the context that the mosaic supply structure and the initial programme contractors were already set in place. Ensuring competition with regards to programme supply make/buy decisions within its chosen mosaic structure continued to be a troublesome concern to the ITA. Public criticism towards the ITA was growing because the mosaic structure was permitting the initial programme contractors to make profits considered to be excessive. On the one hand, it was anxious to be seen to dissipate the economic dominance of the initial programme contractors and to provide programme supply competition. On the other, it remained largely reliant on rental fees paid by the initial programme contractors to continue building a national broadcast infrastructure. The ITA strived to balance economic objectives with ongoing socio-political concerns by 1) adding more programme contractors to the mosaic supply structure and, 2) reassigning broadcast coverage areas.

Since the Act (1954) did not specify how many contractors should exist, the ITA could proceed at its discretion. It remained undecided until very far along in station development, how many programme contractors would exist in total. Correspondence between the Post Office and the ITA indicate that a national building plan for transmitting stations did not exist. The ITA's plans were loosely prioritised by first allocating subsequent programme contracts to relatively large and culturally identifiable areas. It considered that "half a dozen or more" programme contractors would satisfy Section 5 (2) requirements but it was also reluctant to exclude additional applicants¹³³. This view committed the ITA to allocating programme contracts to areas that required subsidisation. Aside from these general aims,

¹³³ Further allocations would "depend largely on the calibre of applicants" but it would be "difficult to justify the exclusion of suitable companies who were anxious to enter the television field when the only alternative would be the extension of the very profitable concessions already held by existing programme companies" (ITA Minutes; 16 April 1957).

planning was ad hoc and adapted to fit uncertain circumstances.¹³⁴ The approach¹³⁵ provided flexibility but it was also prone to technical mishap and economic failure.

The ITA inaccurately assessed that it could satisfy its critics by gradually adding eleven more programme contractors until national coverage was achieved. In fact, the ITA's method of extending the mosaic structure nationally, established programme contractors with differing financial, technical, and programme exchange rights. The contract particulars¹³⁶ became progressively more precise¹³⁷ to resemble a detailed draft of the eventual contract, with the result that no further application failures occurred. However, the contract particulars also outlined the makings for an unequal relationship between the initial programme contractors, now referred to as the 'parent' or 'network' companies, and the remaining programme contractors, to be referred to as the 'regionals'. These regional programme contractors had less advertising revenue potential, they were not automatically provided with the technical means to export programmes¹³⁸ and, although they had the right to buy programmes, they did not have a right to sell programmes to the growing network. This position would disadvantage most of the later programme contractors from making programmes of similar calibre to those offered by the initial programme contractors and it would also prove difficult for them to access network airtime (Chapter Four). Table 3.3 summarises the allocation of the remaining programme contractors.

¹³⁴ For example, only through experience, was the previously held view of "one station per contractor" realised to be unworkable. Most programme contractors had more than one transmitting station within their coverage area. Some transmitting stations were allocated as extensions to an original coverage area. Others were allocated due to the technical characteristics of Band III; multiple stations were needed to achieve the expected coverage range.

¹³⁵ This ad hoc approach is partly explained by uncertainties in the ITA's operating environment. PMG approval was required for erecting transmitting stations while the supply of technical links was subject to the Post Office's time scale which did not always coincide with the ITA's intended schedule.

¹³⁶ Contract Particulars was a term used by the ITA denoting application criteria. It was revised and expanded up to the final contract allocation to comprise 3 sections. It included, amongst other items – Section I: Specific details regarding transmitting station characteristics, linking arrangements, coverage estimates and overlaps, and rental rate; Section II: Production requirements, advertising time available, ownership requirements, and accepted programme supply make/buy arrangements; Section III: Questions relating to the applicant's suitability & proof of compliance to ITA criteria.

¹³⁷ For example, local origination requirements increased following the Southern contract offer (ITA Paper 106 (57); ITC Archives).

¹³⁸ The ITA would only provide return vision and sound links if the regional programme contractor paid the full cost as "it seemed highly improbable" that a regional contractor would locally produce a programme for the network. Production was expected to occur in London and, "it would therefore be uneconomic to provide a link from a station centre" to London (ITA Minutes; 16 April 1957).

TABLE 3.3 SUMMARY OF REMAINING PROGRAMME CONTRACTORS' SELECTION

Transmitting Area	Programme Contractor	Contract		Total Applicants (existing)	On-Air
		Offered	Signed		
Central Scotland	Scottish Television	30 May 1956	June 1957	4 (0)	31 Aug 1957
S Wales & W England	TWW	Oct 1956	n/a	10 (n/a)	14 Jan 1958
Southern England	Southern Television	9 July 1957	30 July 1958	14 (5)	30 Aug 1958
SE England	Southern Television	24 March 1959	29 Jan 1960 ¹	5 (5)	31 Jan 1960
NE England	Tyne Tees Television	12 Dec 1957	n/a	7 (4)	15 Jan 1959
East England	Anglia Television	17 June 1958	16 Oct 1959	8 (4)	27 Oct 1959
Northern Ireland	Ulster Television	4 Nov 1958	n/a	4 (2)	31 Oct 1959
SW England	Westward Television	Dec 1959	28 Apr 1961	12 (n/a)	29 April 1961
The Borders	Border Television	4 May 1960	17 July 1964	3 (1 ²)	1 Sept 1961
N Scotland	Grampian Television	N/a	29 Sept 1961	8 (1 ³)	30 Sept 1961
Channel Islands	Channel Television	24 March 1960	30 Aug 1962	2 (0)	1 Sept 1962
West & North Wales	WWN	31 May 1961	N/a	4 (0)	14 Sept 1962

¹Extention to Southern England Contract

²Joint submission from Granada and ABC Television prior to contract being advertised (Letter to Sir Robert from J. Warton (Granada); 18 January 1960)

³Associated-Rediffusion

These later programme contractors were also expected to operate on a seven days basis and to provide programmes aimed at the interests of local or regional culture¹³⁹. Whilst the selection process was more defined than it had been for selecting the initial programme contractors, the ITA continued to actively involve itself in arranging contracts to appease ongoing socio-political concerns and counteract emerging economic outcomes. As noted, UK commercial television was becoming a financially lucrative business for the initial programme contractors. By 1957 they were dominating programme supply to the existing smaller regions and to the growing

¹³⁹ Southern Television was the one exception to this requirement.

network. The ITA had already intervened in programme supply make/buy arrangements between A-R and TWW that “would have infringed the contractual provisions designed to ensure the complete financial independence of the programme companies” (ITA Minutes; 19 February 1957. ITC Archives). These potential breaches of contract were resolved informally between the ITA and the programme contractors involved but they also signalled the emergent pattern.

The socio-political climate was rising against the ITA for allowing a television service to emerge that permitted some programme contractors to become so profitable. The ITA aimed to diffuse the situation by rearranging coverage areas as it selected the remaining programme contractors, with the view that this effort would inject competition for programme supply into the mosaic supply structure. In particular, selection of four of these programme contractors, covering the regions of Southern England, South East England, West and North Wales, and the Borders, demonstrate the ITA’s effort to satisfy its critics.

The ITA’s first attempt was to overlap the transmitting coverage area of Southern England with that of London. It recognised that the Southern England region did not have a natural cultural division and that many of the area’s residents were already receiving programmes from the two London programme contractors¹⁴⁰. It strategically allocated this contract to Southern Television Ltd., to divert audiences, and therefore advertising revenues, away from the London region. The practice was repeated some twenty months later when Southern Television’s contract was extended by allocation to include the South East region. Disputes that arose during this process reveal some of the programme supply make/buy arrangements that had evolved to date.

At first, the ITA had intended, simply, to add the newly built South East station to the existing coverage area held by Southern Television Ltd. This possibility drew fierce

¹⁴⁰ The ITA’s rental rates were based on primary and secondary coverage areas but it was understood that reasonable coverage extended further and the initial programme contractors were known to be selling advertising on this basis.

criticism and threat of programme price increases from the two London contractors (ITA Minutes; 14 October 1958. ITC Archives). As a result, the ITA organised its selection plans differently. It did not advertise for the contract in the routine manner¹⁴¹. Instead, it requested all existing contractors, except the Northern Ireland contractor, to submit their interest in writing (ITA Minutes; 4 December 1958. ITA letter to Programme Contractors; 19 December 1958. A/S/0035/18 ITA Archives). The decision to further encroach on the London region infuriated Associated-Rediffusion and ATV. ATV, in its submission, continued threats to raise the price of programmes it made available to any new contractor (ATV letter to ITA; 1 February 1959 A/S/0035/18 ITA Archives). Associated-Rediffusion indicated it would do the same (A-R letter to ITA; 3 February 1959. A/S/0035/18 ITA Archives).

A-R and ATV argued that the programmes they made for network transmission were provided to the regional contractors at less than cost. They were willing to do so because these contractors were not competing for the same audience. However, if their regions were going to be encroached upon by other programme contractors then they would be selling programmes to competitors and should base their prices on a 'strict, accountancy basis'¹⁴². These threats were not considered to be credible¹⁴³ and Southern Television's original contract was extended to include the South East region on grounds that the ITA "must take account of the political climate of opinion caused by existing large profits" and "it had to be accepted that it would be beneficial to increase the competitive elements of independent television by strengthening Southern Television's position" (ITA Minutes; 24 March 1959. ITC Archives).

Dissension over network programme supply prices continued to be severe. Differences between Southern Television and the four parent companies reached deadlock to which a compromise was only reached a few days prior to the station's

¹⁴¹ The ITA wanted to avoid having to explain its reasons for not considering new applicants. It could not, for example, say that the South East region was too small to be economically viable for a new contractor because another contract region, the Borders, was smaller.

¹⁴² A 'strict, accountancy' basis referred to apportioning all production costs to the buyer.

¹⁴³ There is evidence that the ITA did not consider the London contractors' threats to be credible. For example, "in the last resort they would not be prepared to face the violent criticism (ITA might delay the station from opening) which such a move would inevitably provoke and they were sensitive to the fact that their contracts expired in 1964 and that any extension beyond that date depended largely on their behaviour now" ITA Minutes; 14 October 1958.

opening date. The ITA agreed that it needed more control over network programme supply make/buy arrangements but also that it could not prevent the parent companies from imposing prices that would be damagingly high to other programme contractors.

Selection of a programme contractor for the West and North Wales region continued the practice of rearranging coverage areas to increase programme supply competition. However, in this case, it led to economic failure. The ITA sought approval from the PMG to erect three transmitting stations in the region. It intended to create a new programme contractor to serve West and North Wales. Delays¹⁴⁴ in granting approval were due to the substantial overlap of the proposed region by Granada and TWW (ITA Minutes; 10 January 1961. ITC Archives). Granada¹⁴⁵ was already providing its own Welsh programme and it was also relaying Welsh TWW programmes to the area. The area was also already substantially covered by TWW¹⁴⁶. It was, therefore, a questionable addition. The ITA persevered and eventually received acceptance. Once again, it had to persuade the initial programme contractors to 'abate' network programme charges. WWN, the chosen programme contractor, had strained relations with TWW, not least because it established headquarters in Cardiff, TWW's service area. TWW also demanded an increase in price for providing Welsh programmes to WWN because it expected Granada to cease transmitting its programmes in North Wales (ITA Minutes; 3 April 1962. ITC Archives). Although TWW later agreed to less demanding financial terms, it retained programme credits for the material it provided WWN¹⁴⁷. By January 1964, less than fifteen months into operation, the ITA accepted that WWN could not survive and allowed it to become a subsidiary of TWW (ITA Annual Report and Accounts; 31 March 1964).

¹⁴⁴ The ITA sought approval from the PMG for nearly a year from mid July 1960 onwards.

¹⁴⁵ Granada's service area did not include this region for rental purposes but its actual coverage was significantly higher (ITA Minutes; 9 May 1961).

¹⁴⁶ The ITA estimated population of the whole area was 1,056,000 but included large overlaps with TWW in South-West Wales and with Granada in North East Wales. Only about 300,000 were estimated not already within reach of existing transmitters broadcasting TWW and Granada programmes respectively (ITA Annual Report and Accounts; 31 March 1963).

¹⁴⁷ WWN had to be granted a moratorium for the balance of the rental due in its first year of operation partly because of the extra monies (£28,000) it had to pay for these programmes. The ITA also considered reducing WWN Welsh programme requirements.

The Borders region was yet another area that resulted in transmission coverage overlap with an existing programme contractor, Scottish Television, the central Scotland programme contractor. However, in this instance, the overlap occurred due to technical mishap, “it was in the nature of a technical accident that one station was to be sited in England and the other in Scotland” (ITA Minutes; 12 January 1960. ITC Archives). The area also caused considerable concern because it was relatively smaller than most other regions. Again, economic viability was uncertain without station rental subsidies and discounted network programme supply. This recurring problem confounded the ITA’s efforts¹⁴⁸ to increase competition of programme supply make/buy arrangements within its chosen mosaic supply structure. Indeed, the ITA had begun to defer decisions to create new contract areas until assurances were received from the initial programme contractors that network programme prices would be affordable for new contractors (ITA Minutes; 2 February 1960. ITC Archives).

In summary, selection of the later programme contractors was strongly shaped by the pattern set in motion from selection of the initial programme contractors and the ITA’s attempts to inject competition into the mosaic programme supply structure. Reassigning and carving out unequal coverage regions led to disputes regarding programme supply make/buy arrangements between the programme contractors that resulted in further ongoing negotiation and hold up costs, particularly for network programmes. The next chapter examines how these arrangements evolved to impinge on programme supply outcomes prevailing at the end of the initial contract period.

¹⁴⁸ One new ITA member, Dame Francis Farrer, was the first to directly challenge the ITA’s activities vis a vis section 5 (2). She argued that the ITA was not increasing competition by creating additional, heavily, subsidised programme contractors that, “would be so reliant on the parent companies for the supply of programmes as not to be truly independent” (ITA Minutes; 12 January 1960. ITC Archives).

Chapter Four

Operating the ITV Programme Supply Structure: 1954-64

The previous chapter examined the tradeoffs undertaken to establish the programme supply make/buy arrangements that would prevail in the initial contract period. It showed how socio-political concerns outweighed economic objectives to result in an arrangement that was not predominantly oriented towards the competitive outcome expected of it. This chapter focuses on how these arrangements evolved to impinge upon the ways that programme supply make/buy decisions could be expressed. Section 4.1 examines the constraints that shaped the options available. Section 4.2 compares the make/buy preferences of the programme contractors with those of the ITA. Section 4.3 evaluates the programme supply outcomes that prevailed at the end of the initial contract period.

4.1 Programme Supply Make/Buy Constraints

The programme contractors' programme supply make/buy decisions comprised five options:

1. Make Produce a new programme in-house
2. Commission Sub-contract to have a new programme made
3. Buy Acquire the right to broadcast a programme already made for an agreed number of transmissions and/or time period
4. Joint Produce a new programme jointly with the BBC
5. Relay Take programme feeds¹⁴⁹ from the BBC

These options were constrained by a number of restrictions and requirements that arose either formally from the Act (1954), from ITA interpretations of specific sections of the Act, or from limitations caused by the mosaic programme supply structure chosen. While the constraints arising from the Act mainly pertained to appeasing socio-political concerns, those relating to how programme supply make/buy decisions evolved between programme contractors, particularly programme exchange and network¹⁵⁰ priority, were mainly driven by an economic rationale.

4.1.1 Restrictions and Requirements

Programme Making Restrictions & Requirements

Although neither the Act nor the initial programme supply contracts specified what constituted a 'balanced' schedule of programmes¹⁵¹, programme making restrictions

¹⁴⁹ Does not include programmes that the BBC might sell to the programme contractors.

¹⁵⁰ *Network* refers to the growing technical infrastructure (technical lines and links) that would eventually enable transmission of a single programme on a nation wide basis. *Networking*, during this period, refers to simultaneous programme transmission from two or more ITA transmitting stations.

¹⁵¹ One of the main reasons for not doing so was because it would be very difficult to define or enforce what proper balance was (HO: 256/250; CT (53) 11 PRO). Television was in an early stage of its

and requirements were imposed to ensure that a variety of programme types were provided. Except for news, these restrictions were translated from Section 3 (3-4) of the Act into Section 6 (1-6) of the initial and all subsequent programme contracts. Section 3 (1)(g) of the Act (1954) prohibited programme contractors from making their own party political broadcasts. If they wanted to provide viewers with party political broadcasts, they had to relay the whole series of the BBC's party political broadcasts. The Act also only permitted them to make programmes of a religious or charitable nature with prior ITA approval. Finally, programmes with prize giving of any 'significant value'¹⁵² were disallowed. These programme making restrictions resulted from socio-political concerns that programme contractors would not present such material impartially to the public. Neither the Government nor the ITA was willing to risk leaving editorial control for these programme types with the contractors. The ITA also decided, although it was not required by the Act, that it would exclude news from the programme contracts. It did so to counteract the charge that it had allocated stations to programme contractors that were not politically balanced (ITA Minutes; 2 November 1954. ITC Archives). For all other types of programming, the ITA adopted a "wait and see" policy (ITA Minutes; 7 June 1955. ITC Archives)¹⁵³.

technical and creative development and some programme types did not yet exist. Adult Education programmes, for example, were not considered until late in the initial contract period. Also, imposing strict production requirements would have been a disincentive to programme contractors who needed to make programmes saleable in an untested advertising market. There was also a presiding view that the programme contractors, who had already undertaken in their applications to supply a variety of programmes, would find it in their interest to do so. The ITA did not begin forming an opinion on what was necessary for 'balance' until the end of 1956 (ITA Minutes; 18 December 1956. ITC Archives).

¹⁵² The ITA did not interpret this term until towards the end of 1955 to mean a £5 upper limit for adults and £1 for children and informed the contractors that requests for higher values on special occasions would be considered. This amount was half of what the contractors requested (SCC Minutes: 26 October 1955, 9 November 1955).

¹⁵³ The ITA was confident that the supply structure it had created, the programme contractors it had selected, and the regulatory machinery available from the Act would provide adequate power for determining 'reasonably competitive' programme supply outcomes. It explicitly incorporated a provision into the programme contracts, obliging all programme contractors to participate in a joint organising committee called the Standing Consultative Committee (SCC). Through this committee, the ITA expected to influence programme supply make/buy decisions without direct intervention in programme planning. The development formalised previous joint organising arrangements and contractually bound the contractors to participate in the SCC to consider "matters of common interest in relation to the provision of programmes to the Authority" (Section 12; The Act 1954 HMSO: London). The ITA was not bound by the SCC's recommendations.

Programme making or, ‘origination’ requirements varied across the programme contractors. The ITA relied mostly on this contract feature to subsidise the later programme contractors. While per viewer charge rates remained relatively fixed¹⁵⁴ and contract term diminished, origination requirements¹⁵⁵ declined to the point of being unspecified for the smallest programme contractors (Appendix A4.1).

Programme Buying Restrictions and Requirements

The ITA reluctantly restricted the programme contractors’ ability to buy foreign programmes. Equity, the actors’ union, and the entertainment unions lobbied the ITA to argue that a UK programme market would not otherwise develop because programme contractors would mainly buy cheaper foreign, mostly American, material. Initially, the ITA was against imposing an import quota on foreign material because of the additional administrative and programme costs it considered would be imposed on the programme contractors. However, the ITA was required to interpret Section 3 (1)(d) of the Act, which required that a ‘proper proportion’ of programmes were of British origin and performance. It decided, in opposition to the BBC, that the restriction was necessary to maintain programme control regarding this section of the Act, “the BBC’s situation was different in that they had direct and absolute control over their programmes, which the Authority would not have” (ITA Minutes: 7 December 1954).

Even so, the ITA wanted to avoid any explicit mention of an import quota in the programme contracts because of the restrictive practices the unions might impose. The ITA supported the programme contractors’ view that, “if the Unions wished for a guaranteed and substantial outlet for British material they should not themselves impose restrictions which might make the production of that material prohibitively

¹⁵⁴ Per viewer (pv) charge rates were based on population coverage estimates for each programme contractor.

¹⁵⁵ The ITA also used this mechanism to further strengthen the ability of Southern Television to compete with the four initial programme contractors by giving it a one year concession to build up its production capacity. Although Southern Television did not receive a rate reduction, it was also financially assisted by rearranging the ‘official’ population coverage map (ITA Minutes; 21 July 1959, 1 September 1959. ITC Archives).

expensive for the programme contractors" (ITA Minutes; 14 December 1954. ITC Archives). Insofar as minutes of these negotiations were available in the archives studied, it was noted that a 'gentlemen's agreement' (details undisclosed) was agreed to after five months of discussion whereby the ITA agreed to impose a fixed seven hour quota on imported films only (ITA Minutes; 17 May 1955, ITA Paper; 87/55 ITC Archives). This flexible interpretation of 'proper proportion' was extremely sensitive and the ITA noted, "Equity were keeping confidential the terms of the agreement arrived at, even from their own members" (ITA Minutes; 14 October 1955. ITC Archives).

Programme Exchange and Networking Requirements & Restrictions

The issues of programme exchange¹⁵⁶ and network priority were of pivotal importance because they largely shaped the environment within which programme supply make/buy decisions for ITV would be considered. These decisions were impinged upon by a combination of tradeoffs including those arising from the mosaic programme supply structure chosen and increasingly by the payback that the initial programme contractors expected for funding, without owning, the technical network infrastructure. Programme exchange rules referred to all practices regarding programme make/buy arrangements between programme contractors. Network requirements referred to practices regarding how network airtime was shared between the programme contractors. The initial programme contractors had pressed for network priority to be explicitly assigned to them in their contracts and they prolonged negotiations with the ITA in attempts to achieve this outcome. The ITA refused to comply, despite being anxious to avoid further criticism regarding delays in contract signing. It also did not pursue the earlier intention to enforce a network quota (Chapter Three). Instead, consensus was reached with a 'gentlemen's agreement' (unexplained in the archives), from which the following make/buy arrangements occurred.

¹⁵⁶ Programme exchange included all five programme supply make/buy options for regional and network transmission.

Programme Exchange

Rules regarding programme exchange between the programme contractors only began to be specified in the later, regional, programme contracts. Exchange terms were explicitly detailed in section 3 (d) of all these contracts except for Channel Television¹⁵⁷. In this section, the ITA indicated its intention to control programme exchange between programme contractors that, in its view, represented a ‘material proportion’ of the fifty hours per week of permitted broadcast time (Appendix A4.2). Prior approval was required from the ITA for such arrangements. Otherwise, all programme contractors could exchange programmes on their own agreed terms. This policy led to a situation whereby the smaller programme contractors entered into ‘material’ agreements called inter-company supply agreements with the initial programme contractors. The inter-company supply agreements, authorised by the ITA, permitted the initial programme contractors to jointly supply a full range of programming referred to as the “quota” to smaller programme contractors such as Border Television, Grampian Television, and Westward Television (Microfilm Box 152: 1954 Contracts. ITC Archives).

Within these inter-company supply contracts, the buying programme contractor was charged a fixed price per hour plus a scaled percentage of net annual advertising revenue (NAR)¹⁵⁸. This price and rate structure was similar to the arrangement that the ITA had attempted, unsuccessfully, to implement between it and the initial programme contractors. Extensive efforts went into specifying all known uncertainties¹⁵⁹. Although the expressed purpose of the agreements was to “advance the interests” of the smaller programme contractor (Clause 14), the agreements were a disincentive for them to produce programmes beyond their required amount or to seek to buy programmes from alternative sources. Programmes made by the initial

¹⁵⁷ In the case of Channel Television, clauses 3 (b) and 5 (d) restricted it from entering into any supply arrangement with other programme contractors without prior ITA approval. Channel Television presented special difficulties because of its technical reliance on Westward Television for programme supply.

¹⁵⁸ Net advertising revenue (NAR) is gross advertising revenue less agency costs.

¹⁵⁹ Price variations were based on half yearly changes in the Retail Price Index (RPI) of 5 per cent or more. In addition, detailed contingency formulas were devised for calculating the percentage of NAR payable in the event the contract closed earlier than its proposed end date or if the buyer’s transmission area expanded. Usage rights to the programmes supplied by the initial programme contractors, whether produced by themselves or from external sources, were also minutely detailed.

programme contractors supplied at subsidized prices, to the smaller programme contractors suppressed these contractors 'make' activity. They did not have the talent available¹⁶⁰ nor could they afford¹⁶¹ to make programmes of similar calibre to those offered by the initial programme contractors. The agreements also provided an additional guaranteed revenue source for the initial programme contractors and thus, an incentive to increase their programme making. However, the ITA wanted to avoid public scrutiny of inter-company programme exchange, as it was developing, because it risked violating the troublesome Section 5(2)¹⁶². These agreements compromised the ITA's intentions to ensure that programme supply make/buy decisions for network transmission were undertaken on a competitive basis.

Network Priority

Conflict regarding network access centred on who paid for building the technical link system, who owned it, and how access should subsequently be allocated. The conflict began when the ITA applied Section 2 (1)(a) of the Act (1954) to prohibit programme contractors from owning transmitting stations, even though the Act did not explicitly disallow such arrangements¹⁶³. Clause 1(D)¹⁶⁴ of the draft licence to be granted by the

¹⁶⁰ For example, "there is not the talent available...any station operating in Cumberland would have to buy its programmes from the larger centres, either in the form of films or by relaying the larger stations (Letter from Cumberland Newspapers Ltd. to the Overseas Telecommunications Department, GPO; 2 February 1954. A/S/0032/35. ITC Archives).

¹⁶¹ As described by ATV, "the margins of profit of contractors serving smaller areas are (were) very much smaller than those in larger areas" and, "the viability of the programme contractors in the smaller areas has always depended on the ready supply of network programmes at almost nominal cost; certainly at much less proportionate cost to their total overhead than that borne by the main contractors" (Application for South of England programme contract from ATV Ltd.; 1 February 1959. A/S/0035/18. ITC Archives).

¹⁶² The ITA found it difficult to define competition under Section 5 (2). After six weeks of deliberations on what programme supply structure should be adopted, Sir Charles Colston, Deputy Chairman, ITA, summarised "the chief, and in fact the only real, difficulty was to decide what constituted competition" (ITA Minutes, 21 September 1954). Although the ITA recognised that increasing the number of programme contractors would not necessarily increase programme supply competition, it pursued this approach, "since, however, the meaning of the Section was obscure to many people it was unlikely that any criticism of the Authority would be made on that score" (ITA Minutes: 8 February 1955). In consequence, it decided that the competition requirement for programme supply could be satisfied by 1) having an 'adequate' number of programme contractors so as not to arouse external criticism and by 2) having programme contractors compete to supply programmes on the Network.

¹⁶³ The debate first arose from an application to the ITA from Pye Ltd., Corran Works Ltd., and TV Manufacturing Ltd. to build transmitting stations and to supply programmes from these stations to Cambridge, Northern Ireland, and Lowestoft respectively - stations not covered by the ITA's initial stations. Mr. Stanley of Pye Ltd., a dissatisfied TAC member who had submitted a 'reservation' on the first TAC report, had initiated the joint application to the ITA.

PMG to the ITA led to advice that, “the ITA has, as a matter of law, power to enter into arrangements for the lease or operation of a transmitting station whereby the lessor or operator is himself appointed as programme contractor” (Memorandum to the Director General; 13 October 1954. A/S/0032/20. ITC Archives). However, Clause 1 (D) was intended, “to cover the possible use by the Authority of BBC masts and stations, and was not aimed at the sort of arrangements now proposed” (Memorandum to the Director General from A. Wolstencroft; ITA Secretary; 19 October 1954. A/S/0032/20. ITC Archives). The possibility of private station ownership was deemed socio-politically unacceptable, “the idea behind the Television Act is that the Authority should be able to turn a programme contractor off from a station if he is unsatisfactory. We must not put ourselves in a position where we cannot in fact exercise this ultimate sanction”¹⁶⁵ (Excerpt from draft of ITA Paper concerning application from Pye Ltd., Corran Works Ltd., and TV Manufacturing Ltd.; A/S/0032/20. ITC Archives). The ITA made this position clear, by informal means, to the programme contractors (see for example: Memorandum from Sir Robert Fraser to A. Wolstencroft; ITA Secretary; 9 December 1954. A/S/0032/20. ITC Archives).

As a result, the network, including the technical lines and links, was built and operated by the Post Office on instruction from, and payment by, the ITA. The ITA charged rental rates to the programme contractors for its use. Rental rates, initially, had to be sufficiently high to cover the cost of building the network. In effect, the initial programme contractors funded the technical infrastructure and then continued to pay rentals for the right to use it. Rate disputes arose immediately and they intensified as the network expanded and usage demand for the lines increased. The ITA accelerated disputes by continuing to deny that the programme contractors

¹⁶⁴ Clause 1(D) of the Draft Licence allowed the ITA to use for their transmitters, “any station or apparatus of any other body which is made available and worked by that body for this purpose under arrangements made in that behalf with the previous approval in writing with the Postmaster General by the Authority with that body”. (A/S/0032/20; 13 October 1954. ITC Archives).

¹⁶⁵ This position was reinforced by the ITA’s understanding that the PMG would not approve of privately owned stations; a view that was passed on to the applicants, “The PMG did say the other day that he had told people at the Conservative Party Conference that he would not licence private firms to operate boosters, and although this was perhaps an answer “off the cuff”, I do not think we should show too much enthusiasm either to the Authority or the applicants”. (Note to Sir Robert from A. Wolstencroft; 25 November 1954; A/S/0032/20. ITC Archives).

owned the line system. The initial programme contractors argued that they had paid for the line system and they wanted control of it to freely share usage amongst them and to charge newly appointed programme contractors usage fees (SCC Minutes; 1 August 1956. ITC Archives). The ITA refused to give the initial programme contractors this usage control.

Initially, the ITA rejected direct responsibility for determining network access allocation. It expected programme contractors to resolve disputes amongst themselves, and to only act as arbitrator of last resort. During this time, the ITA operated a ‘network programme’ rule of thumb. This rule gave priority access to programmes intentionally made for network transmission, irrespective of the programme contractor supplying the programme¹⁶⁶. As early as 1956 (SCC 56(14); 18 April 1956. ITC Archives), it was evident that the ITA’s indirect approach was insufficient to deal with the network usage demands of the initial programme contractors. Conflict quickly escalated between two of the initial contractors, Associated-Rediffusion (A-R) and Associated TeleVision (ATV), over the terms by which they would network each other’s programmes. The disagreement was ongoing and sufficiently severe to temporarily shut down the fledgling network in 1956 (ITA Minutes: Meetings 55 – 58 (56). ITC Archives).

Following this experience, it was progressively accepted that ‘network programmes’, originated by the initial programme contractors, had priority on all existing lines. If these contractors could not own the network system outright, they wanted to control the usage of it. The main attraction was the higher advertising revenues available from network transmissions, which would then increase budgets available for considering make/buy options. Without network access, often the only alternative for the smaller programme contractors was to buy, by paying a fee, to receive network transmissions supplied by the initial programme contractors or to opt out. The first formal clarification about the initial programme contractors’ rights to the network was outlined in June 1957 and by the end of the same year it was consolidated to clarify their dominant position regarding network access (SCC Paper 21(57); SCC Paper 46

¹⁶⁶ See Chapter Three for a more detailed description of this rule.

(57); SCC Paper 68(57). ITC Archives). The ITA formally assigned network or “lines” priority of all existing lines to the initial programme contractors and explicitly incorporated this priority into all subsequent programme contracts.

Nonetheless, conflict was ongoing¹⁶⁷ and by 1960, the ITA was, “firmly of the view that the Authority’s power to control the networking arrangements needed strengthening” (ITA Minutes; 2 February 1960. ITC Archives). In particular, it had been unsuccessful in implementing a quota requirement to ensure network access for the later programme contractors. All of the initial programme contractors, except Granada Theatres Ltd., rejected the ITA’s proposals and the issue was not pursued further. This arrangement left the later programme contractors significantly disadvantaged from acquiring a share of the larger advertising revenues available from network transmissions. Without being forced to do so, the initial programme contractors were reluctant to give up network airtime.

Other Significant Programme Supply Restrictions and Requirements

The remaining constraints that impinged upon the alternatives available to the programme contractors’ programme supply make/buy options included: 1) restricted frequency allocation, broadcast hours and timing permitted, 2) Government forced relations with the BBC and, 3) lack of programme copyright. As noted in Chapter Three, limited frequency allocation¹⁶⁸ was one of the reasons that had affected the choice of the mosaic programme supply structure, and it had, in the ITA’s view, also affected the programme supply make/buy options available. Frequency allocation

¹⁶⁷ By August 1958 (ITA Minutes; 13 August 1958. ITC Archives) a solution for organising the supply of network programmes had still not been reached amongst the programme contractors. The ITA agreed for a new group to be established to draw up a networking code of practice. It included representatives from the programme production and engineering interests of each of the programme contractors and the ITA. By October of the same year, (ITA Minutes; 8 October 1958. ITC Archives) it was concluded that the group was unwieldy in size and that it was unlikely to come to an agreed solution. Although an alternative approach to drafting a network code was suggested, the initial programme contractors refused it and the issue disappeared from both the ITA and SCC minutes for the remaining duration of the contract period (SCC Minutes; 8 October 1958. ITC Archives). The only further effort by the initial programme contractors regarding network usage that was formally endorsed by the ITA, was an agreement to spread network switching charges amongst all programme contractors according to rental population (SCC Paper; 4 January 1960. ITC Archives).

¹⁶⁸ Allocating frequency space to the ITA was not politically neutral because it disturbed the BBC’s expansion plans. The BBC lobbied, unsuccessfully, with the Television Advisory Committee (TAC) (Chapter Two) to defend its dominant position in this respect.

was insufficient to create competing commercial networks as existed in the USA (ITA Minutes; 5 August 1954. ITC Archives). The two frequency channels allocated to the ITA for its three initial stations were only expected to obtain between 40 to 50 per cent population coverage. This comparison to the American television broadcast system fixed the ITA's view that programme supply make/buy decisions could only be achieved on a competitive basis at the network level. The mosaic structure was partly chosen in anticipation that competing commercial networks would exist in the future and the ITA defended its choice of programme supply structure throughout the initial contract period on this basis¹⁶⁹. In its view, programme supply make/buy decisions were also as competitive as they possibly could be until the Government released sufficient frequency space to operate two national independent television services¹⁷⁰. This direct link between frequency allocation and competition regarding programme supply make/buy decisions would have been tenuous if the market option had been adopted (i.e. programme supply make/buy decisions on an individual programme basis).

Heavy restrictions on broadcast hours and the timing permitted¹⁷¹ (ITA Minutes; 9 March 1955. ITC Archives) also affected programme supply make/buy decisions insofar as they were used by the ITA to steer the programme contractors towards making more 'balance programmes'¹⁷². By mid 1957, the programme contractors

¹⁶⁹ When it was becoming apparent that the initial programme contractors dominated programme supply on ITV and the ITA's ability to control it was inadequate, they argued that, "the dominance of the parent companies, as the only source of network programmes, over the smaller companies fell to be considered as a separate matter from section 5 (2)" because, "the major policy decisions which had resulted in the present structure of programme companies" was due to the limited frequency space it had been allocated (ITA Minutes; 16 February 1960. ITC Archives).

¹⁷⁰ The ITA relied solely on the Post Office to clear additional frequency space and was concerned about its uncertainty and timing. Both the Post Office and the BBC were viewed with suspicion regarding their assessment on technical limitations but all assessments were reliant on Post Office information.

¹⁷¹ The PMG was under pressure, not only from the BBC, but also directly from Parliament to prohibit television viewing during certain times. For example, there was a presiding view that television should not be available on Sunday afternoons because, "television broadcasting during the afternoon would interfere with Sunday School attendance" (ITA Minutes; 30 November 1954. ITC Archives). Sir Kenneth considered, "it was absurd that the wide educative value of an hour of serious programmes on Sunday afternoons should be destroyed by consideration of the relatively small number of children who were likely to be kept away from Sunday School by television transmissions" (ITA Minutes; 15 February 1955. ITC Archives). The ITA was instructed by the PMG to debate this issue with the BBC for nearly seven months until set equivalent hours of broadcasting were set for the two organisations.

¹⁷² The notion of a 'balance programme' generally became understood to mean programmes of a serious nature that often catered to small audiences.

claimed that these restrictions were causing inflationary advertising prices and restricted them from experimenting with making new programme types. It was suggested to them by the ITA that the PMG might consider additional hours if they were used to supply particular programme types. The programme contractors did not initially respond. However, the ITA was becoming dissatisfied with the calibre of existing programmes. By September 1957, it refused to put forward the programme contractors' request without receiving prior details regarding how they intended to use the additional hours. The ITA's first explicit guideline was produced a few months later (SCC paper (58 (57); 8 November 1957. ITC Archives) and some of the earlier restrictions on broadcast hours were informally waived (Appendix A4.2).

In addition, the PMG's power, granted by the Act (1954), permitted rules to be established that forced the BBC and the ITA's programme contractors to coordinate supply arrangements for certain programme types. For example, Section 7 (1-3) of the Act (1954) specified the PMG's right to make regulations to prevent exclusive usage arrangements for sporting and other events of national interest. These forced relations with the BBC¹⁷³ held up provision of some programme types and also inhibited developing the commercial value of others. Combined with a lack of UK television copyright until mid 1956¹⁷⁴, many battles occurred regarding who made these programmes and how they were used and accredited.

¹⁷³ The ITA was also forced into negotiations with the BBC regarding mast sharing and broadcast hours. The PMG instructed the ITA to discuss the question of broadcasting hours with the BBC and asked for it not to be mentioned to the BBC that he had already discussed the issue with them (ITA Minutes; 30 November 1954. ITC Archives).

¹⁷⁴ Pressure to amend the existing Copyright Bill (1911) was pursued foremost by sports promoters and had been lobbied by them since November 1945. They were interested in breaking the monopoly that the BBC had on televising their events because it suppressed the price for the material they provided. However, the Government wanted to prevent sports promoters entering into exclusive contracts that would restrict viewing of more popular events.

4.2 Programme Supply Make/Buy Preferences

As the previous discussion suggests, programme supply make/buy decisions for ITV often produced negotiated outcomes involving the PMG, the ITA, the BBC, and the programme contractors. While the programme contractors were intent on supplying programme types with the potential to attract large audiences via a supply mode that was relatively less costly, these objectives were frequently thwarted to accommodate socio-political concerns. The intensity of the debate and its subsequent programme supply make/buy outcomes varied according to programme type. The following sub-sections describe this debate pertaining to specific programme types to illustrate how programme supply make/buy decisions were often shaped from an economic rationale, predominately that of the programme contractors, into a socio-politically suitable agenda. These views are drawn from archive material¹⁷⁵ that permit the main programme types to be examined in terms of 1) whether they were supplied and if so, 2) the basis on which their supply mode was chosen. Sub-section 4.2.1 considers the programme types that the ITV programme contractors wanted to supply and Sub-section 4.2.2 considers those that it did not.

4.2.1 Programme Types the Programme Contractors Preferred to Supply

Entertainment and Drama Programmes

Quiz shows and prize giving programmes were entertainment programmes that the programme contractors were interested in making and that the ITA wanted to restrict. They were amongst the first programmes that contributed to the programme contractors' 'make' requirement. By the end of 1958, the ITA wanted to restrict quiz shows to one per day because it felt they created a downmarket reputation for independent television (SCC Minutes; 12 November 1958. ITC Archives). The ITA was also concerned that prize giving programmes were having similar reputation

¹⁷⁵ All programme types could not be studied, or not in the same depth, because some supply decisions were not described in the archive material.

effects (SCC Minutes; 11 March 1959. ITC Archives). These entertainment programmes were cheaper to make than films and had mass appeal, which were expected to attract relatively high levels of advertising revenue. For example, “Double Your Money” attracted 15.5 million viewers to its networked evening broadcast on Thursdays at 7pm in contrast to “War and Peace”, also a networked broadcast, shown one hour later that attracted 5.7 million (63% less) viewers¹⁷⁶. Consideration of the relative cost of buying such programmes was not an issue evident in the archives.

In contrast, films, including both entertainment and drama programmes were programmes that the programme contractors were interested in buying, primarily from the American market. The ITA wanted to restrict this ‘buy’ activity to avoid criticism of indoctrination of American culture on UK society, “this practice would lead to British viewers being given material designed for American tastes” (Minutes of ITA Co-ordination meeting; 9 March 1956)¹⁷⁷. However, the ITA also considered that introducing a quota would be financially detrimental to the programme contractors because American films could be bought more cheaply, “to make a half-hour film in England cost a minimum of £5,000, whereas they could be bought from America for about £2,000” (SCC Minutes; 21 December 1955. ITC Archives). Production costs for American films were recovered in the American home market. The programme contractors found it difficult to fully recoup production costs for films in the UK market and selling programmes to the US market was still in early development. Nevertheless, socio-political concerns overrode the relatively less costly option and the ITA restricted the programme contractors to buying no more than 7 hours per week. It also refused to support the programme contractors’ requests to press the PMG to extend the quota. The programme contractors still pushed the economic imperative and on a number of occasions, particularly by ATV, the quota was overrun.

¹⁷⁶The audiences are comparable in the two time periods because Television Audience Measurement (TAM) estimated an evenly distributed TV audience between 6-10pm (ITA Annual Report and Accounts; 31 March 1963. p. 31. London: HMSO).

¹⁷⁷The Association of Specialised Film Producers objected to the Board of Trade who approached the Post Office and expected the ITA to respond.

Sports Events

Sports events were a programme type that the programme contractors wanted to make on an exclusive basis, “on the question of certain sporting events being classified as ‘of national interest’, the company representatives pointed out that such classification would virtually destroy any value the event might have for the companies. They were only interested in exclusive rights” (SCC Minutes; 28 June 1955. ITC Archives).

Even though exclusivity was impossible¹⁷⁸, the programme contractors struggled for parity of access with the BBC. The ITA faced numerous difficulties trying to support the programme contractors’ interests. It was forced by the PMG to jointly agree with the BBC a list of non-exclusive events¹⁷⁹. In principle, this list was intended to ensure that access to sport events, the essential component to making such programmes, would be on equal terms with the BBC. However, in practice, this was difficult to obtain for two reasons. First, the programme contractors’ fragmented organisation, caused by the mosaic programme supply structure, made it difficult for them to reach consensus. Second, the BBC’s manoeuvring to protect its existing interests in sport programmes disadvantaged the programme contractors. For example, the BBC refused to jointly agree price for sport material with the programme contractors; a view considered by the ITA to be an effort to escalate the costs charged to the programme contractors by the sport promoters. They fundamentally disagreed that the terms of access were equal (Appendix A4.3). The end result was that sport events shown on ITV were often reliant on feeds relayed from the BBC. Although these feeds were supplied at a lesser cost than if the programme contractors made the programmes themselves, they felt disadvantaged because they considered that they had relinquished editorial control to the BBC.

¹⁷⁸ The ITA was bound by Section 7 (1) of the Act (1954), which prohibited exclusive rights for some national sport events. These events were not specified in the Act.

¹⁷⁹ The programme contractors pressed the ITA to extend the BBC’s proposed list, which included: the Derby, the Grand National, the Cup Final and the Scottish Cup Final. (SCC Minutes; 9 November 1955. ITC Archives). They feared that the BBC would achieve exclusivity on any event not listed because of its longstanding relations with sports promoters, “it would be likely to have the effect of leaving the other events exclusive to the BBC because of relationships which they had been able to establish before ITA came into the field” (SCC Minutes; 9 November 1955. ITC Archives).

News

The initial programme contractors viewed news to be a necessary component to the programme schedule¹⁸⁰ and wanted to make their own news via a separate company that they jointly owned. News was expected, at the time, to attract small audiences and to involve a relatively complex, ongoing production process in which costs could be lessened by creating a separate company that would also sell news to the later programme contractors¹⁸¹. Having a single contractor for news was endorsed by an application submitted to the ITA by Times Production Limited, “news should be supplied by one company in view of the liaison necessary throughout the country” and, “for economy and maintenance of policy, a single contractor operating News would, in our opinion, be an advantage” (Application & Correspondence A/S/0032/22. ITC Archives).

The ITA was adamant that news remained under its editorial control¹⁸² to avoid any claims of impartiality that would further damage its reputation¹⁸³. It omitted the provision of news from the initial programme contracts (Section 4.1) for these reasons. Having already faced severe criticism on the grounds that its programme contractors were not politically balanced, the ITA was certain that it could not allow any individual programme contractor, or any other programme making company, to have sole responsibility for news¹⁸⁴. It considered either making its own news programmes or having news supplied by the Press Association (PA) and Reuters.

¹⁸⁰ News was the first programme type considered, arising from questions posed by the initial applicants during their interviews with the ITA.

¹⁸¹ The initial programme contractors, “saw themselves as supplying news to fresh contractors” (ITA Minutes; 18 January 1955. ITC Archives).

¹⁸² Sir Kenneth, in particular, was, “impressed with the immense political power of television” and considered that, “the Authority ought to make it clear that all those parts of the programme which dealt with the giving of news and the forming of opinion should remain under the Authority’s control”. (ITA Minutes; 2 November 1954. ITC Archives).

¹⁸³ In early discussions, it was the ITA’s view that, “programme contractors generally would be reluctant to undertake the provision of news as they would be afraid of incurring charges of partiality. Some of them would, of course, have obvious political affiliations, which would make their position the more difficult” (ITA Minutes; 5 October 1954. ITC Archives).

¹⁸⁴ The ITA was concerned about how, for News, it should interpret Section 3 (1)(b) of the Act (1954), which required, “that the programmes maintain a proper balance in their subject-matter and a high general standard of quality”.

Making news programmes in-house was ruled out for the administrative burden it would impose on the ITA and also because it was unlikely that they would be legally permitted to do so¹⁸⁵. Early discussions regarding news provision by PA and Reuters were notable for how some ITA members regarded news production¹⁸⁶. The fact that neither news agency could undertake the responsibility without major change to its Charter, did not deter Sir Kenneth who was interested in obtaining the perceived prestige their association would bring to an ITA news service. He persisted that news bulletins were factual and did not require editing like news commentary despite opposition from Lord Layton, his deputy, and the Newspaper Proprietors' Association. As further information was gathered regarding the production process of television news¹⁸⁷, this view diminished.

Without these options available, the view remained that, "the aim should be to achieve a system under which the Authority retained effective control of the editorial function without itself participating in the day to day provision of news" (ITA Minutes; 9 November 1954. ITC Archives). As a result, the ITA permitted the creation of a separate company, to be called Independent Television News (ITN), on the proviso that the ITA had final approval for the appointment of its Editor in Chief and also that it had a senior ITA advisor on the initial governing board¹⁸⁸ to, "watch the operation of the news through the eyes of the Act" (Letter from Sir Robert to Sir Kenneth; 13 January 1955. A/S/0032/22. ITC Archives). ITN was established with the four initial programme contractors each owning a quarter share.

Almost immediately, disputes arose between the ITA and the initial programme contractors. The programme contractors did not want to employ production methods

¹⁸⁵ Some ITA members objected to, "the Authority assuming such wide direct responsibilities in a field requiring continuous day to day supervision" (ITA Minutes; 9 November 1954. ITC Archives). The ITA's solicitors also advised that it was not possible under the Act (1954) for the Authority run its own news service.

¹⁸⁶ The ITA considered news comprised three parts: (i) spoken news and newsreels, (ii) commentary and, (iii) balanced discussion programmes (ITA Minutes; 5 October 1954. ITC Archives).

¹⁸⁷ The ITA reviewed newsreels of the American broadcaster, CBS, to "judge how closely and effectively "hard news" could be associated with a commentary" (ITA Minutes; 9 November 1954. ITC Archives) and considered it "advantageous to investigate the BBC's methods of producing the news" (ITA Minutes; 16 November 1954. ITC Archives).

¹⁸⁸ The initial governing board was restricted to eight members, two from each of the initial programme contractors.

that increased costs. They also wanted to shorten news bulletins and shift their transmission to less popular time periods:

“(there are) great differences of opinion on the Board of ITN...there had been no criticism of the oral presentation of the news but there had been much criticism of the illustrative part on the grounds that it was badly presented and very expensive to produce... it was the most difficult thing that the companies had so far had to do. Illustrated news was new to television in this country but it was the coming form of news...(and) it must be remembered that the majority of the working-class audience did not look at the news in any case and the news must be regarded as being something which had to be provided for a minority audience” (ITA Minutes; 6 December 1955. ITC Archives).

The dispute was also fuelled by the initial programme contractors’ uncertainty regarding how subsequent contractors would be associated with ITN (ITA Minutes; 15 February 1955. ITC Archives). For ten months, ABC held out from joining ITN because of these issues, which worried the ITA that the lesser cost option might prevail, “if ABC Television agreed to enter the News Company their vote might well be decisive in getting the present system of news with newsreel altered to one of news without newsreel” (ITA Minutes; 6 December 1955. ITC Archives). As a result, the ITA resorted to issuing instructions that ITN was forced to follow:

- 1) ITN was solely responsible for national news; individual programme contractors could only undertake regional news,
- 2) ITN must provide a minimum of twenty minutes of news per day and,
- 3) News must involve some use of film (ITA Minutes; 20 December 1955. ITC Archives).

Subsequent contract particulars made it a condition of being granted a contract that all new programme contractors would have to buy 20 minutes per day of national news from ITN¹⁸⁹. These contracts did not prohibit, nor did they oblige programme

¹⁸⁹ The rates varied. For example, Border Television was expected to pay £20-£25 daily, Northern Ireland was expected to pay £40 daily, and TWW (South Wales and the West of England) was

contractors to make local or regional news programmes. This experience, alongside the battle fatigued resignation of its first Editor in Chief¹⁹⁰, indicates how socio-political and economic agendas interacted to result in a programme supply outcome that was more costly than the programme contractors originally intended.

Events of National Importance

The programme contractors wanted to broadcast their own coverage (i.e. make) for events of national importance, partly because some of these events were expected to attract large audiences and also because they thought it would be prestigious to do so. The most contentious examples included the Queen's Christmas Day Broadcast, other Royal Occasions, and the State opening of Parliament, all of which had previously been the sole domain of the BBC. The disagreements that occurred between the BBC and the programme contractors and between the ITA and the programme contractors derived, again, from their perceived inequity of access to the broadcast material¹⁹¹. The BBC was reluctant to relinquish its exclusive position as maker of these programme types¹⁹². The programme contractors repeatedly requested the ITA to press the case for ITV to be admitted to national events alongside the BBC where physical space allowed for two cameras and, where it was not, for them to originate the broadcasting of such events in alternation with the BBC. A similar solution had

expected to pay £70 daily. In addition, TWW was required to pay one tenth (£27,800) of ITN's calculated capital and loan expenditure. In return, the Welsh programme contractor (and STV, the Scottish contractor) had the right to appoint one director with one vote to the Board of ITN. (Wales & West of England Particulars: 14 September 1956. A/S/0035/31; N. Ireland Particulars: 9 October 1958. A/S/0035/4; West & North Wales Particulars: 19 May 1961. A/S/0035/31. ITC Archives).

¹⁹⁰ Lord Layton disputed the appointment of Mr. Aiden Crawley, a BBC news commentator, as ITN's first Editor in Chief, as inappropriate. Lord Layton argued that the editor should be conceived as an administrative head and not someone who appeared on television. Due to "Mr. Crawley's lack of editorial experience...the appointment was of the wrong type". Sir Kenneth, however, saw the appointment as a political win. Mr. Crawley "had been a Labour Member of Parliament; his appointment would demonstrate that the contractors were approaching their responsibilities in an objective manner" (ITA Minutes; 1 February 1955. ITC Archives). Sir Kenneth further stressed that he knew the PMG would not raise any objection to the appointment and Lord Layton was overruled. Sir Kenneth supported Mr. Crawley as editorial conflicts heightened because "his resignation would be a serious blow to the reputation of independent television" (ITA Minutes; 6 December 1955. ITC Archives). However, Mr. Crawley resigned.

¹⁹¹ According to the programme contractors, the BBC was able to gain an advantage because whilst they were recording one event they would become aware of another and "scoop" the story (SCC Minutes; 13 August 1958. ITC Archives).

¹⁹² Associated Rediffusion argued that, "it must soon be established that the BBC was not, as it tended to claim, the exclusive machine for broadcasting matters of national interest or importance" (SCC Minutes; 9 November 1955. ITC Archives).

been proposed by Buckingham Palace regarding Royal Occasions¹⁹³. However, the BBC refused. Instead, it proposed not to charge, except to recover any additional expenses incurred, for relays of its own broadcasts of formal national occasions where only one set of equipment was practicable¹⁹⁴. In all other cases, the BBC wanted to negotiate charge rates on each occasion. It also wanted on screen acknowledgement (credits) for all of the material it relayed to the programme contractors (Letter from BBC to ITA; 22 August 1957. ITC Archives).

The programme contractors vehemently opposed showing programmes that suggested the BBC made them. They considered that no acknowledgement was fair recompense for being excluded from originating their own broadcasts¹⁹⁵. They argued that for party political broadcasts and formal national occasions where only one set of cameras could be installed, no credit should be given. For programmes provided to the programme contractors by the BBC for a fee, their view was that it should be a matter of individual negotiation with the BBC depending on the fee it wanted to receive, “it might be that the BBC would provide a programme cheaply if a credit were given, but more expensively if a credit were not to be given” (SCC Minutes; 14 October 1959. ITC Archives). Although the ITA supported the programme contractors for establishing a rota system¹⁹⁶, it disagreed with their view that the BBC should not receive credit for relayed material¹⁹⁷.

¹⁹³ Instructions issued by Buckingham Palace regarding Royal Occasions acknowledged that, “occasions would arise where there would either not be room for both ITA and BBC cameras or when, though two positions might be available, one was less satisfactory than the other. Because of this, he (Commander Colville; Assistant Press Secretary) felt, “there must be a certain amount of give and take between the ITA and the BBC” (SCC Minutes; 21 December 1955. ITC Archives). Commander Colville suggested a time rota that the BBC refused to operate by. For appearances in non-news programmes, the programme contractor concerned contacted Commander Colville, direct for approval. For news, a new company was set up including the Newsreel Association, ITN, and the BBC. It was expected that filming would be rotated on a six monthly basis with the same cameraman on all occasions. All programme material was non-exclusive and each member had equal right to the others’ films.

¹⁹⁴ A similar arrangement was proposed for Ministerial and Party Political broadcasts.

¹⁹⁵ A-R argued that, “if Independent Television had an equal chance with the BBC of originating broadcasts of national occasions, he personally would have less objection to giving acknowledgements to the BBC. In practice, however, the BBC invariably managed, by some means or another, to be preferred as the originators” (SCC Minutes; 9 December 1959. ITC Archives).

¹⁹⁶ The first major battle of equal access was the State Opening of Parliament. The ITA formally requested to the PMG for ITV to be allowed to take any broadcast of the ceremony that was permitted and, if there was only room for one camera team, to be, “allowed to supply a team in alteration with the BBC” (SCC Minutes; 9 July 1958. ITC Archives). The request was denied. However, it was agreed

These issues were intensely debated, without resolution, and the PMG intervened by introducing a policy¹⁹⁸ that effectively halted the possibility for alternation. The BBC followed by issuing requirements regarding programme credits¹⁹⁹, with the exception of the Queen's Christmas broadcast. The programme contractors reluctantly agreed to give a plain acknowledgement of source for broadcasts of national occasions where the BBC provided a free feed. However, not being obliged to take²⁰⁰ BBC material, they considered doing so less often²⁰¹. In this case, although a less cost option prevailed, again, it was viewed by the programme contractors as an infringement on their editorial control over the programmes they supplied to ITV.

that ITV could have a separate commentator (SCC Minutes; 17 September 1958. ITC Archives). The programme contractors insisted that their own presenter, rather than the BBC's, should be named in the programme guide, the TV Times. The billing was recorded as: "The State Opening of Parliament. A relay of the BBC broadcast. Commentator for Independent Television Robin Day" (SCC Minutes; 8 October 1958. ITC Archives). Following this event, the programme contractors argued against accepting programme feeds from the BBC labelled as, "a relay of the BBC broadcast" when they provided their own commentary. They preferred to label credits as "vision from BBC cameras" (SCC Minutes; 12 November 1958. ITC Archives). However, the ITA disagreed with the programme contractors. In the ITA's view, the programme contractors took both vision and sound feeds even when they were using their own commentator and it was reasonable to give the BBC proper credit (SCC Minutes; 13 May 1959. ITC Archives).

¹⁹⁷ In the ITA's view, "honesty and courtesy" called for a suitable acknowledgement to be given for any programmes taken from the BBC. Further, it agreed with the BBC that a factual acknowledgement for national events, where free feeds were the rule, was reasonable to recognise the effort and expense involved (SCC Minutes; 9 December 1959. ITC Archives).

¹⁹⁸ The Government introduced a policy it would follow between the two organisations in relation to "special occasions" – "Where it has been decided that special occasions should be televised, the BBC and ITA will both be invited to participate in the arrangements as fully as possible. If, however, the physical conditions make the use of more than one set of cameras impossible, the BBC should, for the time being, continue to provide and operate these, both television authorities providing their own commentators. When the occasion is very intimate, as has been the case when the Queen's Christmas message to her people has been televised, it will only be possible to have the one organisation handling the matter" (SCC Minutes; 13 January 1960. ITC Archives).

¹⁹⁹ The BBC demanded credit for programme feeds from three categories: 1) programmes of no national status received as an ordinary business transaction, 2) special national events where facilities for practical reasons could only be given to one broadcasting authority and, 3) events not of special national status involving an important member of the royal family undertaken by the BBC's own initiative and accepted on proviso that the ITA would have access to a feed if it wanted one (SCC Minutes; 9 March 1960. ITC Archives).

²⁰⁰ Receiving programme feeds could be viewed as a 'buy' decision although the exchange, except for additional transfer expenses incurred, was free.

²⁰¹ The ITA did not indicate any direct support for the programme contractors' views but agreed to undertake, in its response to the BBC, that it would "no doubt in the future be an important factor in Independent Television's consideration of whether the BBC are to be asked for a feed or not" (SCC Minutes; 9 March 1960. ITC Archives).

4.2.2. Programme Types the Programme Contractors Preferred Not To Supply

The programme types evaluated in this sub-section comprise those that the programme contractors either wanted to avoid or were indifferent about supplying.

Children's Programmes

The programme contractors were indifferent about supplying this programme type partly because it was not expected to attract large audiences and also because the numerous committees involved in approving Children's programmes made it a slow process to reach consensus²⁰². The concern was that television might negatively impact on children²⁰³ and it was impossible for the programme contractors to proceed unilaterally with production plans.²⁰⁴ However, the ITA pressured the programme contractors to make, rather than buy, more children's programmes as a means to introduce more variety into the ITV schedule and to improve the calibre of children's programmes supplied²⁰⁵. The programme contractors argued that making these programmes was more costly, and less profitable, than buying them. A-R, for example, claimed that since they changed their policy to increase making children's programmes, audience ratings had not significantly changed and it cost them some two and a half times more than it did for acquired films (SCC Minutes; 8 April 1959).

²⁰² During the first contract period, each programme contractor (except for ABC and ATV who operated jointly) had its own children's programme supervisor. A separate Children's Programme Committee, representing the programme contractors, liaised with the programme contractors' association, the ITCA. Each programme contractor also maintained separate production facilities for producing children's programmes. Overriding these arrangements was the ITA's own legally binding Children's Advisory Committee.

²⁰³ The Minister of Education was reluctant to participate on the ITA's Children's Advisory Committee, "lest his Department should be associated through the Committee with a possibly controversial medium" (ITA Minutes; 5 July 1955. ITC Archives).

²⁰⁴ A-R's decision to produce a half-hour school broadcast each afternoon from Monday to Friday was not agreed by the ITA until it complied with the Children's Advisory Committee's concern that they should consult an additional advisory panel, to meet requirements of the local authorities and teachers (ITA Minutes; 18 December 1956).

²⁰⁵ By mid way through 1958, the ITA was dissatisfied with the calibre of children's programming arising from these arrangements. It viewed children's programmes as the weakest part of the programme contractors' output that, "seemed almost completely devoid of originality" (ITA Minutes; 8 July 1958. ITC Archives). The ITA insisted on more interaction between the programme contractors and with its Children's Advisory Committee. A set of principles was issued to the programme contractors on which the ITA expected children's programmes to be based.

ITC Archives). In this case, the more costly make option was encouraged by the ITA as a means to develop programmes it considered socio-politically suitable.

Religion

The programme contractors were indifferent about supplying religious programmes because this programme type was expected to attract very small audiences and it also involved a cumbersome approval process²⁰⁶. They were willing to make a limited amount so long as they retained editorial control over production. Consideration of the buy option was not evident in the archives and editorial struggles between two of the initial weekday programme contractors²⁰⁷, A-R and Granada, and the ITA were prominent. From its inception, the ITA had relied on a BBC sub-committee, the Central Religious Advisory Committee (CRAC) to satisfy its advisory requirements regarding religion. When the ITA decided to re-constitute this sub-committee as their own, it also intended to hire a staff religious officer²⁰⁸ with three part time consultants. This possibility led A-R and Granada to threaten that they would not be involved in producing religious programmes because the action constituted an attempt by the ITA to control programme planning. Granada went so far as to say that the appointment of a religious officer to the ITA's staff was, "a first step towards dictatorship" (SCC Minutes; 26 October 1955. ITC Archives). The idea of an ITA staff religious officer was postponed and then eventually dropped (ITA Minutes; 20 December 1955. ITC Archives). The final outcome was a panel of three religious consultants to advise the programme contractors on matters relevant to their religion programme plans. As such, religious programming remained a complicated and closely monitored process, focusing on editorial control issues.

Party Political Broadcasts & Political Discussion Programmes

²⁰⁶ For example, ABC's interest in producing a programme of religious instruction for teenagers on Sunday evenings required approval from the BBC's Central Religious Advisory Committee (CRAC) and the Children's Advisory Committee, after which it was expected that, "the Authority's panel of religious advisors would be in close touch with ABC during the preparatory stages of the programme" (ITA Minutes; 5 November 1957. ITC Archives).

²⁰⁷ In contrast, the two weekend companies welcomed the changes as a means to improve co-ordination and to receive guidance for producing religious programmes.

²⁰⁸ One person recommended for the officer job indicated to the ITA that, as a 'strict' condition of acceptance, "he wanted final responsibility for the programme schedule of the companies and to have a hand in compiling them" (ITA Minutes; 6 December 1955. ITC Archives).

The programme contractors were indifferent about supplying political discussion programmes and they especially wanted to avoid supplying party political broadcasts under the conditions specified in the Act²⁰⁹. Section 3(1)(g) prohibited the programme contractors from making their own party political broadcasts but allowed them to show, by relay, in its entirety, the BBC's series of party political broadcasts²¹⁰. Similar to broadcast coverage of national events, the programme contractors wanted production responsibility divided between the BBC and themselves on a six month rotating basis. They also did not want to have BBC credits shown on the ITA's transmissions. The BBC resisted, with strong support from the political parties, who were extremely wary about relying on commercially minded programme contractors to make accurate and impartial programmes. The ITA pressured the programme contractors to relay the BBC's series as an act of political goodwill on the basis that it would help them gain permission to create programme alternatives more quickly²¹¹.

Negotiations to liberalise these supply conditions were complex and drawn out²¹². The programme contractors and the ITA negotiated with the BBC²¹³, the political parties, and the PMG throughout the initial contract period to ease the conditions under which political programmes, in general, were permitted. The programme

²⁰⁹ The initial programme contractors indicated to Sir Robert that they must refer the issue to their respective boards but “the companies would certainly not want to use the existing BBC series...they might not want to do any kind of party political broadcasts at all. If they did, they would want to do them in their own way”. In addition, A-R “would certainly charge for putting on such broadcasts, whereas the BBC did them free” (SCC Minutes; 12 July 1955. ITC Archives).

²¹⁰ Party political broadcasts relayed by the BBC were free except for the cost of providing the feed.

²¹¹ The programme contractors reluctantly agreed to take the BBC's 1956 series after much persuasion by the ITA who, “felt that it would be impolitic, in the long run, not to do so” (SCC Minutes; 7 December 1955. ITC Archives). The programme contractors anticipated that they would be permitted to create an acceptable alternative for the following year's broadcasts. However, the party leaders disliked the alternatives proposed. They did not want political discussion programmes to replace existing political broadcasts (SCC Minutes; 18 April 1956. ITC Archives). Although the programme contractors did not want to continue to take BBC relays, the ITA repeatedly emphasized, “in the last resort, if no alternative could be arranged, it would be politic for the companies to agree to take the BBC series” (SCC Minutes; 15 February 1957. ITC Archives).

²¹² For example, the programme contractors were adamant to get rid of the “closed fortnight rule” as a matter of principle and because it disturbed programme planning. The BBC had undertaken not to discuss matters that were to come before Parliament during the next 14 days. The ITA supported the programme contractors and collaborated with the BBC to have this rule abolished. It took nearly two years to achieve and required an assurance from the ITA, “that there would be some limitation to the anticipation of Parliamentary debates by broadcasting” (ITA Minutes; 18 December 1956. ITC Archives).

²¹³ The ITA negotiated with the BBC and the party whips on the programme contractors' behalf.

contractors considered that their proposals were repeatedly rejected because the political parties were unwilling to relinquish control that the prevailing arrangements permitted²¹⁴. They also attempted, unsuccessfully, to obtain permission to reduce the number of these broadcasts, to shorten their length, and to schedule broadcasts at a later time. Nevertheless, party political broadcasts throughout the initial contract period, continued to be supplied, only, by the BBC with simultaneous transmission on ITV. General Election broadcasts were even more editorially sensitive²¹⁵. The programme contractors were finally permitted to make political discussion programmes towards the end of the contract period after the ITA agreed that anybody who might be seen as representing the views of a political party would only be chosen with prior agreement of the party concerned²¹⁶. Programme supply make/buy decisions for this programme type provided a least cost option, free relays from the BBC. However, the programme contractors preferred to incur higher costs to avoid BBC branded material being shown on ITV and to obtain editorial freedom to develop political discussion programmes.

Charitable Appeals

The programme contractors wanted to avoid televising charitable appeals on the basis that this programme type was expected to attract very small audiences²¹⁷ and that they would be subject to BBC editorial control via its Central Appeals Committee

²¹⁴ Although the Party leaders questioned the allowability under the Act of the proposed series of programmes, “it might well be that their real concern was to preserve their right, which they would have if the companies took the BBC series, to a simultaneous broadcast on all channels” (SCC Minutes; 15 February 1957. ITC Archives).

²¹⁵ For example, A-R refused to take any political programme produced by another programme contractor due to sensitivity of political balance during election times and, “wish(ed) to keep all political programmes entirely within their own control” (SCC Minutes 58 (30): 14 May 1958). The other programme contractors expressed similar views but they did not adopt such an extreme position.

²¹⁶ The programme contractors did not accept that the political parties had any right to be consulted about the participants in their political programmes. However, they offered to provide partial prescribing to give the spokesperson some control over the topics discussed but the political parties refused. Their concern was that controversial debates, that would attract relatively larger audiences, might not be handled impartially and might influence subsequent voting behaviour.

²¹⁷ Initially, the Programme Contractors Association (PCA) rejected the idea of televising charitable appeals because, “they were known to reduce audiences to a minimum” (SCC Minutes; 12 October 1955. ITC Archives). The situation did not change significantly, three years later, when all of the programme contractors except STV repeated that they did not want to produce any regular charitable appeals (SCC Minutes; 8 October 1958. ITC Archives).

(CRAC)²¹⁸. However, the ITA pressured the programme contractors to decide whether they agreed in principle to supply such programmes and refused to discuss programme supply make/buy options that might be permitted prior to them doing so. The options included that the programme contractors might make the programmes, either individually or jointly, or, as a last resort, they would be relayed from the BBC (Appendix A4.4). An overriding issue was editorial control about how consensus could be reached for planning the production of such programmes.

The ITA remained more willing to co-operate with the BBC regarding a charitable appeals advisory committee than with the programme contractors because it was more confident in the BBC's ability to safeguard it against further public criticism. This lack of agreement on the acceptable advisory machinery caused more than five years' delay before the first nationally transmitted charitable appeal on ITV occurred on 23 December 1962. For this programme type, once the decision was taken by the programme contractors to supply it, the 'make' preference was more to do with retaining editorial control than with cost considerations.

4.3 Programme Supply Outcomes

This final section represents the main findings regarding programme supply make/buy outcomes, derived from the constraints and preferences previously discussed. Conclusions have been drawn in conjunction with the limited financial²¹⁹ and

²¹⁸ The programme contractors stressed that if they agreed with the ITA to supply charitable appeals, they did not want to be involved with the BBC's Central Appeals Advisory Committee. The ITA countered that they, "had under the Act the clear duty of approving all appeals" (SCC Minutes; 10 December 1958. ITC Archives), and they wanted the BBC's Central Appeals Advisory Committee (CRAC) converted into a country-wide independent Radio and Television Appeals Committee to cover all UK broadcasting.

²¹⁹ Financial particulars (Financial Particulars of Applicant Submissions for initial and second contract periods. ITC Archives) submitted to the ITA by each programme contractor represents the most comprehensive and official financial data available. This information includes aggregate net advertising revenue (NAR) and programme making costs, sales and buying figures. It is limited on two accounts: 1) make/buy activity between specific programme contractors is not explicit and it is therefore extrapolated in more general terms and, 2) aggregate figures do not permit matching of revenues and costs at the programme type level.

programme supply²²⁰ make/buy data available from archive and public sources. In combination, they show that by the end of the initial contract period, July 1964, the mosaic programme supply structure of ITV was characterised by the following features:

1. ITV's programme supply arrangements, in total, were predominantly a 'make' decision but this outcome was declining in proportion to the overall number of programme hours supplied (Appendix A4.5);
2. Three of the four initial programme contractors were the dominant makers of programmes supplied to the other eleven programme contractors. Programme supply arrangements, for these eleven, were predominately a 'buy' decision (Appendix A4.6);
3. Make/buy decisions, for programmes shown regionally or networked nationally, were almost entirely contained between the programme contractors (Appendix A4.6) and;
4. Programme supply outcomes incorporated concerns about editorial control that determined the cases in which a less cost option was either restricted or required.

Evidence of the first three features has been provided in the noted appendices. The fourth feature is explained by summarizing each programme type discussed in Section 4.2 according to the following categories:

- Whether the programme contractors wanted to supply the programme type
- Their preferred mode of supply if the programme type was supplied
- The actual supply outcome
- The main reasons for the supply mode chosen

²²⁰ It was not until 1962 (ITA Annual Report and Accounts; 31 March 1962 – 1964) that the ITA began to release information about the programme contractors' make/buy activity and it was incomplete in that it did not include programmes relayed by, or jointly made with, the BBC and it did not separate programmes commissioned from the make category. The ITA also did not publish information regarding make/buy activity between the programme contractors.

Although this summary does not entirely rule out the possibility of different arrangements on specific occasions, it does represent the central issues dominating make/buy decisions for the main programme types. Table 4.1 summarizes the findings according to these categories.

TABLE 4.1 PROGRAMME CONTRACTOR MAKE/BUY PREFERENCES & OUTCOMES²²¹

Programme Type	Want to Supply	Mode of Supply Preferred ⁶			Reasons	Supply Outcome	Other Reasons Contributing to Outcomes	Lesser Cost Option
		Buy	Joint/Relay	Make				
Quiz Shows & Prize Giving Programmes	Y			Y	8, 11, 12	Make	10	A ¹
Films	Y	Y			8, 9	Buy		A
						Make	1, 4, 10	
Sport Events	Y		Y/N	Y ²	1, 3	Relay	14	B
						Make		
News	≈Y			Y ³	1, 5, 7, 9, 13	Make	1, 5, 10, 14	A ⁵
						Buy ⁴	1, 4, 5, 10	
Events of National Importance	≈Y		Y/N	Y	1, 3, 8	Relay	1, 4	B
						Make		
Children's Programmes	≈	Y			2, 7, 9, 15	Buy		A
						Make	1, 10	
Religion	≈N		N	Y	1, 2, 7, 15	Make	1, 14	C
Political Discussion Programmes	≈			Y	1, 2	Make	1, 5, 6	C
Party Political Broadcasts	N		Y/N	Y	1, 2, 3, 7	Relay	1, 5, 6, 14	B
Charitable Appeals	N		/N	Y	1, 5	Make	1, 14	C

Source: SCC Minutes & Papers 28 June 1955-14 March 1962. ITC Archives

²²¹ As an example, Table 4.1 should be read as follows: The programme contractors do not want to supply party political broadcasts. However, if pressured by the ITA to do so, they prefer to make the programme themselves rather than supplying it jointly with the BBC, for the reasons indicated. The outcome is the actual supply outcome achieved. Other reasons, relate to ITA and PMG concerns that contributed to the outcomes achieved. The final column indicates whether a lesser cost option was restricted (A), required (B) or, not effected (C).

¹ Restricted insofar that the ITA aimed to limit hours supplied of this relatively less costly type of entertainment programme.

² Particularly on an exclusive basis.

³ Initial programme contractors.

⁴ Regional programme contractors only.

⁵ The ITA intervened as much as possible to have the programme contractors employ relatively higher cost production methods.

⁶ The archives did not record commissions separately from 'make' decisions.

Interpretive Frame for Table 4.1			
Want to Supply		Reasons	
Y	Yes	1	Editorial Control
≈Y	Yes, if permitted to 'Make'	2	Increase permitted broadcast hours
≈	Indifferent	3	Avoid BBC programme credits
N	No	4	PMG or ITA policy restriction
≈N	Would rather not but would 'Make' if pressured by ITA	5	Ensure accuracy & impartiality
	Make/Buy Options	6	Political Manoeuvring
Make	Produce a new programme in-house	7	Small audience
Buy	Acquire the right to broadcast a programme already made for an agreed number of transmissions and/or time period	8	Large audience
Joint	Produce a new programme series in alternation with the BBC	9	Cheaper
Relay	Take programme feeds from the BBC	10	ITA Reputation ¹
	Lesser Cost Option	11	Contributes to make requirement
A	Restricted	12	Relatively cheap type of programme to make
B	Required	13	Can sell to other programme contractors
C	Not explicitly effected	14	Interpretation of requirement in the Act (1954)
		15	Avoid Programme approval process

¹All ITA efforts to shape programme supply on Independent Television (ITV) to gain a reputation of high regard.

It is evident from Table 4.1 that editorial control was an issue that strongly influenced, and in some cases determined, programme supply make/buy outcomes. In most cases, editorial control concerns impinged upon programme supply outcomes by either restricting or requiring a less cost option to prevail. For quiz shows and prize giving programmes, films, news, and children's programmes, restrictions resulted by means of persuasion and/or direct intervention by the ITA. Pressure on the programme contractors to make fewer quiz shows and prize giving programmes, and more films and children's programmes, raised programme supply costs. The cost of making news was also higher because the ITA restricted less costly production methods. It also imposed a less cost option on the local/regional programme contractors by requiring them to buy this programme type at subsidized prices. For non-exclusive sport events, events of national importance, and party political broadcasts, a less cost option was required even though the programme contractors preferred to undertake a more costly 'make' decision. In no case did the programme contractors want to relay material from the BBC, and they only considered jointly supplying programmes, in alternation with the BBC, as a last resort. Editorial control was the overriding reason. The archives do not explicitly indicate how costs impinged upon make/buy decisions for religion, political discussion programmes, and charitable appeals except that organising duplication with a lack of hierarchical authority²²² prolonged negotiation and provoked hold up problems²²³ over editorial issues.

²²² The ITA argued that these difficulties arose from a lack of power assigned to it in the Act (1954). It recommended to the Government Committee of Enquiry, chaired by Sir Harry Pilkington, that it should be given greater powers of control over the network and for the 'balance' and timing of the programme schedules. It was aware that programme supply arrangements had shifted away from its own committee, the SCC, to committees established by the programme contractors that the ITA was not a part of. It wanted this situation amended but, "while the Authority should have power to issue formal directions to the companies on detailed programme matters, it was felt that its increased control could more easily be exercised by its being represented on the various bodies in the programme companies which were responsible for advance planning of programme schedules and of networking" (ITA Minutes; 12 April 1960. ITC Archives). These concerns and their outcomes were incorporated into the Report of the Pilkington Committee, two subsequent White Papers, and a new Television Act (1963) that was further revised to establish the Television Act (1964) and became operative immediately following the initial contract period.

²²³ In retrospect, the ITA considered that the major hold ups could have been avoided if network access rights had been clarified in original programme contracts (SCC Paper 56 (57); 31 October 1957. ITC Archives).

These negotiated outcomes occurred within the context of the mosaic programme supply structure, with its contributing effects examined and summarized in appendices A4.5 and A4.6. Although it proved impossible to alter the structure during the initial contract period in ways that would have permitted more competitive programme supply make/buy decisions²²⁴, the situation does not advocate a conclusion that all such decisions were socio-politically determined nor that socio-political concerns overrode an economic rationale to increase costs in all instances. The discussion in the first two sections of this chapter and the summary from Table 4.1 has demonstrated that costs were often a secondary concern to editorial control issues. As a result, programme supply make/buy decisions studied during this contract period were not always based on the least cost option available. The next chapter examines how these arrangements came to be modified in a later contract period, from 1990 onwards.

²²⁴ The ITA Committee was forcibly reminded by one of its newer members, Dame Francis Farrer, that the ITA should alter the mosaic programme supply structure to break up the monopolistic system that had emerged (ITA Minutes; 16 February 1960. ITC Archives).

Chapter Five

Re-Establishing ITV's Programme Supply Structure: 1964-2001

This chapter provides an account of how economic objectives came to outweigh socio-political concerns dominant in the pre-competitive and initial contract period, which, in turn, led programme supply make/buy decisions towards lesser cost outcomes for some programme types. It focuses on how the mosaic programme supply structure evolved to effect these decisions after 1990 when changes, originally envisaged by the ITA in 1954²²⁵, were introduced. Section 5.1 summarizes key features of the mosaic supply structure as it developed to impinge on programme supply make/buy decisions leading to 1990. Section 5.2 outlines the modified mosaic supply structure after 1990. Section 5.3 examines, in detail, how these modifications shifted make/buy decisions for some programme types towards less cost outcomes. Section 5.4 provides an overview.

²²⁵ See Chapter Three for discussion of the ITA's expectations that the programme contractors would commission (sub-contract) some of their programmes from failed applicants and that most programmes would be networked, as well as its intention to introduce a network access quota amongst the programme contractors as the main mechanism to satisfy programme supply competition requirements of Section 5(2) of the Act (1954).

5.1 Key Features of the Mosaic Supply Structure up to 1990

During the intervening contract periods up to 1990, the mosaic programme supply structure evolved in ways that largely reinforced the programme supply outcomes achieved in the initial contract period²²⁶. However, the socio-political and economic concerns that established the rationales underpinning programme supply make/buy decisions for specific programme types (Chapter Four) continued within a changing context²²⁷. In particular, earlier concerns regarding the mosaic's competitive elements became more pronounced. Two key features developed within this context to effect programme supply make/buy decisions up to 1990. The mosaic supply structure became characterised by the ongoing nature of its programme supply contracts and by the ITA's ineffective attempts to introduce measures to increase competition regarding programme supply make/buy decisions, especially for originated programmes intended for network transmission. Its gradual, indirect approach meant that the programme contractors were not forced to consider, as a priority, cost aspects of these decisions. Each feature is summarized regarding how it affected programme supply outcomes.

5.1.1 Characteristics of The Programme Supply Contracts

The programme supply contracts existing up to 1990 impinged on programme supply make/buy decisions insofar as they established expectations that contracts would be

²²⁶ The major changes recommended in the Pilkington Report (para. 579) would have led to different programme supply arrangements. The ITA would have 1) undertaken programme planning, 2) sold advertising time, 3) bought programmes made by the programme contractors for inclusion in an ITA planned programme and, 4) after making provision for reserves, paid any surplus to the Exchequer.

²²⁷ Criticisms unleashed against independent television, directed at both the ITA and the programme contractors, in the Pilkington Report, reinforced ongoing fears about how commercially funded television might negatively effect UK society. Although recommendations to rectify the 'organic weakness of independent television' (paras. 568 – 663) were not implemented, they explicitly set out public service expectations of broadcasting for UK independent television, as a priority. In particular, the Report strongly expressed a view that independent television, to date, had misconceived its broadcasting purpose; it had failed to reconcile its service to the public (a primary purpose) with its service to advertisers (an 'incidental' purpose). This report was significant in setting the context within which the ITA and the programme contractors were expected to operate their future programme supply make/buy arrangements. It also provided glimpses into the growing frustrations about lack of competition in the mosaic programme supply structure (paras. 538 – 551).

ongoing, irrespective of the supply modes chosen by the programme contractors.

Table 5.1 summarizes the evidence to support this position.

TABLE 5.1 SUMMARY OF CONTRACT PERIODS UP TO 1990

Contract Period		Expected Contract Period (yrs)	No. of Programme Contractors	No. of New Entrants	Extension	Actual Contract Period (yrs)
1	30 July 1954 – 29 July 1964	10	15	N/a	None	Staggered: 2-9
2	30 July 1964 – 29 July 1968	3	14	None	One	4
3	30 July 1968 – 31 Dec 1981	6	14	Three ²	Three	13
4	1 Jan 1982 – 31 Dec 1992 ¹	8	15	Two ³	One	10

¹ The extension represents the time permitted to implement organising requirements of the 1990 Broadcasting Act (1990).

² London Weekend Television (LWT) takes over from Associated Television (ATV) for London (weekend); HTV takes over from TWW for Wales and West of England; Yorkshire Television becomes the programme contractor for a new region, taking in part of Granada's and ABC's transmission area. Associated-Rediffusion (A-R) and ABC Television merge and are renamed Thames Television, providing the London Weekday service.

³ TSW takes over from Westward Television for South-West England; TVS takes over from Southern Television for South and South-East of England. ATV is renamed Central Independent Television.

Table 5.1 shows that although the programme supply contracts were allocated on a fixed term basis, the expected contract periods were not standardised, turnover rate was low, and the *modus operandi* was to provide contract extensions rather than to initiate a new application process. These extensions were a way of handling uncertainty and simplifying contract administration for the ITA, and subsequently the IBA²²⁸ (Appendix A5.1). The contracts were negotiated outcomes, often awarded subject to conditions that substantively committed the programme contractors to programme making investments such as building studio facilities and securing well-known creative talent, preferably poached from the BBC (Appendix A5.2). Their effect reinforced arrangements established in the initial contract period that largely contained programme supply make/buy decisions between the programme contractors.

The ITA/IBA made several indirect, gradual attempts to counteract this effect and to steer programme supply make/buy decisions toward outcomes based more on cost

²²⁸ Effective 12 July 1972, the Government added regulatory responsibility to the ITA for the introduction of Independent Local Radio, causing a change in the agency's name to the Independent Broadcasting Authority (IBA). It was the Independent Broadcasting Authority Act (1973) that consolidated broadcaster and regulator duties.

considerations. However, a review of these actions, summarized in Table 5.2, suggest that they were either ineffective, reinforced existing arrangements or had very limited effect.

TABLE 5.2 ITA ACTIONS TO INCREASE PROGRAMME SUPPLY COMPETITION

	Ineffective	Reinforced Status Quo	Limited Effect
Action Taken	<ul style="list-style-type: none"> ▪ Extensive efforts to maintain separation of ownership and administrative control between programme contractors ▪ Efforts to equalise profitability amongst the programme contractors 	<ul style="list-style-type: none"> ▪ Permitted ongoing practice of inter-company supply agreements 	<ul style="list-style-type: none"> ▪ Introduction of new national television channel ▪ Established guidelines for commissioning programmes to external sources

Despite extensive efforts taken by the ITA in the initial contract period to ensure separation of financial ownership and administrative control between the programme contractors, programme supply make/buy arrangements between the programme contractors continued to develop that put into question how independent the smaller regional programme contractors were (Chapter 4). The ITA considered that it did not have authority under the Television Act (1954) to alter these arrangements. However, even when the Television Act (1964) assigned additional statutory powers to it, the ITA did not directly challenge the situation. By 1968, the end of the second contract period, it had become part of ITV's networking arrangements, endorsed by the ITA, for regional programme contractors to undertake a guarantee to buy a minimum number of programmes from the initial programme contractors. The main motivation continued to be that the regional contractors did not have large enough programme budgets to make programmes of a similar calibre that the initial programme contractors were able to supply. Explicit rules to counteract these arrangements only began to form during preparation for the third contract period by introducing measures aimed at equalising profitability across the ITV regions.

The ITA intended to devise new programme supply contracts that would equalise profitability amongst programme contractors in three ways. It altered the amount of

levy²²⁹ charged to each of the programme contractors, reallocated some of the transmission coverage areas, and enforced a price scale²³⁰ on programmes sold by the initial programme contractors to the regional programme contractors. The expected outcome was that all programme contractors would operate with a similar revenue base from which they could produce programmes of comparable production quality and appeal to compete equally for network transmission (ITA 1967 Specification: Part II (iii-viii); ITC Archives). However, as Table 5.3 shows, the statutory and policy changes implemented in 1964 and 1968 had a limited effect on changing programme supply make/buy arrangements between the programme contractors. In some cases, the changes actually increased the spread between who made and who bought programmes.

TABLE 5.3 PROGRAMME SUPPLY MAKE/BUY OUTCOMES BETWEEN CONTRACTORS

Contract	Programme Contractor	Make/Buy Ratio ¹			
		Contract Period 2		Contract Period 3	
		1964A ²	1966A	1968F ³	1971F
A	A-R	1.14	.88	1.04	1.05
B	ATV	1.0	1.1	0.91	1.3
C	ABC	0.5	0.7	0.9	not avail.
D	Granada	1.0	1.1	1.2	0.8
E	Tyne Tees Television	.03	.08	.05	.05
F	Southern Television	.05	.1	.09	.11
G	Westward Television	.0004	.0078	.0187	.0281
H	Anglia Television	0.2	0.3	0.2	0.2
I	Border Television	.03	.05	.04	.04
J	TWW/WWN	.05	.06	.02	.02
K	Scottish Television	.08	.03	.02	not avail.
L	Grampian Television	.01	.04	.01	.01
M	Ulster Television	.007	.037	.026	.023
N	Channel Television	.01	.1	0.0	0.0

Source: ⁴Financial Particulars of Applicant submissions for Contract period 3. ITC Archives.

¹ The make/buy ratio is a calculation of the total revenue earned from programme sales (as a representation of programme making) in proportion to the total amount spent on buying programmes. The assumption is that programmes sold by the contractor were made by the contractor and the make/buy ratio is the proportion of make to buy activity in these terms only. Programme sales include programmes sold to the initial programme contractors, to the regional contractors, and to non-ITV sources. Programme buying includes purchasing programmes from the initial programme contractors, from the regional programme contractors, from non-ITV sources, and from ITN. If 'make' exceeds 'buy' the ratio is >1 and the conclusion is that the programme contractor is a 'net maker' of programmes in revenue terms. If not, the conclusion is that the programme contractor is a 'net buyer'.

²²⁹ The levy was a tax first imposed on the initial programme contractors by the Government and collected by the ITA from 1964 onwards as a percentage of net advertising revenue (NAR).

²³⁰ The price scale applied different charging rates based on NAR.

²Figures for 1964 and 1966 are based on actual financial data

³Figures for 1968 and 1971 are based on forecast financial data

⁴Financial particulars, submitted as part of a contract application, show how much an existing contractor has earned from selling programmes and how much has been spent buying programmes, with forecast figures also provided. These figures are not desegregated by programme type and programme costs are accounted for separately.

Table 5.3 represents a summary of an analysis comparing the make/buy decisions of each programme contractor one year prior to, and two years following, the implementation of these changes in the second and third contract periods²³¹. It shows how the two tier programme supply make/buy outcomes evident in the initial contract period continued to prevail. The first tier comprised three of the four initial programme contractors including A-R, ATV, and Granada. Each of these contractors was a ‘net maker’ of the programmes supplied for ITV transmission²³². For example, for every £1 that A-R spent on buying programmes, it earned £1.14 from selling programmes. In contrast, for the second tier, comprising ABC and the remaining ten regional programme contractors, every £1 spent on buying programmes equated to less than £1 earned from selling programmes. Each of these contractors was a ‘net buyer’ of the programmes supplied for ITV transmission.

A main reason why this two tier programme supply make/buy arrangement prevailed was because the ITA’s, and subsequently the IBA’s, efforts did not equalise revenue levels between programme contractors and their ability to fund programme production varied widely as shown in Table 5.4.

²³¹ The archive data available to calculate the summary figures in Table 5.4 aggregate NAR and programme costs of each programme contractor so that programme supply make/buy decisions cannot be compared by programme type.

²³² The archive data combines network and regional area programme supply.

TABLE 5.4 PROGRAMME CONTRACTORS' MAKE/BUY ACTIVITY: 1961-1971¹

Contract	Company	NARAL ² £000's	Make/Buy ³ £000's	Net Make Profit ⁴ £000's	%NARAL ⁵ spent to cover loss on programme making
A	A-R	10927	72	-2526	23.1
B	ATV(LWT from 1968)	13589	159.9	-2701	19.9
C	ABC	7706	-548.4	-1689	30.0
D	Granada	10181	4.2	-1658	16.3
E	Tyne Tees Television	3423	-832	-830	48.5
F	Southern Television	4529	-991	-867	41.0
G	Westward Television	1436	-357	-329	47.8
H	Anglia Television	2367	-443	-673	47.2
I	Border Television	502	-94.9	-177	54.2
J	TWW/WWN	4652	-1105	-1039	46.1
K	Scottish Television	3657	-535	-735	6.7
L	Grampian	934	-203	-305	54.4
M	Ulster Television	1201	-269	-284	46.0
N	Channel Television	139	-16.1	-46	44.9

Data Source: Financial Particulars of Applicant submissions for first three contract periods. ITC Archives.

¹ Data based on ten year averages except - ATV: 7 years; ABC: 8 years; Westward: 9 years; Grampian: 6 years; Ulster: 7 years; Channel: 5 years. Data for these companies is less than ten years either because the companies were not operational for the full period (Westward, Channel) or they did not submit details to the ITA for specific years, in some cases (ATV, ABC) due to a change of year end between contract periods, which resulted in figures submitted for the subsequent year only.

² NARAL = Net Advertising Revenue After Levy

³ Programme Sales less Programme Purchases

⁴ Sales less Total Programme making costs

⁵ NARAL is adjusted for note 3

Table 5.4 shows that the percentage of advertising revenue (column 5) spent on recovering the costs of programme production by three of the four initial programme contractors was dramatically less in all cases except for Scottish Television. In real and relative terms, these initial programme contractors could afford to invest more in programme production. The continuing practice of inter-company supply agreements provided a further incentive to the initial programme contractors to increase their programme making because it provided an additional guaranteed source of revenue, as did the ITA's policy to encourage all programme companies to schedule serious programmes during peak time²³³. This situation proved to be more financially

²³³ To the best of the author's knowledge, neither the Act (1954) nor the ITA required that all ITV companies transmit the same programmes at the same time (same position held by BFI Information Services where ITC archives are presently held; provided by Barrie Macdonald, retired head librarian, ITC). In the second contract period, the ITA introduced a requirement for all ITV companies to schedule serious programmes during peak time. Peak time varied across programme contractors but was generally 6-10pm. This requirement became known as the 'Serious in peak requirement quota'

beneficial for A-R, ATV, and Granada than it did for ABC²³⁴. In addition, the ITA also refused to exercise its powers within the Act (1964) which permitted it to allocate a ‘specialised programme contract’ to produce up to one hour of programming per week for the network²³⁵. The decision not to do so raised further criticism that programme supply make/buy decisions did not sufficiently relate to competitive, cost based concerns²³⁶.

Further, the ITA, followed by the IBA, continued to delegate part of its broadcaster role of schedule management, including network arrangements, to the programme contractors²³⁷. By the start of the third contract period, the programme contractors were required to co-operate in collective programme planning activities (General Conditions of Contracts 1968, Part II (2.vii); ITC Archives). This indirect approach to schedule management confounded earlier policy efforts to strictly separate ownership and administrative control between the programme contractors. Regional programme contractors wanting to make programmes for network transmission, continued to find it difficult to gain access, even after setting up a committee to represent their interests. Programme supply make/buy decisions for network transmissions became seriously contested towards the end of the third contract

(SIPRIQ). The programme supply make/buy arrangements for serious programmes during peak time continued along the lines established in the initial contract period. The initial programme contractors tended to make or acquire programmes for wider, network transmission, from which the smaller regional companies paid a subsidised price to have access to. Ron Eagle, former marketing director of Tyne Tees Television, and previously with HTV and Border Television, described the situation as, “a carve up during a time when the smaller regional companies still had greater ambitions to get access to the network” (27 April 2005).

²³⁴ ABC operated for fewer days over a smaller area, had had a late start relative to the other three initial programme contractors due to the Kemsley-Winnick collapse (Chapter Three), and considered that it had less flexibility to offer a full variety of programmes for sale because weekend scheduling restricted its output to mainly entertainment based programmes (Chapter Four).

²³⁵ The ITA, then under the chairmanship of Lord Hill, refused requests, “the Authority has no plans for appointing specialised programme contractors” (Letter from Lord Hill to David Stirling; 9 June 1967. A/S/0039/1. ITC Archives).

²³⁶ Television International Enterprises (TIE), a documentary filmmaker seeking a specialised programme contract just following the 1968 contract allocation, suggested that the mosaic supply structure was evolving to effectively foreclose competitive programme supply outcomes. TIE argued that there was a substantial amount of independent talent and equipment available which had, “so far been denied the opportunity of making any significant contribution to the British television industry” and that this was, “mainly due to the present structure and terms of reference of the ITA Contractors” (A/S/0039/1: Contract Applications 1968. ITC Archives).

²³⁷ Instead of directly managing programme schedules, the ITA/IBA outlined programme categories that had to be regularly included in the regional and national network schedule. The scheduling system was expected to provide airtime for locally produced programmes during regional opt out periods embedded within a national backbone for which programme contractors could, in principle, compete to get additional access to.

period²³⁸ by these regional programme contractors, and increasingly by programme producers independent²³⁹ of ITV.

A changeover from Labour to Conservative Government in 1979 led to reforms in a subsequent Broadcasting Act (1981). It introduced measures that overcame the ITA/IBA's historic justification that the mosaic programme supply structure was the most competitive that could be achieved with limited allocation of frequency space. The Act (1981) established a second national terrestrial television channel called Channel 4 (C4) and obliged the IBA to ensure that a substantial proportion of programmes broadcast on it came from sources other than the ITV programme contractors. However, this change had a greater effect on increasing programme making opportunities for the ITV programme contractors (Appendix A5.3) than it had on shifting programme supply make/buy decisions for ITV network transmissions between the programme contractors and between the programme contractors and independent production companies²⁴⁰. By 1982, only 15.8 per cent of ITV's network programmes were made by the ten regional programme contractors (IBA Annual Report & Accounts: 1981-82; p. 37)²⁴¹. The proportion of independently produced programmes for ITV, not reported until 1989, remained small relative to total programme output at 8 per cent, equalling 1001 hours total (IBA Annual Report & Accounts: 1989-90).

The ongoing debates regarding programme supply make/buy decisions, particularly those relating to programmes made for network transmission, were brought to a head by a report of the Committee on Financing the BBC (1986: Cmnd.9824; HMSO), commonly referred to as the Peacock Report (1986). The committee repeated the views of the earlier Annan Committee (1974) that the UK terrestrial television

²³⁸ See Briggs, A. and J. Spicer (1986) and Bonner, P. and L. Aston (1998) for expanded accounts of these debates during the intervening contract periods up to 1990.

²³⁹ These production companies represented a programme making sector defined by not having direct access to broadcast transmission, unlike the ITV programme contractors who automatically held the right, and also had a duty, to produce an agreed number of programme hours. They formally established a trade association in the early 1980s called the Independent Programme Producers' Association (IPPA) and later merged with the Producers' Association in 1991 to be renamed the Producers' Alliance for Cinema and Television (PACT).

²⁴⁰ See Woodward, J. in R. Paterson (ed) (1990) for an account of the independent production sector perspective during the 1980s and 90s.

²⁴¹ IBA Annual Report & Accounts after 1982 are silent regarding the proportion of ITV network programmes made by the regional programme contractors.

industry had become a duopoly system based on financial segregation²⁴². Separating UK television, based on source of finance had permitted the mosaic programme supply structure to evolve in ways that inhibited programme supply make/buy decisions to be based on cost concerns²⁴³. The committee argued that the existing situation, with its lack of competing programme producers to serve the market directly, provided little incentive for either ITV or the BBC to be cost conscious (Cmnd.9324; p. 41).

This report brought to light the different deal structure for programmes made by an ITV programme contractor versus those made by an independent producer. Independent producers encountered a deal structure that involved signing UK copyright of the programme, in perpetuity, to the ITV programme contractor. The independent producer also had to first enter into a production contract with an ITV programme contractor who then contracted centrally with the Independent Television Association (ITVA)²⁴⁴ for networking. In contrast, an ITV programme contractor supplying the network assigned UK broadcasting rights to ITVA for ten years with an option to extend this right for a further five years. Independent producers complained that this deal structure kept them from capitalising on the commercial value of their ideas and talent²⁴⁵ and the programme contractors maintained that the independent producers were well compensated without taking any financial risks. They justified this arrangement on account of their responsibility for programme compliance²⁴⁶ and financial underwriting²⁴⁷. Despite these disputes, guidelines established by the IBA following the Peacock report achieved little more than clarify the existing position (IBA Policy Statements: 6 August 1987; 21 April 1988. ITC Archives). Nonetheless,

²⁴² A monopoly of the licence fee revenue went to the BBC and a monopoly of advertising revenue went to ITV. Arguments within the Peacock Report (1986: Cmnd.9324; p. 38-44) stated that ITV was acting to protect its duopolist position.

²⁴³ The Peacock committee advocated complete liberalisation, including cable and satellite television broadcasting, so that the UK would move to a multi-channel environment.

²⁴⁴ Previously known as the Independent Television Contractors' Association (ITCA).

²⁴⁵ The situation led to criticisms of 'warehousing' whereby a programme might not be transmitted on ITV but it would remain tied to the commissioning programme contractor and could not be viewed elsewhere.

²⁴⁶ The programme contractor remained responsible for ensuring that the independently produced programme complied with the IBA's programme code guidelines.

²⁴⁷ It was routine practice for the programme contractors to financially underwrite the development and production overhead costs, plus pay a production fee for independent productions. This payment structure, in their view, was an equitable trade-off in return for not sharing programme copyright or distribution rights with the independent production company. The ITV programme contractor appropriated all further rents earned from the programme.

the excerpts provided demonstrate the extent that socio-political concerns, previously prominent in shaping programme supply make/buy arrangements in the initial contract period, dissipated in favour of re-establishing a programme supply mosaic structure based on a market led orientation.

5.2 Key Features of the Mosaic Supply Structure *post 1990*

Ongoing debates from the arguments presented in the Peacock Report were officially addressed in a further Broadcasting Act (1990). This Act (1990) represented a cornerstone for how economic concerns, dating back to 1954, would be addressed to modify the mosaic supply structure and shape programme supply make/buy decisions from 1990 onwards. In conjunction with an amendment (1993) and a revised Act (1996), the main changes introduced up to 2001 included:

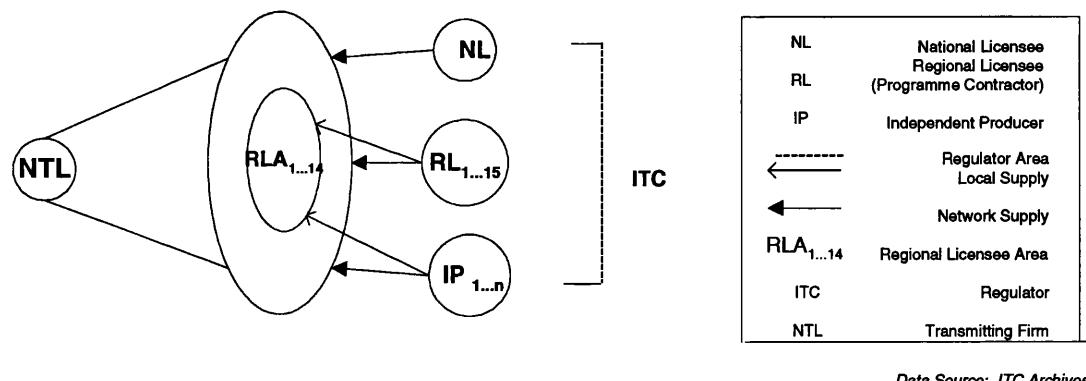
1. A separation of the broadcaster, regulator, and transmission functions with roles renamed and specified,
2. A new application process for programme supply contracts with guaranteed renewal rights,
3. A reduction in restricting financial ownership and administrative control between programme contractors,
4. A requirement for 25 per cent of commissioned programmes to be supplied by independent sources with compliance to new network contracting arrangements and,
5. A commitment to strengthen ITV's practices to operate as a national television service.

The first change re-configured the initial mosaic programme supply structure in substantive ways. The Act (1990) established the Independent Television Commission (ITC), with effect from 1 January 1991²⁴⁸, as successor body to the IBA.

²⁴⁸ The transition was completed on 1 January 1993, on which date the ITC ceased to act as a broadcaster and this role was formally transferred to the ITV companies. The programme contractors were commonly referred to as 'ITV companies' following a supplemental agreement outlining the first

The ITC's role was solely that of regulator, operating on a *post hoc* basis only. The role of *post hoc* regulator meant that 1) it no longer had the right to approve schedules or to preview programmes in advance of transmission, 2) it shed all transmission responsibilities and, 3) it had to adhere to a licensing regime that involved a competitive tendering procedure. The programme contractors were renamed regional licensees (RL), the distinction between 'initial' and 'regional' ceased, and they became identified as compliance broadcasters. The programme contractor providing a national breakfast-time service was renamed a national licensee (NL). The role officially delegated to them the responsibility for complying with the regulator's programme codes, including programmes made by independent producers (IP). All licensees had to enter into separate transmission contracts with the privatised transmission company, National Communications Ltd. (NTL). Diagram 5.1 illustrates these changes.

DIAGRAM 5.1 MODIFIED ITV MOSAIC SUPPLY STRUCTURE²⁴⁹



The second and third changes contributed to the context within which programme supply make/buy decisions could be taken. The application process largely perpetuated financial inequities between the regional licensees that had already been a feature between the earlier programme contractors. Differential prices offered in the cash bids were vast (Appendix A5.4) and variation in programme budgets across

extension of the third contract period in 1974, which included a name change from 'programme contractor' to 'television programme contractor' (A/S/0363/01/05: ITC Archives).

²⁴⁹ The modified ITV mosaic supply structure was operational from 1 January 1993.

licensees remained. However, a guaranteed renewal offer put an end to programme supply make/buy decisions being effected by concerns regarding uncertainty of extensions that existed in previous contract periods. Renewals partially re-balanced the financial inequities but major discrepancies remained (Appendix A5.5). Easing ownership restrictions also allowed the possibility for coordinating advertising sales as competition for ITV advertising revenues increased and pressure on costs relating to programme supply make/buy decisions became more apparent (Appendix A5.6).

The fourth and fifth changes directly effected ITV's programme supply make/buy decisions. The Act (1990) introduced the quota originally envisaged in 1954. Section 16 (2)(h) of the Act (1990) required ITV²⁵⁰, to commission a minimum 25 per cent of its qualifying programmes from independent producers:

"in each year not less than 25 per cent²⁵¹ of the total amount of time allocated to the broadcasting of qualifying²⁵² programmes in the service is allocated to the broadcasting of a range and diversity²⁵³ of independent productions²⁵⁴".

Whilst Section 16 (2) was written in a flexible manner²⁵⁵, programme supply make/buy decisions were also required, from this point forward, to be taken with a view to strengthening the channel's operation as a national service (Section 39).

Schedule 4 of the Act (1990) also confronted the different deal structures that existed in the previous contract periods. An examination by the Director General of Fair Trading (DGFT) concluded that ITV's existing network programme supply arrangements did not comply with the schedule's competition test and a subsequent

²⁵⁰ Although 'Channel 3' became the legal name for the television service, it is still commonly referred to as 'ITV' and is still the brand name used for marketing.

²⁵¹ Section 16 (5) gave the Secretary of State power to amend this percentage.

²⁵² Qualifying programmes were interpreted to include all transmissions except acquired programmes, repeats, news, and Open University and party political programmes Section 16 (5).

²⁵³ Range and diversity referred to programmes that varied in both cost and type.

²⁵⁴ Programme productions are not independent if the producer is an employee of a broadcaster, if the broadcaster's facilities are used in the production, or if the producer owns more than 25 per cent of the broadcaster or is more than 25 per cent owned by the broadcaster. (Broadcasting (Independent Productions) Order 1991(SI 1991/1408) London: HMSO 1991; Broadcasting (Independent Productions) (Amendment) Order (S.I. 1995/1925) London: HMSO 1995). Further discussions were underway at time of writing (see ITC Note 13: Independent Productions).

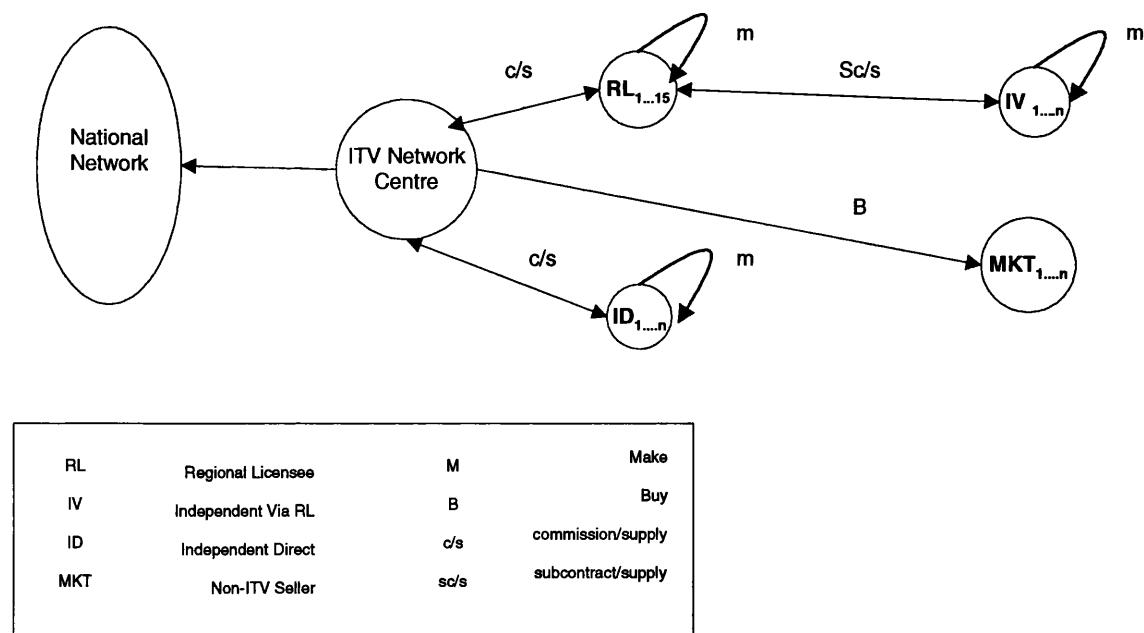
²⁵⁵ The quota did not distinguish between regional and network programmes and applied to total programme supply only.

reference to the Monopolies and Mergers Commission²⁵⁶ upheld this decision (MMC: Channel 3 Networking Arrangements; 1993). The failure essentially centred on arrangements that prevented independent producers gaining direct access to the Network and on their differing residual rights of control compared to the regional licensees. The MMC's conclusions led to the following changes:

1. An independent Network Centre was established to act as sole commissioner of network programmes;
2. Independent producers were given the choice of direct or indirect access to the Network's commissioning process and;
3. The Network Centre was restricted to retaining UK broadcasting rights, normally limited to an initial five years and two year option²⁵⁷.

Diagram 5.2 illustrates ITV's modified network programme supply make/buy process:

DIAGRAM 5.2 POST 1990 ITV NETWORK PROGRAMME SUPPLY MAKE/BUY PROCESS



²⁵⁶ Renamed the Competition Commission.

²⁵⁷ It could also negotiate an option for further programme and format rights.

From 1 January 1993²⁵⁸, the ITV Network Centre, jointly owned by the regional licensees through the ITVA²⁵⁹, became responsible for acquiring, commissioning, and scheduling network programmes. Each regional licensee had a representative member on its governing board²⁶⁰. The Network Centre could commission up to seventy five per cent of its originated programmes to be made by a regional licensee (RL). A minimum of twenty-five per cent had to be commissioned from independent producers who could either contract directly (ID) with the Network Centre or via a regional licensee (IV). From the Network Centre's perspective, it would commission to have a programme made on a lease only basis, either by a regional licensee or an independent producer. In both cases, it would provide payment on programme delivery²⁶¹ in exchange for limited UK broadcasting rights. Commissions to a regional licensee involving an independent producer in the programme production (IV) did not alter this arrangement. However, negotiation regarding funding and residual rights of control between the regional licensee and the independent producer (IV) could continue separately.

Each commission is now accompanied with contractual documents that incorporate the MMC's recommendations²⁶² and represent the revised deal structure as summarised in Table 5.5.

²⁵⁸ Date of implementation of the Act (1990).

²⁵⁹ Renamed ITV Network Limited on 5 October 1998

²⁶⁰ A Network Supply Contract comprised a collective agreement between the licensees and the Network Centre for the transfer of commissioning and scheduling responsibilities.

²⁶¹ Although the MMC empowered the Network Centre to permit staged payments and to fund programme development (para. 10.15), the Network Code of Practice has offered neither facility.

²⁶² The MMC specified a hundred and thirty pages of modifications that it required to be incorporated in the contract documents.

TABLE 5.5 CONTRACTING PROCESS FOR NETWORK COMMISSIONED PROGRAMMES

Contract Stage	Supply Option		
	IH ¹	IV ²	ID ³
Letter of Intent	Key Terms upon which the programme is commissioned are negotiated & finalised between Network Centre & regional licensee.	Deal is independently negotiated & finalized between regional licensee and independent producer then follows IH process.	Key terms negotiated & finalised between Network Centre & independent producer.
Deal Letter	Not applicable		Compliance & production monitoring requirements defined & agreed between the Network Centre, independent producer, & regional licensee. Letter of Intent incorporated.
Network Programme Licence ⁴	Letter of Intent incorporated		Not applicable
Tripartite Production, Licence & Compliance Contract ⁵	Not applicable		Details of Deal Letter verified & agreed by the Network Centre, independent producer, & regional licensee. Deal letter incorporated into tripartite contract.

¹IH denotes regional licensee and relates to in-house production.

²IV denotes independent producer commissioned via a regional licensee.

³ID denotes independent producer commissioned direct by the Network Centre.

⁴Published by the Network Centre: 11 August 1993.

⁵Published by the Network Centre: 30 September 1993; amended 9 March 1994.

Table 5.5 highlights a contracting process that is more complicated, and potentially more costly, for programmes made by independent producers. Whereas network programmes commissioned from a regional licensee require bilateral agreement at two stages, those commissioned from an independent producer require bilateral agreement at the first stage and trilateral agreement at two further stages. The reason for this arrangement has centred on the regional licensees' final responsibility for a programme's content²⁶³. As a result, regional licensees are assigned by the Network Centre to undertake compliance and production monitoring²⁶⁴ of independent productions for a cost based fee. Nonetheless, in combination, these modifications re-established ITV's initial mosaic programme supply structure and formalised overriding views that make/buy outcomes should be based on relative cost considerations.

²⁶³ At the time of discussions with the MMC, the Independent Television Association (ITVA) and the ITC argued that compliance could not be divorced from programme supply contracting. Irrespective of the source of programme supply, the licensee remained responsible for ensuring that all programmes complied with its licence, the Broadcasting Act, and the ITC's programme code.

²⁶⁴ The Network Code of Practice allows the independent producer to request that chosen information is kept confidential from the regional licensee. If the Network Centre agrees, it undertakes its own verification.

5.3 Programme Supply Outcomes *post 1990*

Programme supply make/buy decisions for originated network programmes have been, by far, the most contentious throughout ITV's history, and amongst the most important. During the later contract period, they have represented approximately seventy-five per cent of the total ITV programme budget (Appendix A5.7) and, at minimum, sixty-five per cent of the total programme hours transmitted. In addition, at time of writing, scrutiny of these programme supply make/buy outcomes, in terms of relative cost measures since implementation of the modified mosaic supply structure, had not yet been conducted. For these reasons, and with the good fortune of obtaining permission from ITV Network Limited to access their programme supply data, the focus is on these make/buy decisions.

Since the second half of 1993, the ITC has collected data on three stages of the ITV Network Centre's make/buy decisions for newly originated network programmes: 1) when commitment to enter into a production deal has been agreed and a Letter of Intent is signed, 2) when production and compliance details are finalised and a contract is signed and, 3) when the programme has been transmitted²⁶⁵. Resolution of debates between the Network Centre and the ITC²⁶⁶ indicates that the letter of intent most accurately represents network supply make/buy decisions and the subsequent enquiry is limited to this stage only. The commissioning process, contracting to have

²⁶⁵ Data collection by the ITC is gathered in a way that does not permit programme supply make/buy decisions, on a per transaction basis, to be traced across each stage. Figures relating to Letters of Intent do not necessarily correspond to figures relating to contracts signed of the same deal.

²⁶⁶ In the early days of implementing the new arrangements, the ITC focused on the contract signing stage (interviews with ITC senior economic staff members including Michael Bryne (28 December 2001; 22 February 2002), Michael Kidd (24 June 1999), and David White (24 June 1999; 20 August 1999). A deal was not considered to be complete until a contract was signed, which led to criticisms of the Network Centre on the length of time it was taking to finalise some of its deals. The Network Centre's view, however, was that they were being assessed on a basis that did not reflect the actual nature of their programme supply deal structure. The ITC misunderstood the commissioning process, not only in this respect, but also in respect to monitoring transmission times. First, once a letter of intent is signed, the production process begins. The contract signing stage is largely administrative and can take several months, depending on workload. Second, warehousing is not in the Network Centre's interest because it cannot show the programme elsewhere. At the time of contract signing, each programme has a specified transmission time slot assigned and these details rarely change. This explicit inclusion in the contract links each programme directly to the network schedule to minimise warehousing. The issue was resolved in 1999, in the Network Centre's favour (interviews with Colette Galza, ITV Network Limited: 14 June 1999, 22 May 2002).

a programme made for network transmission, in ITV's case²⁶⁷, involves the Network Centre undertaking to have a programme made by in-house sources (regional licensees) or by independent producers, as depicted in Diagram 5.2. However, the conventions used by the ITC are maintained²⁶⁸ in the analysis that follows. Namely, a commission 'in-house' (IH) is equivalent to 'make' and a commission to 'independents' is equivalent to 'buy', either directly (ID) or indirectly (IV).

The data provided enables a review (Appendix A5.8) to identify the extent that changes introduced since the Act (1990) have shaped network programme supply make/buy decisions toward relatively less costly outcomes. It comprises a breakdown of per hour volume and cost figures, at the sub-programme type level by producer category, 1994 to 2001 inclusive²⁶⁹ and represents the next best option to studying individual programme supply deals in these respects. The enquiry proceeds by first considering changes evident in the network programme mix and commissioning trends across producer categories. It then provides a detailed comparison of three cost features depicting relative costs associated with the four main programme types supplied for network transmission.

5.3.1 ITV Network Programme Mix for Originated Programme Supply

As was the case in the initial contract period, programme supply make/buy decisions also relied on prior agreements regarding what programme types would be supplied. Therefore, the programme mix strategy remains an important part of the decision process. In the later contract period the socio-political concerns that restricted ITV from making some programme types had ceased. Further, decisions regarding what programme types to commission at the network level have not faced many specific

²⁶⁷ The commissioning process for the other two UK terrestrial television services, C4 and C5, would always be a direct 'buy' decision because neither channel has established production facilities.

²⁶⁸ I continue to distinguish three producer categories: 1) independents direct (ID), 2) independents via regional licensee (IV) and, 3) regional licensee 'in-house' (IH) supply. The ITC classification structure includes a category called 'non-qualifying independent' (NQI), which I have incorporated as part of in-house (IH) supply.

²⁶⁹ Caution should be taken in making any direct comparison with published data in the ITC Annual Report and Accounts because data analysed has been disaggregated and reorganised according to the ITV Network's internal categorisation system.

restrictions from clauses in the Broadcasting Act (1990)²⁷⁰. Each regional licensee's programme supply commitments, known as 'positive programme requirements' included in the ITC's programme code²⁷¹, have been based on the programme mix proposals it made at the time of licence application. The licensees, via the Network Centre are, however, expected²⁷² to pursue a strategy that provides a diverse programme mix including: Drama, Entertainment, Factual (including Current Affairs), Children's, Religion, Education, Art, and Sports programmes. This strategy, since the mosaic structure was modified, has changed in ways to support the view that a more cost conscious environment has emerged.

Strictly speaking, the Network Centre commissions to a programme mix and scheduling strategy set out by the ITV board, comprising the regional licensees, "we argue and cajole and get things changed...the broadcasters (regional licensees) have paying power over the schedule so obviously they (scheduling and commissioning) are totally intertwined and they (Network Centre) are commissioning to a schedule matrix which has been agreed by the broadcasters (regional licensees)" (Andy Allen, Carlton Productions: 23 May 1997). Important indicators of ITV's programme mix strategy are the number of hours commissioned and the budgets allocated for newly originated network programmes as shown in Chart 5.1.

²⁷⁰ Whilst Section 16 (2)(a)(c)(f) of the Act (1990) specified that each regional licensee had to commit a 'sufficient' amount of time to regional programmes, national and international news, current affairs, children's and religion programmes, there was no explicit requirement, except for regional programming, as to whether these programmes had to be supplied at the regional or network level. For the ITC's interpretation of 'sufficient' amounts see ITC Annual Report & Accounts: 1994; p. 55.

²⁷¹ Sections 6 and 7 of the Act, assigned to the ITC the right to publish and revise a programme code in relation to impartiality, decency, and violence. However, no clause within these sections explicitly assigns to the ITC the right to specify supply quotas except for news, current affairs, and children's programmes. Such decisions would be ITC policy interpretations based in line with Section 16(2)(b)(f).

²⁷² Given that ITV has to operate as a national service, differences across regional programme supply proposals have had to be 'fitted' into the network schedule. The ITC acknowledged that conflicts in the regional licenses had to be accommodated, indicating that it, "regarded the figures set out in advance by licensees as a robust framework for measuring diversity rather than a strait-jacket" (ITC Annual Report & Accounts 1994; p. 55). The programme mix, following the Network Centre's first year in operation was criticised for only supplying arts, education, and religion programmes 'on the margin'²⁷². By 1997, the ITC began to introduce specific requirements, "Channel 3 (ITV)...services must include specific strands of programmes and minimum amounts of time allocated to each of them. These strands are drama, entertainment, sport, news, factual programmes (including current affairs), education, religion, arts, and children's programming" (Annual Report & Accounts 1997; p. 33). This explicit stance softened in 2000, "in a move away from allocating minimum requirements to all programme genres"²⁷² and to say more generally that, "Channel 3 licenses commit the regional ITV companies to ensuring a network schedule with a diverse mix of programmes which appeal to a wide variety of tastes and interests, many of high quality" (ITC Annual Report and Accounts 2000; p. 15, p. 74).

CHART 5.1 ITV NETWORK PROGRAMME MIX BUDGET STRATEGY

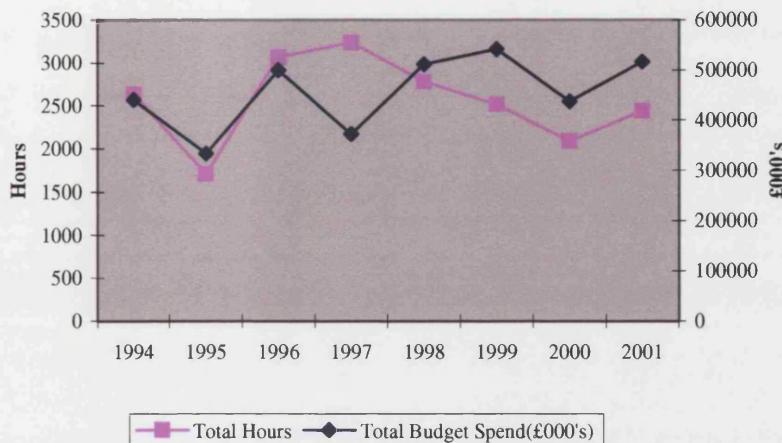


Chart 5.1 shows a switch point in 1998 of ITV's programme mix strategy, which coincided with a senior management changeover at the Network Centre, and also with changes on its executive board, ITV Network Ltd.²⁷³. The Network Centre changes were intended to halt ITV's declining revenue situation (Appendix A5.7), 'the management changeover brought in a young, small, and vibrant group with a remit to reverse ITV's rating decline' (Robin Britton, Meridian Broadcasting Ltd.: 9 October 1997). Since these changes occurred, the strategy pursued has resulted in larger budgets being allocated to commission relatively fewer programme hours. These larger budgets have been described as necessary investments in programme types that deliver relatively large audiences and attract advertising revenues sufficiently large to fund further programmes of similar calibre²⁷⁴. This outcome explains part of the economic rationale contributing to a concentration of the programme mix summarized in Chart 5.2.

²⁷³ Previously the regional licensees' representative body known as the Independent Television Association (ITVA).

²⁷⁴ It has also become important to create cost recovery flows that are not wholly reliant on advertising revenues. One result is that pooling of capital from a number of sources has been increasing, especially for films, drama, and major documentaries and these efforts are expected to expand to other programme types, 'skill in finance packaging recovers budget shortfalls and also lubricates the negotiating position for residual rights' (Andy Allen, Carlton Productions: 23 May 1997).

CHART 5.2 ITV NETWORK PROGRAMME MIX FOR ORIGINATED PROGRAMME SUPPLY

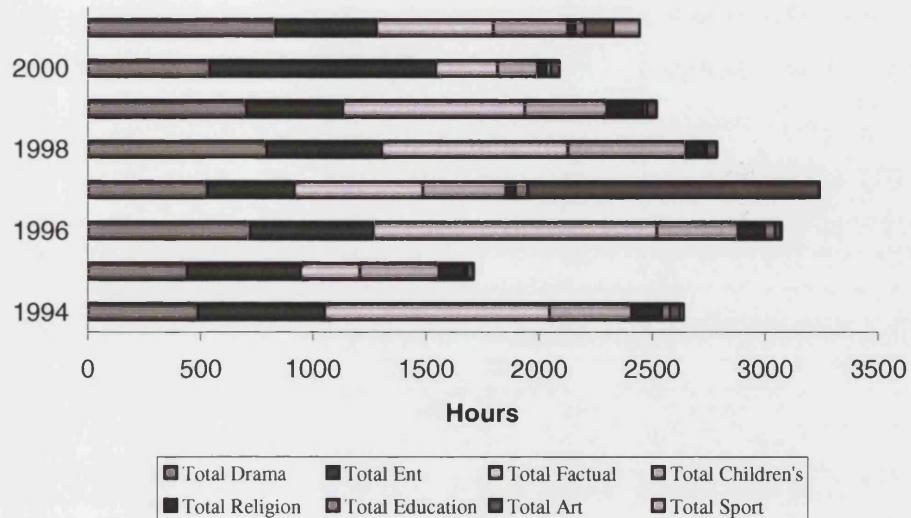


Chart 5.2²⁷⁵ shows that change in the programme mix have not affected all programme types in the same manner. Throughout this later contract period, four programme types have been dominant including: Drama, Entertainment, Factual and Children's programmes. Like during the initial contract period, Drama and Entertainment, in particular, were programmes that the programme contractors wanted to supply because of their anticipated potential to attract relatively large audiences. The other four programme categories have retained a relatively minor role. Table 5.6 provides a more precise summary of this programme mix concentration, taking into account variation in share and hours.

²⁷⁵ 1997 figures have been skewed by one abnormally large in-house Arts commission of 1286 hours.

TABLE 5.6 PROGRAMME MIX FOR ORIGINATED NETWORK PROGRAMME SUPPLY

Share (Hours)	1994	2001	8 Year Average	8 Year % Change
Drama	.19 (489)	.34 (834)	.24 (632)	+84 (+71)
Entertainment	.21 (561)	.18 (448)	.23 (548)	-14 (-20)
Factual	.38 (996)	.21 (515)	.26 (688)	-44 (-48)
Children's	.14 (363)	.14 (331)	.14 (355)	0 (-9)
Religion	.05 (133)	.01 (33)	.04 (89)	-73 (-75)
Education	.01 (39)	.02 (44)	.01 (31)	+22 (+13)
Art	.02 (43)	.05 (123)	.07 (203)	+208 (+185)
Sport¹	.01 (16)	.05 (116)	.01 (17)	+710 (+649)

¹ Sport programmes only; programme supply deals for televising sports events are negotiated separately.

Table 5.6 shows the extent that the programme mix has concentrated towards Drama programmes, and therefore towards an economic rationale expressed in interviews. Although the programme mix appears less concentrated when the four main programme types (Drama, Entertainment, Factual and Children's) are combined (1994: 92 per cent; 2001: 87 per cent), this conclusion is misleading. By 2001, Drama and Entertainment represented 52 per cent (1994: 40 per cent) of all network commissions. Further, of the four main programme types, only Drama has increased in terms of the number of hours commissioned. This outcome shows how changes to the mosaic supply structure have altered the programme mix towards a more market led orientation. How this strategy has impinged on whether these programmes were made by licensees (make) or by independent producers (buy) is the focus of the next sub-section.

5.3.2 ITV Network Commissioning Trends for Originated Programme Supply

ITV's network commissioning trends, in the context of this study, represent its programme supply make/buy decisions for originated programmes intended for network transmission since the mosaic structure was modified. The examination of these trends identifies how network programme supply decisions have been apportioned between make and buy and how the patterns vary according to programme type and according to changes that have occurred in the programme mix. The make/buy outcomes prevailing during this later contract period demonstrate how the re-established mosaic structure effected changes toward an economic rationale. In particular, this part of the analysis illustrates the increasing preference toward make/buy decisions that reduce negotiation between licensees and independent producers regarding residual rights of control to the programme; one market oriented outcome. It also shows that the preference toward supplying programmes expected to attract relatively larger audiences, Drama in particular, has increased²⁷⁶. Further, it shows how this programme type, that has come to dominate the programme mix in both share and hours, has become increasingly made by in-house (licensee) sources.

Chart 5.3 provides a summary of ITV's network commissioning trends.

²⁷⁶ ITV peak time viewing is between 6 and 1030 pm, where larger audiences, and therefore larger returns on advertising, can be anticipated. In the latest year studied, 68 per cent of peak time viewing was Drama and Entertainment (ITC Annual Report and Accounts: 2001; p. 31). These programme types are also amongst the most expensive (Appendix A5.8) and are increasingly expected to generate revenues beyond their initial network showing (Carlton Productions Ltd.).

CHART 5.3 SUMMARY OF COMMISSIONING TRENDS BY PRODUCER CATEGORY

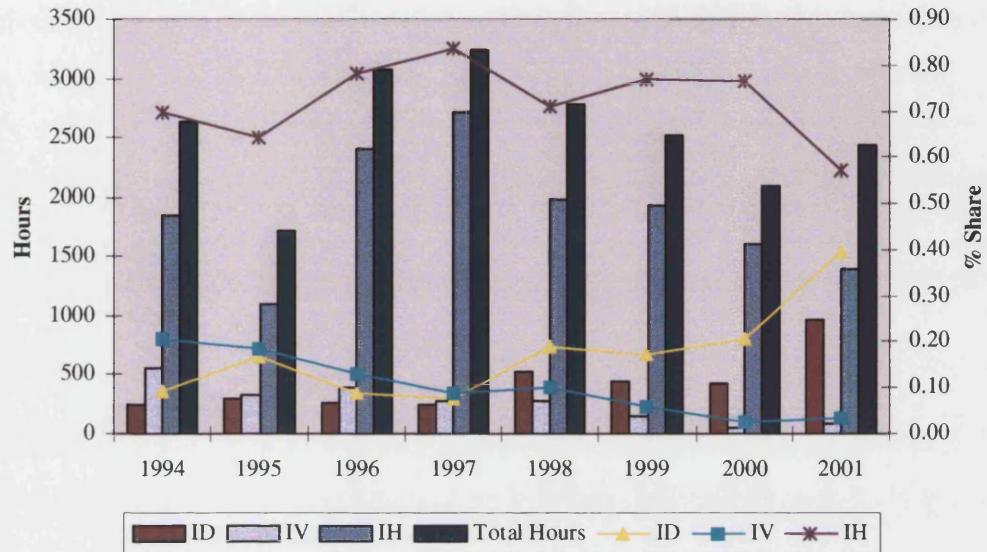


Chart 5.3 shows that, in aggregate, programmes commissioned for network transmission in the later contract period have continued to be predominantly made by in-house (IH) sources. On an eight year average basis, in-house (IH) decisions represent 72 per cent, and have remained 70 per cent or above in all years up to 2000 except in 1995 (65 per cent). The decline of in-house (make) decisions in 2001 (57 per cent) is misleading because this outcome does not prevail for all programme types. An ongoing feature of these decisions has been that four of the regional licensees (previously the initial programme contractors), made the majority of these programmes. On average, between 1994 and 2001, they supplied 64 per cent of the originated network programmes made by in-house (IH) sources (Appendix A5.8).

Whilst the 'make' decision (IH) has remained the dominant mode of supply, the programme supply outcomes for the two 'buy' options have changed dramatically. Until, and including 1997, independent producers seeking network commissions via a regional licensee (IV) was in decline but remained ahead in hours and share relative to independent producers seeking network commissions direct from the Network Centre

(ID). In 1998, this situation switched²⁷⁷. ID has since continued to claim hours and share from IV as well as encroach on the 'make' decision (IH) in 2001. However, as indicated, the decline of originated network programmes made in-house (IH) has not occurred for all programme types. It has, especially, not declined for Drama, the programme type most expected to attract relatively larger audiences as summarized in Table 5.7.

TABLE 5.7 IN-HOUSE ORIGINATED NETWORK PROGRAMMES BY PROGRAMME TYPE

Share (Hours)	1994	2001	8 Year Average	8 Year % Change
Drama	.55 (268)	.55 (462)	.70 (440)	0 (+73)
Entertainment	.60 (339)	.55 (248)	.72 (394)	-8 (-27)
Factual	.87 (868)	.84 (434)	.88 (613)	-3 (-50)
Children's	.53 (193)	.31 (104)	.38 (136)	-41 (-46)
Religion	.85 (113)	.42 (14)	.74 (71)	-50 (-88)
Education	.74 (29)	.93 (41)	.82 (25)	+25 (+41)
Art	.79 (34)	.45 (55)	.80 (190)	-43 (+61)
Sport¹	.16 (3)	.31 (36)	.20 (5)	+93 (+1347)

¹Refers to sport programmes only; programme supply deals for televising sports events are negotiated separately.

Table 5.7 shows how in-house 'make' decisions that existed at the beginning of the later contract period have changed in comparison to those existing eight years onwards. Most evident amongst the four main programme types, is that the 'buy' option has not encroached on Drama in the way that it has for Entertainment, Factual and Children's programmes (Appendix A5.9). Information provided from interviews emphasise competitive differences. It is considered increasingly difficult to attract well-known talent to work on an in-house production when greater financial returns are anticipated by them working independently. Some types of Entertainment programmes have been noted for this feature and their increasing secondary market

²⁷⁷ The switch from IV to ID occurred in 1998 for Factual, Children's, Education, and Sport, and in 2000 for Entertainment. The ID category for Drama has remained larger than IV, while ID has exceeded IV in Religion in all years except 1997 and 2001. Art has not shown any distinct pattern in the independent categories.

potential for cycling and versioning²⁷⁸. Equally, ITV's indifference to making Children's programmes in the initial contract period has made it more difficult to compete on a price or talent basis with established specialist independent producers. Nonetheless, competitive elements are perceived to be amongst the highest for Drama and cost considerations in conjunction with these concerns are apparent.

Cost concerns provided by interviewees regarding these four programme types have been expressed in absolute and relative terms. In absolute terms, ITV's declining advertising revenues has led to expectations that programme supply make/buy decisions will increasingly involve longer production runs at lower costs per hour. Also, the presence of other television channels operating with smaller programme budgets is expected to put pressure on ITV to do the same. In relative terms, views were repeatedly expressed that the casualisation of production labour had sufficiently reduced in-house costs such that, in most cases, this outcome would be the relatively less costly alternative.

The analysis continues by considering how the described cost concerns have contributed to shaping make/buy outcomes prevailing so far. The data has been disaggregated to the sub-programme type level to capture differences that would otherwise be disguised at the programme type level. Given that Drama, Entertainment, Factual, and Children's programmes dominate the programme mix, the focus is also narrowed to these four main programme types²⁷⁹.

²⁷⁸ Cycling refers to a release schedule of the programme to overseas markets. Versioning refers to recreating a programme in the same format but altering it to suit a local audience.

²⁷⁹ These programme types represent a majority (2001: 87 per cent; 1994: 92 per cent) of originated network programmes. Also, numbers at this level are too small for the other four to make meaningful comparisons.

5.3.3 ITV Network Cost Issues for Originated Network Programme Supply

The absolute and relative cost measures available from the data provided includes 1) average cost per programme hour, 2) average letter of intent²⁸⁰ size and, 3) average value per letter of intent²⁸¹. To organise this large data set as clearly as possible, an identical format has been adopted for considering the cost aspects of each main programme type. First, charts of the number of hours contributed by their respective sub-programme types are provided. The summaries reveal that the main programme types have each concentrated on three sub-programme types in terms of hours and proportion of budget spend. For this reason, comparison²⁸² of the three cost measures, in absolute and relative terms, are based on these sub-programme types only. The data has then been presented in summary tables with comparisons made in each section. Observations regarding how these cost measures changed to impinge upon make/buy outcomes from the beginning of the later contract period to those existing eight years' onwards, indicate the extent that an economic rationale concerned with minimising relative costs prevailed.

²⁸⁰ The Letter of Intent represents the make/buy decision.

²⁸¹ Average value per letter of intent = average cost per hour x average letter of intent size.

²⁸² Comparisons are based on eight years' average figures. Appendix A5.8 provides details of the calculations for further reference. For ease of presentation, extracts of these calculations are incorporated into tables for the analysis of each programme type.

Drama

Drama comprises seven sub-programme types with their respective share of hours commissioned during the later contract period as depicted in Chart 5.4.

CHART 5.4 SUMMARY OF ORIGINATED NETWORK DRAMA PROGRAMMES

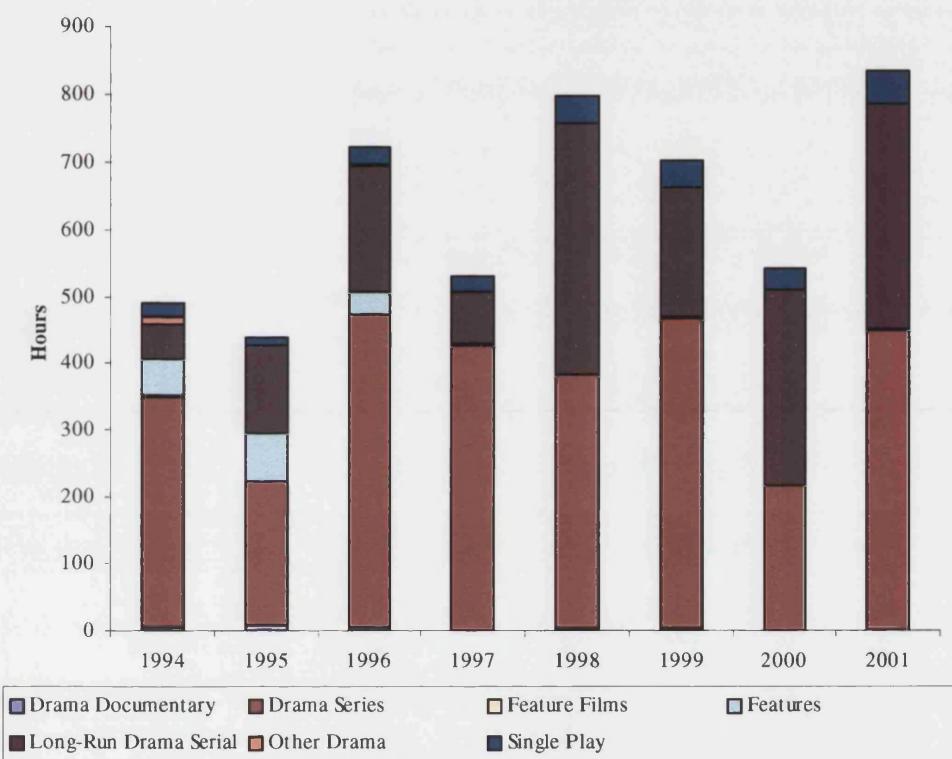


Chart 5.4 shows that originated network Drama commissions have concentrated on three sub-types including the Single Play, Drama Series, and Long-run Drama Serials. In combination, the hours contributed by these three sub-programme types have ranged between 85 and 100 per cent per annum. On average, over the duration of the current contract period, they have represented 95 per cent of total Drama hours commissioned and 97 per cent of its budget spend. The cost features of each of these three Drama sub-programme types are compared in absolute and relative terms by producer category as summarised in Table 5.8.

TABLE 5.8 SUMMARY OF COSTS: ORIGINATED NETWORK DRAMA PROGRAMMES

£000's	DRAMA SUB-PROGRAMME TYPES					
	Long-Run Drama Serials		Drama Series		Single Play	
	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg
<i>Average:</i>						
Cost Per Hour	240:152	-40	528:482	-22	599:653	+10
Size By Hours	52:111	+110	9.6:16.1	+68	1.8:2.2	+20
Value	1,248:16,931	+40	5,049:7,745	+53	108:143	+30
<i>Categorised by:</i>						
Total Share ¹	11:40	+23	70:54	-23	4:6	+57
Total Hours ²	52:333	+276	344:450	+31	18:48	+167
IH Share	100:100	0	46:20	-56	59:77	+30
IH Hours	52:333	+541	158:91.5	-42	10.6:36.8	+248
ID Share	0:0	n/a	30:77	+159	0:20	n/a
ID Hours	0:0	n/a	102:346	+239	0:9.5	n/a
IV Share	0:0	n/a	24:3	-88	41:4	-90
IV Hours	0:0	n/a	84:13	-85	7.5:2	-70
<i>Relative Costs³ by:</i>						
Number of Hours						
ID	n/a	n/a	2.45:6.04	+146	n/a:.26	n/a
IV	n/a	n/a	0.84:1.14	+35	.71:.05	-90
Cost Per Hour						
ID	n/a	n/a	0.58:0.69	+19	n/a:1.06	n/a
IV	n/a	n/a	1.02:0.57	-44	.96:0.17	-80
Value						
ID	n/a	n/a	1.43:4.18	+193	n/a:0.88	n/a
IV	n/a	n/a	0.85:0.65	-24	1.02:0.15	-90

¹ Share of sub-programme type as a proportion of total Drama

² Number of sub-programme type hours

³ Based on average figures

Table 5.8 shows that the relative shifts towards the ID buy option are only relevant in considering the make/buy arrangements for Drama Series and Single Plays. Long-run Drama Serials have always been a 'make' decision. However, their cost features have changed since the beginning of the contract period with larger commissions and lower average costs per hour. Although Drama Series have become a smaller component of the Drama mix, the total number of hours commissioned have still increased because of the higher rate of increase in Drama to the overall programme mix. Within this context, the ID producer category has taken share and hours away from both the IH and IV categories. In relation to the relative costs measured, these commissioning outcomes have moved towards a least cost producer category. Relative to IH, the ID buy option has consistently been the least cost alternative.

Entertainment

Entertainment comprises eight sub-programme types with their respective share of hours commissioned during the later contract period as depicted in Chart 5.5.

CHART 5.5 SUMMARY OF ORIGINATED NETWORK ENTERTAINMENT PROGRAMMES

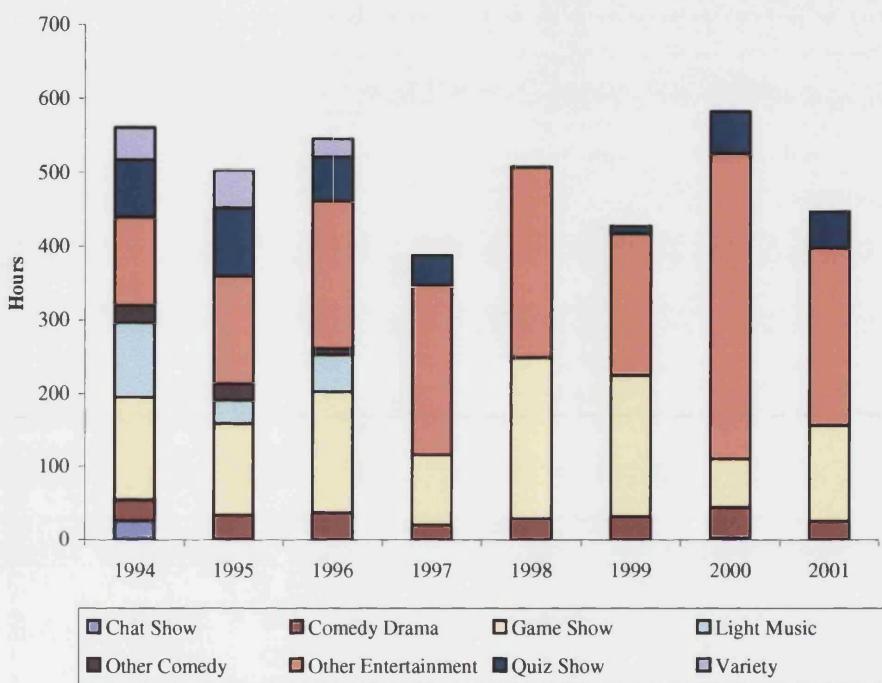


Chart 5.5 shows that Network Entertainment commissions have progressively concentrated toward three sub-programme types including Game Shows, Quiz Shows, and Other Entertainment. The hours contributed by these three sub-programme types combined has ranged from between 60 and 95 per cent per annum. On average, this outcome represents 84 per cent of total Entertainment hours commissioned and 76 per cent of its budget spend. Table 5.9 illustrates the cost features of each sub-type and the make/buy changes in proportionate share and total hours.

TABLE 5.9 SUMMARY OF COSTS: ORIGINATED NETWORK ENTERTAINMENT PROGRAMMES

£000's	Game Shows		Quiz Shows		Other Entertainment	
	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg
Avg Cost Per Hour	120:173	+44	25:19	-26	236:319	+35
Avg Size By Hours	11:22	+102	39:8	-79	3.4:3.7	+7
Avg Value	1,296:3,779	+192	977: 152	-84	810:1,169	+44
Share	25:29	+17	14:11	-20	21:54	+150
Hours	141:131	-7	78:49	-40	120:242	+100
IH Share	87:24	-72	100:94	-10	72:63	-12
IH Hours	122:32	-74	78:46	-40	87:153	+77

Table 5.9 shows that at the beginning of the later contract period, no sub-type dominated, although Game Shows and Other Entertainment were more often commissioned than Quiz Shows. By 2001, this situation changed. Other Entertainment became the largest sub-type in both share and number of hours supplied. In addition, the average total value, or budget spend, per Letter of Intent declined by 84 per cent for Quiz Shows while it increased dramatically for Game Shows (+192 per cent) and strongly for Other Entertainment (+44 per cent). Although Game Shows provide the largest deal in terms of total value, Other Entertainment remains the most costly type of Entertainment programme on an average hourly basis. The cost features and make/buy pattern for each sub-type differ greatly. For Game Shows, the average number of hours per Letter of Intent has doubled. Over the same period, average costs per hour have increased by 44 per cent raising the total value per deal dramatically by nearly 200 per cent. For Other Entertainment, although average costs per hour and total deal value have also increased, unlike Game Shows, the average size by hours has barely altered. In contrast, Quiz Shows declined by all three cost features, most notably in size by hours and total value.

Make/buy outcomes for each sub-type have been dominated by in-house 'make' decisions. On average, 80 per cent (Game Shows), 90 per cent (Quiz Shows) and 70 per cent (Other Entertainment) have been made by in-house sources. The marked decline of Entertainment programmes made by in-house sources in 2001 compared to 2000 was mainly due to an abnormal decrease in its share of Game Shows (2001:24

per cent). Quiz shows have rarely been buy decisions. This sub-type has also declined, lowering in-house share of the Entertainment genre further. Last, while decisions to make Other Entertainment programmes in-house increased by 66 hours, the sub-type has grown at a more rapid rate. As a result, IH share declined by 12 per cent, almost entirely to the ID category. The cumulative effect dropped IH share of total Entertainment to 55 per cent (2000: 75 per cent).

Cost features comparing 'buy' outcomes in relation to in-house make decisions are summarised as follows:

1. *Game Shows*: ID and IV buy decisions have been relatively smaller (by hours), relatively larger (by total value), and more costly on a per hour basis. Between the ID and IV outcomes, ID has been larger (by hours and by total value), and more costly per hour. 2001 was a marked acceleration to this pattern. The ID buy outcome was three times larger by hours and six times larger in total value while nearing the same cost (1.02 times) per hour.
2. *Quiz Shows*: ID and IV buy decisions have been relatively smaller (by hours), relatively larger (by total value), and more costly per hour. Between ID and IV outcomes, ID was relatively larger (by hours), smaller (by total value) and more costly per hour.
3. *Other Entertainment*: ID and IV categories are relatively smaller (by hours). Only the ID category is relatively larger (by total value) and more costly per hour. Between the ID and IV categories, since 1998, ID has been relatively larger (by hours and total value) and more costly per hour.

In summary, the average differences in the three cost features have corresponded to make/buy outcomes in particular ways. For Game Shows, the trend has been towards commissioning fewer deals that are larger and more costly per hour and in total value. Until 2001, these programmes have predominantly been made by in-house sources that were relatively less costly than ID and IV alternatives. However, in 2001, these decisions changed from IH to ID, which was relatively more costly. For Quiz Shows, all three cost features declined alongside the sub-type declining and they have predominantly been made in-house, also being the least cost option except in 2000. In this year, the ID category was the least cost option and it obtained half the share of

hours at one-tenth the cost per hour and total value of the IH category. Only in 1999 did share of hours move away from the least cost option. For Other Entertainment, make/buy decisions have not always resulted in the least cost option, particularly in 2000 and 2001. During this period, the ID category gained its greatest increase in share and hours whilst being the most costly supply option per hour and in total value.

Factual

Factual comprises seven sub-programme types with their respective share of hours commissioned during this contract period as depicted in Chart 5.6.

CHART 5.6 SUMMARY OF ORIGINATED NETWORK FACTUAL PROGRAMMES

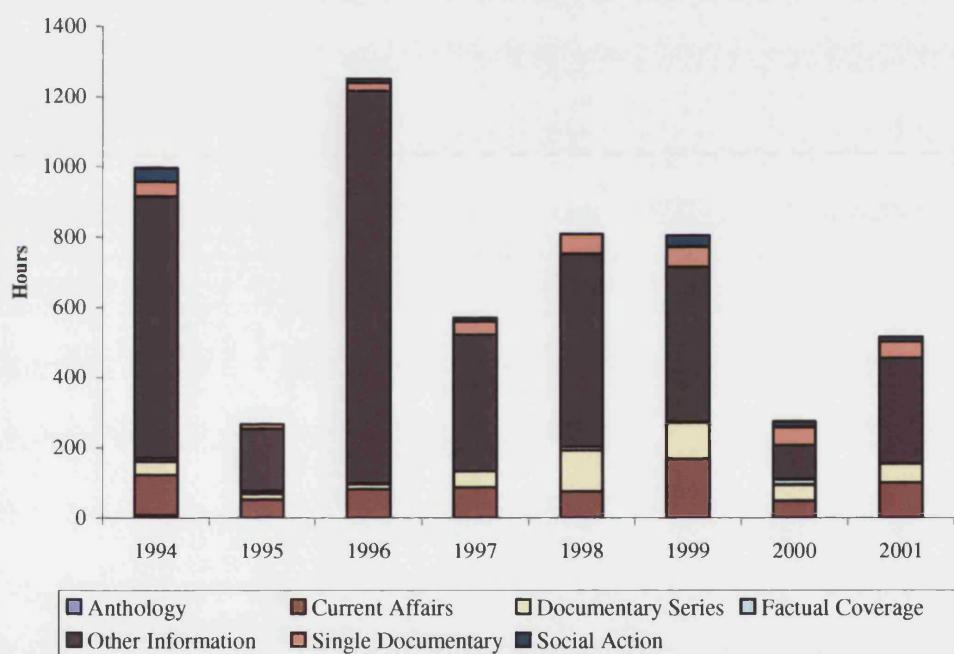


Chart 5.6 shows that Network Factual commissions have concentrated on three sub-programme types including Current Affairs, Documentary Series, and Other Information. The hours contributed by these three sub-types combined has ranged between 69 and 97 per cent per annum. On average, this outcome represents 91 per cent of Total Factual hours commissioned and 82 per cent of its budget spend. By far the largest type of Factual programme supplied during the eight years' period is Other Information. Although it declined as a proportion of total Factual from 75 per cent in

1994 to 58 per cent in 2001, it remains the largest sub-type in both share and total hours supplied. Table 5.10 illustrates the cost features of each sub-type and the make/buy changes in proportionate share and total hours.

TABLE 5.10 SUMMARY OF COSTS: ORIGINATED NETWORK FACTUAL PROGRAMMES

£000's	Current Affairs		Documentary Series		Other Information	
	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg
Avg Cost Per Hour	142:146	+3	243:166	-32	320:440	+38
Avg Size By Hours	8.8:5	-43	3.2:3.2	0	93:21	-60
Avg Value	1,246:726	-42	781:523	-33	2,979:943	-68
Share	11:19	+69	4:10	+171	75:58	-22
Hours	114:100	-13	39:54	+40	746:300	-60
IH Share	84:98	+17	17:69	+311	97:82	-16
IH Hours	96:98	+2	7:38	+5	727:245	-66

Table 5.10 shows that, for all sub-types, the average total value, or budget spend, per Letter of Intent has decreased from between 33 and 68 per cent. Average size has also declined for Current Affairs and Other Information, 40 and 60 per cent respectively, while it has not changed for Documentary Series. On a per hour average, Current Affairs programmes are the least expensive type of Factual whilst Other Information are the most expensive. The cost features and the make/buy outcomes for each sub-type also differ substantially. For Current Affairs and Other Information, the average cost per hour has increased (albeit marginally for Current Affairs) but the average deal size has become smaller by hours and total value. For Documentary Series, the average cost per hour and the total value declined while the deal size by hours has not changed.

Make/buy outcomes show that for the eight years' studied, Current Affairs and Other Information have predominantly been made by in-house sources. On average, 91 per cent (Current Affairs) and 94 per cent (Other Information) programmes have been made in-house. By comparison, the make decision for Documentary Series has ranged between 9 and 73 per cent (8 year average: 50 per cent). By 2001, Current Affairs represented an increased proportion of a declined sub-programme type within the programme mix. As a result, IH increase in share corresponds to a decrease in hours supplied. For Other Information, IH decisions have declined in both share and absolute terms. In contrast, Documentary Series has increased as a proportion of the

Factual programme mix and make decisions have increased alongside in both share and hours. On this basis, Documentary Series have shifted in-house.

Cost features comparing 'buy' outcomes in relation to in-house make decisions are summarised as follows:

1. *Current Affairs*: ID and IV buy decisions have been relatively smaller (by hours and total value) and marginally less costly on a per hour basis. The relative cost results are skewed by disproportionately low figures in some individual years. From 1998 onwards, the ID category (1999 for the IV category) have been relatively more costly. Between ID and IV buy decisions, the ID category is smaller (by hours and total value) and less costly per hour.
2. *Documentary Series*: ID and IV buy decisions have been relatively larger (by hours and total value) and marginally more costly per hour. Between ID and IV buy decisions, the ID category is smaller (by hours) and larger (by total value). However, these results are skewed by disproportionate results in 1995 when ID and IV outcomes were by far the largest and most costly (by hours and total value).
3. *Other Information*: ID and IV buy decisions have been relatively smaller (by hours) and more costly on a per hour basis. Only the ID category has been relatively larger (by total value). Between ID and IV buy decisions, ID has been larger (by hours and total value) and most costly per hour.

In summary, differences in the three cost features have corresponded to make/buy decisions in particular ways. For Current Affairs, the trend has been towards smaller, less costly deals that are predominantly made by in-house sources that, since 1998, have been the least costly. For Documentary Series, in 1995 only, ID and IV buy decisions were by far the most costly per hour and were commissioned the greatest share of hours. However, from this year onwards, share has been dominated by the IH category and, in most cases, it has been relatively more costly than either ID or IV buy decisions. For Other Information, the deals have become smaller (by hours and total value) and more costly per hour in 2001 compared to 1994. 2001 represents an abnormally low share for the IH category as this sub-type has predominantly been made in-house and has consistently been the least cost option.

Children's

Children's programmes comprise four sub-types with their respective share of hours commissioned during this later contract period as depicted in Chart 5.7.

CHART 5.7 SUMMARY OF ORIGINATED NETWORK CHILDREN'S PROGRAMMES

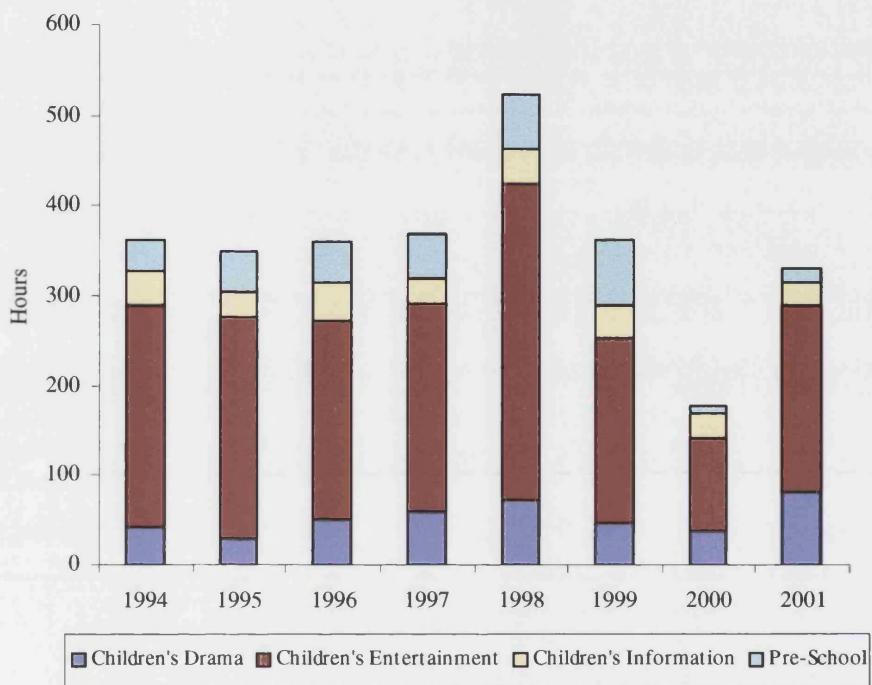


Chart 5.7 shows that Network Children's commissions have concentrated on three sub-programme types including Children's Drama, Children's Entertainment, and Children's Information. The hours contributed by these three sub-types combined has ranged between 80 and 95 per cent per annum. On average, this outcome represents 88 per cent of Total Children's hours commissioned and 91 per cent of its budget spend. The largest type of Children's programme commissioned during the eight years' studied is Children's Entertainment. On average, it represents 68 per cent of Children's programmes. Table 5.11 illustrates the cost features of each sub-type and the make/buy changes in proportionate share and total hours.

TABLE 5.11 SUMMARY OF COSTS: ORIGINATED NETWORK CHILDREN'S PROGRAMMES

£000's	Children's Drama		Children's Entertainment		Children's Information	
	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg	1994:2001	8Yr%Chg
Avg Cost Per Hour	276:269	-3	92:41	-56	104:117	+12
Avg Size By Hours	3.1:6.3	+90	8.8:11	+24	3.8:4.3	+14
Avg Value	854:1,697	+99	807:444	-45	389:497	+28
Share	12:25	+108	68:63	-8	10:08	-25
Hours	43:82	+90	246:208	-16	38:26	-32
IH Share	64:85	+33	57:12	-80	43:30	-31
IH Hours	28:70	+152	140:24	-83	16:8	-53

Table 5.11 shows that the three sub-programme types widely vary across two of the cost features. Average costs per hour varied from between a 56 per cent decline to a 12 per cent increase. Average total value varied from between a 45 per cent decline to a 99 per cent increase. However, for all sub-types, the average size by hours has increased from between 14 and 90 per cent. Children's Drama is by far the most costly (per hour) type of Children's programming whilst the other two sub-types are nearly equivalent. For Children's Drama, average cost per hour declined while the average size and total value nearly doubled. The trend has been towards larger deals that are less costly per hour. For Children's Entertainment, the average cost per hour and total value declined quite dramatically while size increased by about one quarter. For Children's Information, all three cost features increased and these supply deals have become more costly per hour and larger in size and total value.

Make/buy outcomes have shown that Children's Drama is made more by in-house sources while the other two sub-types are mainly buy outcomes. On average, the make decision has been 63 per cent for Children's Drama with a marked increase (85 per cent) in 2001. Children's Drama as a proportion of Children's programmes has more than doubled (108 per cent) and has nearly doubled in hours (90 per cent). IH share of this increase has risen at a higher rate (152 per cent) by hours and has been commissioned a higher proportion (85 per cent) of hours than ID and IV categories. On this basis, Children's Drama has shifted in-house. By comparison, Children's Entertainment programmes have been made in-house between 12 and 57 per cent (8 year average: 30 per cent) and since 1998 the ID buy decision has dominated (4 year average: 65 per cent). Children's Information programmes have been made in-house

between 30 and 61 per cent (8 year average: 44 per cent) and both buy outcomes have, on average, retained similar shares (8 year average: ID: 26 per cent; IV: 29 per cent). Both of these sub-types have declined as a proportion of Children's programmes and in terms of hours commissioned. IH has declined at a more rapid rate on both measures so that outcomes have shifted to the ID and IV buy categories.

Cost features comparing 'buy' outcomes in relation to in-house make decisions are summarised as follows:

1. *Children's Drama*: On average, ID and IV buy decisions have been relatively smaller (by hours) and more costly per hour. The IV category is relatively larger (by total value) and the ID category is relatively smaller. Between ID and IV outcomes, the ID category is smaller in respect to all three measures.
2. *Children's Entertainment*: On average, ID buy decisions have been relatively larger (by hours), less costly per hour and nearly equivalent in size (by total value). However, these results are skewed particularly by figures in 2001 when the ID category was almost seven times larger (by hours), nearly one-seventh the cost per hour and only one third the size (by total value). On average, the IV category has been relatively similar in all three measures.
3. *Children's Information*: On average, ID and IV buy decisions have been relatively smaller (by hours) and marginally more costly per hour. By total value, the ID category has been relatively smaller and the IV category relatively larger. Between ID and IV buy decisions, the ID category is smaller (by hours and total value) and more costly per hour.

In summary, Children's Drama, as an increasing sub-type, has tended towards slightly larger deals (by hours and total value) that are more costly per hour and which are increasingly commissioned to relatively less costly (per hour) in-house sources. The declining trend for Children's Entertainment programmes has been toward deals that are larger and less costly (by hours) and smaller (in total value) which are increasingly made by the relatively less costly ID category. The declining trend for Children's Information programmes are less conclusive. However, for 2001, a dominant share of hours was commissioned to the relatively more costly ID and IV categories.

5.4 Overview of Make/Buy Decisions for Network Originated Programmes

The analysis in the previous section has highlighted the differences and similarities of three cost features for each of the twelve main sub-programme types that represent the programme supply make/buy decisions for network originated programmes between 1994 and 2001. These features including relative costs per hour, size, and total value, have varied within and across sub-types, and according to changes in proportionate share of the programme mix. The outcomes indicate how these decisions have been affected to express an economic rationale that was not achieved in the initial contract period.

Broadly speaking, the economic orientation provided by Williamson's perspective suggests that make/buy decisions for originated network programmes should tend towards the relatively least cost option. Further, that this outcome should be aligned to make decisions for programme types that are characterised by high levels of asset specificity, uncertainty and frequency. Although it is not the intention of this study to provide a detailed transaction cost analysis, it is possible to make some relevant observations corresponding to this approach. For example, we have seen that many programme supply make/buy outcomes during the later contract period have tended towards the least cost option and that these programmes have mainly been made by in-house sources. Further, an examination of the programme supply data at the sub-programme type level has highlighted differences in make/buy outcomes whereby programme types involving large investments specific to a particular production, larger audience expectations, and an ongoing nature have corresponded to cases where make decisions are most prevalent. Long run drama serials, for example, match Williamson's predictions.

However, the economic rationale has appeared to be broader than the cost minimisation aims predicted by Williamson. The relatively less costly choices have included: Current Affairs (ID/IV), Other Information (IH), Children's Drama (IH), Children's Entertainment (ID/IV), Other Entertainment (IH), Game Shows (excluding 2001) (IH), and Drama Series (ID) (2001 only). At the same time, relatively more

costly decisions have occurred for: Single Plays (IH), Drama Series (until 2001) (IH), Documentary Series (IH), Quiz Shows (1999 only) (ID/IV), Game Shows (2001 only) (ID). These differing outcomes are plausibly explained when it is considered that they have occurred jointly with decisions that have increased budget allocations to programme types (all types of Drama, Games Shows, Other Entertainment, Children's Drama) within a programme mix increasingly competing for audience share and between licensees (make) and independent producers (buy) seeking to retain residual rights of control. The instances where make/buy decisions for a specific programme type have changed to the extent that they have shifted towards one or another option provides an indication of the competitive elements expressed in interviews. These outcomes have occurred irrespective of the programme characteristics attributed to make/buy decisions as suggested by Williamson. The evidence provided has shown how importantly these outcomes have relied on socio-political changes towards a market oriented transacting environment that modified the mosaic supply structure to impinge upon the ways in which this economic rationale could be expressed.

Chapter Six

Comparative Outcomes and Conclusion

This final chapter compares the empirical findings regarding ITV's programme supply make/buy decisions and the evolving arrangements within which these decisions occurred during the time periods studied. The comparison leads to a conclusion that the economic rationale underpinning these decisions has essentially remained the same over time but that differing constraints arising from changing socio-political concerns shaped the way in which these decisions could be expressed. Section 6.1 compares the socio-political and economic rationales impinging upon programme supply make/buy decisions in each time period. Section 6.2 compares the contractual arrangements achieved.

6.1 Comparison of Socio-Political Concerns and Economic Rationale

The empirical evidence presented in this case study has shown how ITV's programme supply make/buy arrangements and its corresponding outcomes have never been fashioned separately from the aims of government and its regulatory agencies, the ITA, IBA, and ITC consecutively. However, the emphasis has shifted from directly creating, or endorsing, practices that restricted programme supply make/buy options in the initial contract period to focusing more on market driven principles in the later. Section 6.1.1 contrasts the socio-political concerns underpinning each contract period. Section 6.1.2 compares the economic rationale underpinning programme supply make/buy decisions in each contract period.

6.1.1 Fear of Social Impact Versus Fear of Monopoly

As shown by an archival analysis covering the pre-competitive period (Chapter Two), fear of the social impact of commercial television on UK viewing audiences, was sufficiently extreme to hold back its introduction. Existing technology, the relay companies' eagerness to become more involved in television (and the right for them to do so under their existing contracts) provided the possibility for UK commercial television to begin alongside the BBC. However, delay tactics and contract renegotiation, initiated by the Postmaster General (PMG), disabled the relay companies' intentions (Section 2.1). This socio-political agenda against commercial television was a formidable obstacle that was not overcome, even in principle, until a UK Government change occurred in 1951 from Labour to Conservative.

It is unsurprising, from Granovetter's perspective, therefore, that the eventual introduction of UK commercial television, as permitted by The Act (1954), led to establishing programme supply make/buy arrangements that reflected these concerns. However, the extent that both the establishment of ITV's programme supply mosaic structure (Chapter Three) and the allocation of its initial programme contracts (Chapter Four) were affected by non-economic concerns was more pervasive than anticipated when the research began. The detailed analysis of the Kemsley-Winnick

failure (Section 3.2.1) illustrated the lengths to which these concerns were catered for to secure socio-politically suitable programme contractors. Equally, the rejection of other applicants, based solely on disapproval of finance source (News of The World, in particular), overrode market led possibilities.

These chapters have described how political manoeuvring, first prevented, then created and sustained, a particular programme supply development path for UK commercial terrestrial television in general, and for ITV, in particular. The manoeuvres were largely based on socio-political fears rather than on an economic rationale. Government intervention and its ongoing influence were not solely based upon concerns to protect the allocation of scarce frequency space in the public interest. The public interest was not protected from resource misallocation insofar as the Government's initial agency, the ITA, acting in its capacity as a broadcaster, failed to create a programme supply structure within which these make/buy decisions would be taken on a competitive basis. Instead, it permitted UK commercial television, in the form of ITV, to be structured as an advertisement funded, regionally based, monopoly. Contractual ambiguities that existed in the Television Act (1954), namely issues relating to competition, suitability of finance sources, and programme supply obligations, were largely interpreted to achieve socio-politically acceptable aims. The conclusion drawn from the pre-competitive period, and that existing at the end of the first contract period, was that programme supply make/buy arrangements and prevailing outcomes were directly influenced by socio-political concerns that predominantly served the purpose of maintaining Government control over broadcast material.

In contrast, the time leading to, and including the later contract period, was increasingly influenced by monopoly concerns while fear over the potential social impact of commercial television diminished. Several examples, drawn from the documents reviewed and the interviews conducted, have illustrated how this shift occurred (Chapter Five). Socio-political concerns regarding suitability of broadcast material declined as programme codes were successively refined and became explicit, routine contractual requirements. In parallel, programme supply make/buy outcomes arising from the original mosaic supply structure were disputed by those not permitted to partake in the lucrative business that ITV had become, particularly for three of the

four initial programme contractors (Section 3.2.2). Indirect attempts to modify arrangements so that ITV's programme supply make/buy decisions would depend more on cost considerations were also largely ineffective. Efforts to equalise revenue levels amongst the programme contractors failed. Introducing a new television service, in the form of Channel Four (C4), also achieved little in terms of changing programme supply make/buy arrangements between ITV's programme contractors [Table 5.3, Appendix A4.6]. In addition, the IBA's involvement in devising codes of practice did not resolve disputes regarding programme supply make/buy arrangements between the programme contractors and independent producers (Section 5.1.1). These ongoing frustrations about a lack of competition relating to programme supply make/buy decisions came to override socio-political concerns prevalent in the earlier periods examined. As a result, major changes were forced upon ITV's programme supply mosaic structure and the make/buy practices permitted for supplying programmes to the ITV Network (Section 5.2.). The detailed analysis of ITV's network programme supply make/buy decisions since implementation of these changes in 1993 up to 2001 has shown how they effectively contributed to directing decisions toward cost considerations that had not previously been possible to achieve. Despite repeated deliberation over establishing these arrangements as early as 1954, they did not occur until socio-political concerns shifted in its favour to do so.

6.1.2 The Economic Rationale

The economic rationale that has consistently underpinned ITV's programme supply make/buy decisions across the time periods studied has included assessments regarding three factors: 1) expected audience size, 2) relative cost and, 3) the expected value of retaining residual rights of control. Chapters Three and Four have demonstrated how programme types may vary in these respects. Their differing audience potential, relative production and transaction cost considerations, and secondary market prospects, were important factors considered jointly. By studying the pre-competitive and initial contract periods for ITV, it has been possible to scrutinize the early development stages of this rationale just as it was beginning to influence ITV's programme supply make/buy decisions. By comparison, Chapter Five has shown how this rationale continued to impinge on ITV's programme supply

make/buy decisions after significant modifications to its mosaic programme supply structure were enforced. These factors are summarised for each contract period.

The Initial Contract Period: 1954-1964

Following the pre-competitive period and during the initial contract period, we have seen that ITV's programme supply make/buy decisions were contingent upon reaching a consensus about the programme types that it would supply. Because the initial contracts did not specify the programme types that had to be included in ITV's programme schedule, disagreements arose whereby the programme contractors did not want to supply certain programmes that the ITA wanted supplied and *vice versa*. The programme contractors were oriented towards supplying and scheduling programmes to attract large audiences. This preference was based on the direct relationship between a programme's audience size and its advertising revenue potential. The objective was pursued first by the initial four programme contractors. They repeatedly tried to avoid supplying Religious, Charitable, and Party Political broadcast programmes and to limit supply of Children's programmes because of the expectation that such programmes would attract small audiences (Section 4.2.2). News programmes, also expected, at the time, to generate small audiences, were an exception. This programme type was agreed to be an essential component to ITV's programme mix (Section 4.2.1). In contrast, the programme contractors wanted to supply Entertainment based programmes including, in particular, Quiz Shows/Prize Programmes and Films that had mass appeal (Section 4.2.1).

These deliberations exposed the initial contractors' programme supply make/buy preferences in relation to each of the programme types. For the most part, they preferred to make in-house, rather than acquire²⁸³ or externally commission²⁸⁴, programmes. Indeed, in some cases (Table 4.1), the negotiated agreement to supply a programme type was only achieved when the initial programme contractors were convinced that they would eventually be permitted to make the programme

²⁸³ Acquisitions refer to the buy option in relation to purchasing usage rights, usually exclusive, for a specified period of time and number of transmissions.

²⁸⁴ Commissions refer to the process whereby a programme contractor undertakes to have a new programme made on its behalf.

themselves. The exceptions were Films and Children's programmes. Because information regarding the relative costs of these make/buy options was limited during this period, and benchmark prices for most programme types were not yet established, limited conclusions can be drawn from the extracts available. However, it is evident that the preference to acquire Films and Children's programmes, mainly of American origin, was due to it being cheaper than originating²⁸⁵ new programmes of similar calibre²⁸⁶ (Section 4.3b). The tendency to choose a less costly option whilst aiming to attract large audiences was evident from the increasing proportion of American Film acquisitions (Appendix A4.5) during the early 1960s. Equally, Associated-Rediffusion (A-R), one of the leading initial contractors, showed that making Children's programmes, and increasing the amount supplied to satisfy the ITA, caused them to incur relatively higher costs without significantly improving audience ratings (Section 4.2.2).

It is also evident that the initial programme contractors' make in-house preference was influenced by the expected value of retaining residual rights of control to a programme. However, the value of these rights, during the first contract period, was seldom considered in terms of secondary market potential. The opportunity to sell a programme for second viewing in the UK, or abroad to another television market such as the US, did not occur often. Further, merchandising was not yet a relevant component in determining the value of even very popular programmes. In fact, although it would seem unrealistic in more recent times, the idea that programme copyright should be vested with the producing firm (in this case, the programme contractor), rather than the broadcaster (the ITA), was debated until 1956 (Section 2.1.2). Instead, concerns arose from growing disputes between the programme contractors and the BBC regarding programme credits and editorial control.

During the initial contract period, the BBC was the only main UK external source of programme supply to ITV, aside from the acquisitions mentioned. It supplied several programmes and footage²⁸⁷ on a free exchange basis. Although the BBC did not charge for this material, it wanted on screen recognition for its use. The programme

²⁸⁵ Refers to newly made programmes.

²⁸⁶ Meaning programmes expected to draw in audiences of equivalent size.

²⁸⁷ Footage refers to film or video images used to insert into a programme.

contractors were fiercely opposed to attributing programme credits to the BBC. They also did not, under any circumstances, want to be subject to BBC editorial control. On no occasion, did the programme contractors wish to jointly supply programmes with the BBC. These issues were most prominent with broadcast coverage for events of national importance including Sport Events (Section 4.3c), Royal and other National Occasions (Section 4.3e), and Party Political Broadcasts (Section 4.3h). The programme contractors argued, on several occasions, that disallowing a competitive market to operate by forcing joint access to these types of programmes, gave the BBC an unfair advantage. This position was most forcibly stated for sports programmes. The BBC's established, ongoing relationship with sports event officials was a frustrating barrier to the programme contractors. As a result, they preferred to incur relatively higher costs by making these programmes to avoid such disputes.

For News, the agreement to create a separate specialist production company, jointly owned by the initial programme contractors, solved the perceived problem of supplying news on a network basis. Judged from the data available (Section 4.2.1), News involved higher production costs than other programme types due to its ongoing, complex, and changing format. It also raised editorial control concerns, particularly by the ITA. This 'make' arrangement was considered the next best alternative to the ITA producing News themselves and several governance safeguards were devised (Section 4.2.1). The initial programme contractors also viewed ownership of a news company as an opportunity to extend their reach to other regions by selling News to local/regional programme contractors as they were added to the mosaic structure.

In contrast, the later regional programme contractors preferred to acquire or commission programmes from the initial contractors. This preference was a response to the specific circumstances of the group. Their advertising regions and subsequent programme budgets were smaller than those of the initial programme contractors (Table 5.4). Generally, it was cheaper to buy programmes from the initial programme contractors. As a result, by the time ITV had grown into a nationwide network, three of the four initial programme contractors had become regular suppliers to the local/regional programme contractors (Table 4.4.1). Some of the smaller contractors including Border Television, Grampian Television, and Ulster Television, went so far

as to enter into inter-company supply agreements with the initial programme contractors. These agreements later revealed to be endorsed by the ITA, in some cases provided for up to 80 per cent of the smaller contractors' programme supply (Appendix A4.6). The arrangements effectively provided supply guarantees to the initial programme contractors. They also contractually reinforced the regional disparities in revenue potential. The initial programme contractors were further established as 'net makers' while the local/regional programme contractors continued as 'net buyers' (Table 5.2).

The Later Contract Period: 1990 - 2001

Since implementation of modifications to ITV's mosaic supply structure began in 1993, it is evident that these three factors have continued to underpin the economic rationale for its network programme supply make/buy decisions²⁸⁸. Namely, during this later contract period, programme types expected to attract relatively larger audiences have held an increasing share in ITV's programme schedule, least cost options have been chosen more frequently, and retaining residual rights of control has become a higher priority.

Of the eight programme types studied (Chapter Five), most of those identified in the initial contract period as attracting small audiences, and those of a similar class since developed (including Education, Art, Sports programmes²⁸⁹, and Religion), have remained a small proportion (13 per cent, on average) of ITV's network programme mix for originated programmes. In contrast, the remaining 87 per cent, on average, has comprised Drama, Entertainment, Factual, and Children's programmes (Table 5.6). Further, by 2001, Drama and Entertainment, the two programme types that attract the largest of ITV's audiences, increased to 52 per cent of all commissioned programmes at the network level (Table 5.6). These programme supply preferences are consistent, and more prominent, than those existing in the initial contract period. The make/buy outcomes following from these preferences have provided an

²⁸⁸ As noted in Chapter Five (Section 5.2), the analysis relates to newly originated network programmes only.

²⁸⁹ Does not include televised sports events.

illustration of the extent that these decisions were shaped towards a least cost option as anticipated from Williamson's perspective.

Programme supply data provided by the ITC with permission from the Network Centre for this later contract period, is comprehensive. Access to it has permitted a detailed comparison of contractual features representing relative costs of make/buy outcomes for newly originated programmes at the network level. It has shown, after accounting for variation in the programme mix, that relative costs per hour, contract size, and total contract value across make/buy options have been important economising features of the supply outcomes for specific sub-genres within the four main programme types (Section 5.3.3). In aggregate at the network level for newly originated programmes, programme supply make/buy outcomes have tended toward the least cost option and they have mainly been made by in-house sources. The relative lower cost of making programmes in-house has largely been attributed to the casualisation of programme production staff commencing from the introduction of Channel 4 (C4) in 1982 (Section 5.3.2). The subsequent launch of additional terrestrial, advertising funded²⁹⁰ channels, and the 25 per cent independent production (buy) quota has further stimulated this outcome. These changes reorganised working practices by making production labour less costly and more flexibly available to the licensees. Prior to these amendments, programmes offered by independent producers were increasingly perceived as a less costly alternative. The union strength built up within the ITV companies during the 1960s and 1970s, was described as resulting in 'colossal' over manning and intensely restrictive in-house work practices²⁹¹.

²⁹⁰ Channel Four (C4) launched November 1982; Channel Five (C5) launched March 1997.

²⁹¹ For example, according to Andy Allen, Director of Programming, Carlton Productions (23 May 1997), by 1984 Central Television employed 2400 people including producers, directors, and researchers operating seven studios. By 1990, when the Act (1990) imposed a 25 per cent independent production quota, and renamed the programme contractors as regional licensees (Section 5.2), the number was reduced to 1100. By mid 1998, it was further reduced to around 700. Central estimated that its labour utilisation prior to these cut backs had been 40 per cent and that, "retaining high staffing levels was an extraordinarily inefficient way of making programmes". In Central's view, this experience was as frustrating for creative directors as it was for management who, "found it appalling that they had to stop filming at 6 o'clock when they only needed another five minutes to complete the programme and that they were traipsing the lost tribe of Israel around with them wherever they went, thirty people sitting in chuck wagons eating their way through the budgets".

However, during this later contract period, across most programme types, the majority of people that make up a programme's production team²⁹², now often work on a freelance basis. People mobility, as described by one of the larger regional licensees, is at its highest level since ITV began in 1954, "there are no longer standing armies of in-house producers and in-house directors". Exceptions tend to be for those programme types that are supplied on a weekly, year round basis²⁹³. A good example is the Drama Serial (Table 5.8). This programme type, unlike the other sub-genres that comprise Drama, has remained an in-house supply decision throughout the later contract period. Co-ordination demands have been a dominant factor, leading to a conclusion by interviewees that, "it just makes sense rather than to buy in". Pre-existing programme supply make/buy arrangements have also been reorganised since the mosaic supply structure was modified. Some programmes, previously produced in-house, were converted into independent production companies to comply with the quota arrangement. Often, licensees found that they were, "putting the (programme production) jigsaw together in a different way...a producer is made redundant then reemployed along with some of his old mates". Production²⁹⁴ might remain on-site with the licensee's facilities and staff used in the production process.

The detailed examination in Chapter Five has also shown that the least cost option was not the outcome for Network programme supply make/buy decisions in all cases. A relatively more costly in-house (make) option was chosen for a small sub-genre group of programmes. They include: Single Plays, Drama Series (until 2001), Documentary Series, Other Entertainment, Quiz Shows (1999 only) and Games Shows (2001 only) (Section 5.3). An important factor explaining these outcomes derive from an increasing concern about retaining residual rights of control to the programme. This concern is a measure of the extent to which programme supply conditions have changed for ITV in this later contract period. Whilst the in-house (make) decision is still preferred by the licensees because it confers editorial control, it has also become an increasingly necessary means to recover budget shortfalls

²⁹² Core staff are the technical team and the commissioning staff, including controllers and heads of departments, who, themselves, or via talking to writers or producers, come forward with programme ideas. If the programme is accepted, then a production team is hired.

²⁹³ For example, Carlton Productions only retains staff producers for programmes with this ongoing feature.

²⁹⁴ One example was the shift of 'Country Ways' from being produced in-house (Meridian Broadcasting Ltd.) to independent status.

caused by declining advertising share and revenue in absolute terms (Appendix A5.7).

This decline has been provoked by competition and expanding channel capacity²⁹⁵.

For some of the larger licensees, ITV is only one part of their present business activities. Granada, Carlton, and to a lesser extent, Meridian Broadcasting, have expanded their activities into channel development and into producing programmes for competitor television channels and other media platforms. As described at Carlton, UK commercial television has evolved into a ‘multimedia rights business’ and, “despite 99 per cent of the conversations being about programme content, having got through that conversation, you then think about merchandising, video, secondary UK usage, versioning²⁹⁶, and so on”.

Maintaining ITV’s high production values has been deemed crucial to hold back a further erosion of existing advertising revenues. Recouping costs through advertising and rights exploitation combined, help achieve this aim. However, economic rents, derived from secondary market exploitation, are only fully appropriated by the licensee if the programme is made in-house. As described by Carlton’s Director of Programming, “...if I commission from an independent I only probably own fifty per cent of the rights or I might own all the rights but there’s a fifty per cent profit participation with the independent (producer). So, *absolutely*, I will wish increasingly, to own and control as much production as I can”. This aim has progressed according to three types of network programme supply deals that have been permitted since the mosaic supply structure was modified (Section 5.2). These deal types are outlined below in Table 6.1.

²⁹⁵ As at August 2002, the ITC expected that digital technology would enable fifteen terrestrial television channels operate.

²⁹⁶ Refers to a local version of the same programme format.

TABLE 6.1 PROGRAMME SUPPLY DEALS: DIFFERENCES IN RESIDUAL RIGHTS OF CONTROL

Deal Type	Deal Structure
<i>Cost Plus</i>	The commissioning ITV regional licensee pays the full costs of production plus a production fee to the independent production company. In return, the regional licensee is assigned all intellectual property (copyright and all programme rights). It is estimated ¹ that the advertising return is 3 to 1 in relation to the price paid to the independent production company. The regional licensee is, outright, the programme owner, and the independent production company does not benefit from any future rights exploitation.
Licence Fee ²⁹⁷	The Network Centre commissions an independent production company or an ITV regional licensee to make a programme on its behalf. The deal operates as a lease agreement and payment is made on delivery. The producing company retains all intellectual property (copyright and all programme rights) except UK broadcast rights for up to 5 years, extendable for a further 2 years.
Hybrid	The commissioning ITV regional licensee may be funding production costs but the independent production company may have funded the programme's development costs. It may also have some financial backing or talent (producing, directing, writing, acting, etc.) that the regional licensee cannot otherwise obtain access to. In these circumstances, programme rights allocation is a negotiated outcome.

¹Estimate by PACT; 24 May 2002.

Table 6.1 shows how the residual rights of control for a newly originated programme supplied for transmission on the ITV Network vary depending upon whether the programme is supplied directly to the Network Centre or whether it is supplied via arrangements between a regional licensee and an independent producer. Chapter Five has shown that both licensees (make in-house) and independent producers (buy) have preferred to deal directly with the Network Centre, on a licence fee basis (Chart 5.3).

These outcomes reinforce the views expressed by senior executives from ITV, ITC, and PACT. From the licensees' perspective, the independent producer is often a costly and transient intermediary to talent, whether it is writing, directing, producing, or acting talent. It is preferable to avoid this intermediary in order to remove the

²⁹⁷ Prior to the latest contract period, this form of the License Fee deal did not exist. See Section 5.2a for a further description of ITV Network contracting procedures.

hassle of negotiation over residual rights of control. There are only a few instances where it is considered better to be involved with an independent producer to originate a new programme intended for network transmission. These are occasions when the independent producer specialises in a particular programme type, when it is the only way that the regional licensee can access the talent it is interested in and, when ‘doing a deal’ gives leverage for greater potential returns. Hybrid deals that arise for these reasons increase negotiation because, as described, “things get mixed up”, particularly in the area of research and development of programme ideas. In these respects, it can be difficult to strictly separate in-house from independent productions²⁹⁸. A debate can ensue regarding how the residual rights of control over the programme are divided, most importantly, who retains programme copyright and any future revenue streams arising.

Termed by industry participants as “the rights debate”, negotiation often hinges on the relative importance placed on each party’s investment²⁹⁹, whether it is talent or finance. Talent requirements can supersede financial demands and the outcome often depends on what route has to be taken in order to secure it (Section 5.3.2). This view has been particularly emphasised for the reason why relatively more costly in-house (make) outcomes have occurred for Films (Single Plays: Table 5.8) and major Documentaries (Documentary Series: Table 5.10). Indeed, these programme types have been affected to the extent that they have shifted towards in-house supply. In these cases, in-house (make) supply has increased in hours and proportionate share terms at a higher rate than the genre has increased in its contribution to the programme mix, consistently at a relatively higher cost. The economic reasoning provided further explains why programme supply make/buy decisions, at the network level, although tending towards the least cost option, have not been the outcome in all cases³⁰⁰.

²⁹⁸ The development of programme ideas and editing is iterative, shared between the licensee and independent producer, and embedded within the overall production process.

²⁹⁹ Resentment can arise on the licensees’ part, which argues that they are the main risk takers, giving up their ideas and programme ownership rights to independent producers. Only a few, large, independent producers are able to cash flow their own productions or can afford to develop their own programme ideas and, “those who are, have a far more boisterous attitude towards rights’ ownership” (Mary McAnnally: 6 August 1997).

³⁰⁰ The increasing value of programme property rights are expected to extend across programme types as competition increases and as channel expansion continues. For example, it is expected that regional programming, which is usually fully paid for on first showing out of advertising revenue, “will change

6.2 Comparison of Programme Supply Contractual Arrangements

The contractual frameworks created in the initial and later contract periods regarding ITV's programme supply make/buy arrangements have been shown to differ in substantive ways. This study has attributed these differences, and the programme supply make/buy outcomes that prevailed, to an ongoing interplay between specific socio-political and economic concerns. Table 6.2 provides a summary comparison of the main features studied.

TABLE 6.2 COMPARISON OF ITV'S MOSAIC PROGRAMME SUPPLY CONTRACT FEATURES

	Contract Period	
	1954-1964	1993-2001
Contract Term	10 years declining. Contracts start at different times with same end date. Implicit extension process. All extended.	10 years increasing. Contracts start at the same time with renewals staggered. Explicit renewal process. All renewed.
Application Process & Selection Criteria	8 years to complete. Successively refined criteria. Applications subject to modification by Government agency. Closed to public comment.	8 months to complete. Predetermined application criteria. Open to public comment.
Broadcast Hours	Restrictions (Table 4.2).	None.
Ownership	All programme contractors must be independent in finance & control; no shared equity or management arrangements allowed.	1990: Maximum ownership of two regional licensees not including London 1996: Maximum ownership of 15% total audience share.
Programme Supply requirements:		
Regional	Varied across contractors; programme types unspecified.	Varied across licensees; programme types specified. At least 80 per cent (hours) must be made within region.
Network	Programme types unspecified.	Eight programme types specified.
Make/Buy Restrictions		
Make:	Cannot make own political programmes. Must use BBC programme material to televise specified events of national importance including some sport and royal occasions.	None.
Buy:	None.	Must buy 25 per cent qualifying programmes from independent production companies.
Types of Programme Supply Deals	Inter-company Supply Contracts Lease Forced Joint Access	Cost Plus Lease Hybrid

because when you've got fifty, sixty, a hundred, five hundred channels, the sort of lust for programming is such that you just need to fill airtime" (Robin Britton: 9 October 1997).

Table 6.2 shows the varying pattern of restrictions and requirements placed upon the programme contractors/licensees in each contract period. In the initial contract period, several explicit features were devised to satisfy concerns about the social impact that commercial television might have on UK viewing audiences. Restrictions on the programme types that the contractors could make in-house and the limitations imposed on their broadcast hours and transmission times, no longer existed in the later contract period. Equally, ownership restrictions were relaxed, the ongoing nature of the programme supply contracts was explicitly accounted for, and predetermined application criteria went some way to improve the competitiveness of the selection process.

The ITA's underestimation of the contractors' tendency to avoid making programmes expected to attract relatively small audiences was resolved by specifying programme supply requirements in the later contract period. These requirements demonstrate how socio-political interests have continued to impinge upon the economic rationale of ITV's programme supply make/buy decisions. Nonetheless, such programme commitments³⁰¹ have not altered the prevailing economic rationale shaping ITV's programme supply make/buy decisions, particularly at the network level. The programme contractors/licensees have consistently, in both contract periods, preferred to supply programme types that attract relatively higher viewing audiences and advertising revenues³⁰². In addition, the reasoning for their preference to supply most of these programmes from in-house (make) sources has remained similar for each contract period studied.

The last two contractual features in Table 6.2 are particularly important because they exemplify how socio-political concerns regarding ITV's programme supply make/buy arrangements evolved to impinge upon the ways that the economic rationale could be expressed. Differences between the make/buy restrictions and the types of programme supply deals existing in the two contract periods would not have occurred

³⁰¹ Four types of small audience programming, at the network level, have mandated minimum supply requirements including National and International News, Current Affairs, Children's, and Religion.

³⁰² Accordingly, minimum supply requirements have never been assigned to these programme types including Films, Drama and Entertainment, at the network level.

if an economic rationale had been permitted to dominate from the onset of ITV. From Williamson's perspective, we would have observed deliberations far more concerned with achieving relatively less costly programme supply make/buy arrangements and outcomes, nearer to those existing in the later contact period studied. One explanation could have been that the individuals involved were unacquainted with this way of thinking. However, the analysis provided in this study has shown that it would be impossible to reach such a conclusion.

Programme supply competition, i.e. the expectation that programme supply make/buy decisions should be based on cost considerations, was recognised, and intended to be implemented, from the earliest stages of ITV's development. Indeed, the individuals responsible for determining the mosaic supply structure had the legislated authority, and the obligation, to enforce a quota, or some mechanism of similar effect, by virtue of their responsibilities under Section 5(2). However, they allowed this component of the mosaic supply structure to be sidelined and it took a further thirty-eight years before a quota came into effect. The arguments presented suggest that an excessive reliance on private sector finance (Chapter Three) vetted for its socio-political suitability, alongside contractual ambiguities in the Act (1954) regarding programme supply obligations, made it a perceived impossibility to introduce such measures.

Relative costs regarding these decisions were outweighed by ITA efforts intended to build a reputation for UK commercial television comparable to that of the BBC and by programme contractors choosing more costly alternatives to avoid editorial control disputes with it. The programme supply make/buy outcomes that arose from these arrangements were frequently characterised by extensive negotiations and side deals; safeguards that would not be considered an efficient outcome in Williamson's terms.

A more plausible explanation, and the one that this study concludes with, is that the contractual changes responsible for moving ITV's programme supply make/buy decisions towards less costly outcomes in the later contract period have depended upon a diminishing fear regarding the social impact that commercial television might have on UK society. The decline of this socio-political concern removed features inhibiting programme supply make/buy decisions from achieving outcomes aimed at an economic rationale evident even prior to ITV's inception. Although ongoing relations amongst the groups involved in determining programme supply make/buy outcomes have co-existed with an economic purpose, the economic rationale only became a more relevant explanatory tool to programme supply outcomes as socio-political concerns shifted towards a market led orientation.

Appendix A4.1

TABLE 4.2 COMPARISON OF PROGRAMME CONTRACT FEATURES UP TO 1964

Contractor	Charge Rate (Fixed) ¹	Rate £pv	Contract Term	Origination Requirements
Associated-Rediffusion	£495,600/£536,900 after 2 ½ years. Up to 20% increase after 3 ½ years.	N/a ²	9 years 2 months	Min. 15%
Granada Television	£301,700 to £513,740 after 2 nd station/£556,552 after 2 ½ years. Up to 20% increase after 3 ½ years.	N/a ²	9 years 2 months	Min. 15%
ABC Television	£129,300 to £378,598 after additional stations & after 2 ½ years.	N/a ²	8 years 5 months	Min. 15%
ABC Ltd. (ATV)	£212,400 to £514,100 after 2 nd station/£556,942 after 2 ½ years. Up to 20% increase after 3 ½ years.	N/a ²	9 years 2 months	Min. 15%
Scottish Television	N/a	N/a	7 years	N/a
Southern Television	£226,000 + £90,000 subject to revised coverage estimates	10.00	6 years (4 years 7 months for extended area)	Min. 15% or lesser % as agreed with ITA (given 1 year concession)
Tyne Tees Television	N/a	N/a	6 years 7 months	N/a
Border Television	£36,840 + £10,656 subject to revised coverage estimates	9.47	Less than 1 month	Unspecified number of hours to be agreed with ITA on ongoing basis.
TWW ³	£185,000 subject to revised coverage estimates	14.70	6 years 9 months	N/a
WWN ³	£72,000 subject to revised coverage estimates	8.83	3 years 2 months	Unspecified number of hours
Anglia Television	£180,456 subject to revised coverage estimates	9.48	4 years, 10 months	Min. 6 hours per week in 1 st year or as agreed with the ITA; min. 15% thereafter.
Westward Television	£150,000 from 1.9.1961 with additional fee of £54,000 1.4.1963 to 31.3.1964; subject to revised coverage estimates & if ITA costs to contractor exceed rate	9.08	3 years, 3 months	Min. 2 ½ hours per week until 1.9.1961; Min. 5 hours per week until 31.3. 1962; 15% thereafter
Grampian Television	£72,816 subject to revised coverage estimates	9.48	2 years, 10 months	Unspecified number of hours to be agreed with ITA on ongoing basis
Ulster Television ³	£105,540 subject to revised coverage estimates	9.48	5 years 8 months	6 hours per week for first year on-air then up to 15%
Channel Television	£11,000; ITA sole discretion to increase after 18 months on-air	N/a ⁴	1 year, 11 months	Unspecified number of hours to be agreed with ITA on ongoing basis

¹ All contract rates except Westward Television were based from date of commencing broadcasting, subject to a rate change if >5% change in RPI and a rate increase after arbitration if fees in aggregate were insufficient for the ITA to undertake its duties.

²The initial programme contracts did not specify coverage estimates. However the Re-allocation & Option Agreement specified that the ITA's initial total fees were £1,570,000 based on a population of 25.5million. These were termed the "the original estimates". On this basis, the per viewer rate was £16.24 (Re-allocation & Option Agreement: Part I; 1(a) A/S/0032/32 ITC Archives).

³Data taken from Contract Particulars; contract outcome may vary following negotiation.

⁴Estimate of coverage area not provided in programme contract.

Appendix A4.2

TABLE 4.3 COMPARISON OF BROADCAST HOURS & BALANCE REQUIREMENTS

<i>Beginning of Contract Period</i>					<i>End of Contract Period</i>			
Contract days	Minimum day/week	Maximum day/week	¹ Sunday/// weekdays	Exceptions	Minimum day/week	Maximum day/week	² Sunday/ weekdays	Exceptions
Weekend (2)	4/8	8/15	(i) between 2 – 6.15pm (ii) between 7.30 – 11pm /// (i) 2 hours between 9-1pm (ii) between 1-6pm (iii) between 7-11pm	Religious Services ³ OB; as declared by ITA	4/8	8/15	Before 6.15pm & after 7.25pm ///	Religious Services OB; 350 hours/year Trade Tests Party Political Broadcasts Schools Programmes All types on 24-26, 31 Dec/1 Jan Half hour advertising 'parade'
Weekday (5)	4/20	8/35			4/20	8/35		
All Week (7)	4/28	8/50			4/28	8/50		

¹ Sunday programmes provided between 2 - 4pm could not be designed for, or appeal to, child viewers and there must be a change of programme at 7.45pm.

² No longer required a programme changeover at 7.45pm.

³ OB = Outdoor Broadcast

Table 4.3 shows that the originally contracted minimum and maximum broadcast hours did not officially change during the first contract period. However, broadcast hours and the timing permitted was expanded by other means. For example, restrictions on Sunday broadcasts were relaxed and the list of programmes permitted as exceptions to the officially contracted broadcast time were expanded.

Appendix A4.3

Sports Events

The ITA's and the programme contractors' organising arrangements for sport were inadequate relative to that of the BBC. The ITA's Sport Advisory Committee, although established very early on (ITA Minutes; 21 December 1954. ITC Archives), did not appear in the minutes of ITA meetings to have played an active role in negotiating supply arrangements. Discussions mainly took place between the ITA, the programme contractors, and the BBC. Only one indication exists that the programme contractors discussed supply arrangements directly with the ITA's Sports Advisory Committee (SCC Minutes; 7 December 1955. ITC Archives). Equally, the Network Sports Committee, established separately for co-ordinating the sports interests of the programme contractors, was also ineffective. The Network Sports Committee comprised representatives of each of the four initial programme contractors and of members who made particular sports their special care. The regional programme contractors could attend as they wished. (SCC Minutes; 8 June 1960. ITC Archives). This committee could not agree to act collectively nor could it prevent individual programme contractors from making direct approaches to sporting promoters (SCC Minutes; 8 June 1960. ITC Archives).

By this time, the initial programme contractors, A-R in particular, argued that the original agreement with the BBC was unworkable, certain aspects of it were 'imprecise' and it should be reviewed with the BBC. Although A-R suggested that the programme contractors should hold their own meeting with the BBC, the ITA initially disallowed it. The programme contractors were first required to clarify to the ITA whether they had a collective view that could be put forward at such a meeting (SCC Minutes; 8 June 1960. ITC Archives). Subsequently, Mr. Cecil Bernstein (Granada) was permitted to meet with the BBC, without the ITA present, to discuss the possibility of an alternation between the two services in the coverage of non-exclusive events on the basis that, "if an agreement on alternation was reached, it would be tantamount to the commitment on the part of independent television to show all the events concerned, in turn with the BBC on the whole network" (SCC Minutes;

12 October 1960. ITC Archives). This outcome was not achieved and the ITA remained dissatisfied with the programme contractors' output of sports programmes. In Sir Robert's view, "Independent Television was markedly behind the BBC in the treatment it gave to sport...it seemed to him that there was no centralised planning of sports programmes", although the programme contractors assured him that, "attention was being given to this particular point" (SCC Minutes; 12 July 1961. ITC Archives).

The programme contractors considered that the BBC, who would not include them in contract negotiations, was a disadvantage. They wanted prices for the agreed list to be jointly negotiated while the BBC wanted to have separate contracts. The PMG considered these concerns to be practicalities that could be sorted once an agreement in principle was reached. The ITA, however, argued there was a risk that if negotiations broke down over price, the BBC would arrange exclusive contracts before 'statutory machinery' could be put in place to protect the programme contractors. This possibility would keep ITV out of televising these events, or would allow it in only at the will of the BBC, for some time (Minutes of ITA Co-ordination Meeting; 25 November 1955). It was jointly agreed that the non-exclusive list of sport events would include: the Derby, the Grand National, the Cup Final, the Scottish Cup Final, Wimbledon, the Boat Race and the Test Matches (ITA Minutes; 6 December 1955. ITC Archives).

Although this agreement required that neither party negotiated a contract for an event that excluded the other from it, the BBC would only agree to a joint approach for the first four events. The programme contractors had to separately approach promoters for the others. The BBC also refused to disclose the character of their non-exclusive contracts for Wimbledon and the Test Matches. The programme contractors still viewed the non-exclusive rule as workable only if the maximum price was agreed between the two authorities. Otherwise, it was feared that the BBC would make the material available to the programme contractors on 'highly unfavourable terms'. Sir Robert, the ITA's Director General, "could not escape the impression that the BBC were hoping that separate price negotiations would mean that exorbitant prices would be charged to the programme companies while correspondingly more favourable terms were offered to themselves" (Minutes of ITA Co-ordination Meeting; 9

December 1955). The Assistant PMG, Sir Ben, emphasized that it was this difficulty, of giving precise legal expression to the conditions proposed, that had led to abandoning all attempt to include them in the Act (1954) and that solutions, “depended on the will to make equitable arrangements”³⁰³.

However, the BBC's actions did not always appear to be equitable. For example, after the PMG refused to include Royal Ascot as part of the non-exclusive list, the BBC restricted the programme contractors' access to the event. Apart from the Royal appearances, it was not obliged to make this material available. Although only one aspect of an event was non-exclusive (i.e. the Royal procession at Royal Ascot), it was usually part of a general contract with the BBC who then determined what material was made available for showing on ITV. Similarly, for sports events, the BBC had established and ongoing contracts direct with the sports promoters. Although only some of the events were non-exclusive, often the playfield could only accommodate one set of cameras and so agreements tended to be comprehensive coverage for the whole event or series. This situation, the ITA argued, disadvantaged access to the programme contractors who did not hold the general contract direct with the sports promoter (Minutes of ITA Co-ordination meeting; 9 December 1955).

³⁰³ The Television Act (1954) gave the ITA no power to require sports promoters to admit cameras of both broadcasters to agreed non-exclusive events (and in some cases, such as Wimbledon, this was impractical) nor did it indicate how these events should be arranged to supply both broadcasters. According to the Assistant PMG, the sports promoter complied with the Act (1954) so long as material, sold exclusively to one broadcaster, was subject to an undertaking that the purchaser offered it to the other broadcaster. Although the terms offered to the other broadcaster might be inequitable, the Act would not have been infringed (Minutes of ITA Co-ordination Meeting; 9 December 1955). SCC Minutes; 13 May 1959. ITC Archives).

Appendix A4.4

Charitable Appeals

The programme contractors delayed deciding whether they would supply this programme type. After several months of unresolved discussions, Sir Robert instructed the programme contractors to, “obtain a clear ruling from their boards on whether as a matter of principle they would be prepared to show regular appeals” (SCC Minutes; 12 February 1959. ITC Archives). The response confirmed that only STV was willing to show charitable appeals (SCC Minutes; 11 March 1959. ITC Archives). STV was held back from doing so and then confined to providing charitable appeals on an experimental basis to the Central Scottish region, because there was no advisory committee in place. The issue lapsed from SCC meetings until a specific request was made by the Jubilee Trust to have ITV produce, with the BBC, a programme about the work of the Trust that would contain material common to both programme services. All of the programme contractors, except Granada, were willing to be involved. However, the supply arrangements were complicated, “if it were agreed that A-R should produce the Independent Television programme, they would not wish the common element material to last for more than two minutes or so or to consist of a direct appeal to viewers for money...however, it would be possible for individual companies to add whatever introductory and closing announcements they chose; these announcements could constitute a direct appeal for the Trust, if companies wished. If the proposed programmes were not acceptable to the Trust, his (Captain Brownrigg, A-R) company would, rather than themselves mount a programme containing direct appeal, reluctantly take the BBC programme” (SCC Minutes; 11 November 1959. ITC Archives). An agreement for network transmission was not achieved.

A further two years on, STV, Grampian Television, Southern TV, and Border Television indicated some willingness to provide charitable appeals. However, the situation continued to be held up because there was still no consensus about how to plan for such programmes. It was considered impossible to contemplate appeals

unless there was a central appeals committee to select applications and, the ITA continued to advocate that, “it would not seem sensible to appoint a second appeals committee on the lines of that advising the BBC; there was no reason why that committee shouldn’t serve both” (SCC Minutes; 13 September 1961. ITC Archives). Anglia Television, Tyne Tees Television, and ABC continued to disapprove this arrangement while A-R and Granada reiterated their unwillingness to present appeals. Equally, the ITA did not favour A-R’s idea that each programme contractor could operate its own appeals advisory committee that was individually subject to the approval of the Authority. After a further six months, ATV and ABC presented a joint proposal for a charitable appeal (SCC Minutes; 14 March 1962. ITC Archives).

With still no agreement between the ITA and the programme contractors regarding an advisory committee, the ITA approached the BBC to seek agreement for its Central Appeals Committee (CRAC) to act on the ITA’s behalf (ITA Minutes; 11 July 1962. ITC Archives). The BBC Governors approved the arrangement (ITA Minutes; 11 September 1962. ITC Archives) and subsequent ITA discussions portray an agreeable arrangement (ITA Minutes; 2 October 1962, 4 December 1962. ITC Archives), whereby the advisory committee was really only separate in name, “...appointment by the Authority of an Advisory Committee on Charitable Appeals, under the chairmanship of Sir Donald Allen O.B.E., M.C. This Committee was, by arrangement with the BBC, identical in composition with the Central Appeals Committee of the Corporation” (ITA Annual Report and Accounts; 31 March 1963).

Appendix A4.5

TABLE 4.4 COMPARISON OF PROGRAMME SUPPLY MAKE/BUY DECISIONS: 1961-64

	1961/62 hours	1961/62 % time	1963/64 Hours	1963/64 % time	% change
Make:					
News	13	11%	37	28%	¹ 185%
Talks, Discussions, Documentaries	38	32%	18.75	14%	-51%
Religion	8.5	7%	9.75	7%	15%
Adult Education	n/a	n/a	2	1%	
School Programmes (excluding repeats)	4	3%	4	3%	0%
Children's Programmes:					
a) Informative	3.75	3%	4.5	3%	20%
b) Entertainment	2	2%	7	5%	250%
Plays & Serials	10	9%	10.75	8%	8%
Variety, Light Entertainment & Music	22.25	19%	21.25	16%	-4%
Quizzes & Panel Games	3.5	3%	3.5	3%	0%
Sport	8	7%	12.25	9%	53%
Other Outdoor Broadcasts	n/a	n/a	0.25	0.2%	
Welsh Language	4	3%	3	2%	-25%
Total Make:	117	82%	134	66%	15%
Buy:					
UK	13	9%	29	14%	123%
Foreign	12	8%	41	20%	242%
Total Buy:	25	18%	70	34%	180%
Total Supply	142	100%	204	100%	44%

Source: *ITA Annual Report and Accounts 31 March 1962-64.*

¹The increase in the supply of news suggests a reclassification of the programme type. The 1964 figure for news included 'news magazines' which was probably a sub-category of 'Talks, discussions, and documentaries'.

Table 4.4 shows that by 1962, the first year the ITA released such information; the programme contractors supplied a weekly average of 142 hours of programmes. Of this total, 117 (82%) programme hours were made by the programme contractors, of which 73 (62%) hours were made by the regional programme contractors. The 25 (18%) hours of acquired programmes comprised 12 hours of recorded programmes made in the United States, and 13 hours of films made for television or the cinema in the UK or "occasionally in British countries overseas" (ITA Annual Report and Accounts; 31 March 1962). Programme contractors' subsidiary or associate companies mainly made these films. By 1964, the programme contractors supplied a weekly average of 204 hours of programmes for transmission by the ITA. Of this total, 134 (66%) programme hours were made by the programme contractors, of which 75 (56%) hours were made by the regional programme contractors. The 70 (34%) hours of acquired programmes comprised 41 hours of recorded programmes

made in the United States, and 29 hours of films made for television or the cinema in the UK or “occasionally in British countries overseas” (ITA Annual Report and Accounts; 31 March 1964). In year on year comparative terms, whilst total output increased by 44%, total programme making declined by 15% and total programme buying nearly doubled (180%). Although ITV programme supply, in total, was predominantly a ‘make’ decision, it was declining in proportion to the overall number of programme hours supplied.

Appendix A4.6

TABLE 4.5 PROGRAMME EXCHANGE BETWEEN ITV PROGRAMME CONTRACTORS

(£000's)	¹ 1964				
	³ Net Advertising Revenue (NAR)	Sell (make)	Buy	Net Make/Buy	⁴ Net Make Profit
A-R ²	12069	1505	640	865	-1379
ATV	12622	2238	611	1627	-2867
Granada	11654	1315	583	732	-1380
ABC	8554	829	1060	-231	-1727
Tyne Tees Television	3320	20	725	-705	-737
Southern Television	4696	48	968	-920	-766
Westward Television	1202	0.1	251	-250.9	-277
Anglia Television	2108	61	428	-367	-545
Border Television	455	2.7	99	-96.3	-162
Wales & West of England	4700	48	759	-711	-864
Scottish Television ²	3700	22	282	-260	-746
Grampian Television	621	1.4	129	-127.6	-243
Ulster Television	980	1.4	203	-201.6	-223
Channel Television	110	0.1	12	-11.9	-35

Source: Financial Particulars of Applicant submissions in initial and second contract periods; ITC Archives.

¹Some variation may exist due to programme contractors having different accounting year ends.
Figures exclude Films and News from ITN.

²Estimated figures have been used due to change of year end in the last year of contract period.

³Gross Advertising revenue less agency costs

⁴Programme Sales less total programme making costs

Table 4.5 shows the extent to which the four initial programme contractors supplied programmes to the regional programme contractors and the extent to which they bought programmes from each other and the regional programme contractors. It was not possible, in all cases, to distinguish between the amounts of revenue earned by the regional programme contractors selling programmes amongst themselves and revenue earned from selling programmes to the initial programme contractors. It is evident, however, that their income from selling programmes was minimal relative to their expenditure for buying programmes. The financial particulars indicate that almost no revenue was earned by the programme contractors selling programmes external to ITV. A different pattern of programme exchange existed for three of the four initial programme contractors and the remaining programme contractors. A-R, ATV, and Granada, earned more from selling programmes than they spent on buying programmes and are described as 'net makers' of programmes.

In contrast, ABC and the remaining ten programme contractors, were net buyers of programmes. Of the four initial programme contractors, ABC was disadvantaged, as anticipated by the ITA and later confirmed by ABC (ABC application for Southern England programme contract to ITA; 7 June 1957. A/S/0035/18 ITC Archives).

ABC, the last of the initial programme contracts allocated by the ITA due to the Kemsley-Winnick failure (Chapter Three), had also been allocated the smallest of the four coverage areas. Despite repeated requests for an extension, by granting it an additional programme contract, the ITA refused (ABC application for NE England programme contract; 30 October 1957. A/S/0035/18. ITC Archives). ABC argued that its maximum allocation of fifteen broadcasting hours per week provided fewer viewer-hours per week relative to the other three initial programme³⁰⁴ contractors.

The disparity increased as the network expanded because new programme contractors were undertaking to buy up to 80 per cent of their programmes from the existing three initial programme contractors. ABC also argued that, as a weekend programme contractor, its output was primarily limited to light entertainment programmes, which further inhibited its ability to compete in supplying other programme types³⁰⁵. ABC was first inhibited from making programmes due to its smaller revenue base relative to the other initial programme contractors, a position sustained by not having its programme contract area extended and by being restricted network access. ABC's experience was, to a lesser extent, representative of what the smaller programme contractors experienced. In these respects, the initial three programme contractors had the incentive to make programmes and did so to the extent of dominating the mosaic supply structure as described.

³⁰⁴ ABC compared maximum broadcasting hours per week/potential viewer-hours per week in millions as follows: A-R: 35/402.5; ATV: 50/417.5; Granada: 35/417.2; ABC: 15/283.8 (ABC letter to ITA; 7 June 1957. A/S/0035/18 ITC Archives).

³⁰⁵ It requested, unsuccessfully, that the ITA, "put ABC in a position to contribute mid-week programmes to the network and to compete for the servicing of all later stations" (ABC application for Southern England programme contract; 7 June 1957. A/S/0035/18. ITC Archives).

Appendix A5.1

Uncertainty and administrative convenience from the ITA/IBA's viewpoint, was the main reason for contract extensions. Uncertainty about Government policy for commercial television arose during deliberations of reports from successive committees on broadcasting, which frequently occurred near times of general elections that heightened concerns regarding legislative change. In addition, contract extensions were considered to be a simple solution. For example, the possibility of extending the third period contracts was considered less than one year into the contract term, on the basis that, "everything would be much simpler if we simply extended contracts after six years in all cases where the sitting tenant is doing a good job" (A/S/0035/4. Letter from A. Pragnell, ITA Deputy Director General to Robert Fraser, ITA Director General; 3 July 1969. ITC Archives). During the first three contract periods, a statutory obligation to re-advertise the contracts prior to extending an incumbent's contract did not exist. As a result, the programme supply contracts were extended without advertisement in 1974, 1976, and 1979. In effect, actual contract duration was more than double the period originally contracted for.

This renewal practice was heavily criticised by potential new entrants and fiercely defended by incumbents. The incumbent programme contractors argued that limited term supply contracts caused excessive insecurity about future operations, which inhibited long-term programme planning and investment. Potential new entrants argued that existing make/buy practices largely excluded them. Despite requirements introduced by the Broadcasting Act (1981) to re-advertise the programme supply contracts, the rate of replacing programme contractors did not increase in the fourth contract period.

Appendix A5.2

Programme supply contracts up to 1990 were often awarded conditionally. Many contracts required modifications, some which significantly restructured original applications. One main preference was to allocate programme supply contracts to applicants that had secured well-known creative talent, preferably poached from the BBC rather than from another ITV programme contractor. Assessments included handpicking talent from otherwise weak applications. These actions also signalled how some applicants under-estimated the increasing importance placed on their regional origin. Local culture and custom, including whether the involved individuals had been born in the area, became part of an unwritten pre-requisite to demonstrate proficiency to serve a contract area. Trans-York, in the third contract period was one criticised application, “they are about as Yorkshire as my foot. They come from the Far North of England” (A/S/0039/02; ITC Archives).

In these ways, the mosaic supply structure was shaped to strengthen the programme contractors’ programme making capacity. Archive documents up to 1979 record some of the official discussions regarding the application process, applicant submissions, and awards up to the third contract period ending 1981. However partial, these documents cover the entire decision process and illustrate the context within which programme supply make/buy outcomes occurred. For the third contract period, commencing in 1968, some regions only attracted interest from the incumbent programme contractor³⁰⁶. As a result, six out of eight regional programme contracts³⁰⁷ were allocated on a renewal basis. In contrast, the Yorkshire area attracted ten applications. The two favoured applicants were assessed in ways that effectively forced a merger upon them. Although the contract was awarded to a single applicant, Telefusion Yorkshire, it was made conditional on Telefusion integrating components of the ‘runner up’ applicant, Yorkshire Independent Television, into its contract. Indeed, the majority of third period contracts were allocated conditionally (A/S/0039/02: ITC Archives). Original applications were

³⁰⁶ In addition to being areas that provided relatively lower advertising revenue, there was an imposed entry cost of having to offer to buy “at fair market value” an incumbent’s studios.

³⁰⁷ The third contract period beginning 1968 altered the coverage areas to create a new region in Yorkshire.

changed by 1) enforcing change to existing ownership, directorship and management structures, 2) requiring the creation of studio facilities, 3) recommending that programme contractors accept investment from newspaper groups and, 4) in the Yorkshire case just mentioned, effecting a merger between two applicants (ITA Chairman's statement; 11 June 1967. ITC Archives). This approach proved counterproductive for stimulating competition regarding programme supply make/buy decisions between programme contractors.

Appendix A5.3

Channel 4 (C4) was created as a wholly owned subsidiary of the IBA, operating as an advertisement funded national publisher-broadcaster. Specific revenue tie-ins between ITV and C4 were written into the Act (1981). These tie-ins were aimed to address concerns that programme producers, independent of the ITV's programme contractors, might not be able to wholly supply a new national channel with suitable programme material. Also, that the UK's television advertising market might prove insufficient to adequately fund the second channel. ITV was required to sell advertising space for C4 under an agreed formula that guaranteed C4 a minimum revenue base. C4's success was considered to rely on developing programme supply sources separate from the ITV programme contractors³⁰⁸. Table 5.12 summarizes the commissioning outcomes up to 1989.

TABLE 5.12 SUMMARY OF PROGRAMMES MADE FOR C4

	<i>Source of Programmes Commissioned by C4 (% of Total Hours)¹</i>	
	ITV Programme Contractors	Independent Production Companies
1982 ²	26.5	38
1983/84	32	31
1984/85	33.75	24
1985/86	30	24.75
1986/87	29	24.25
1987/88	28	29
1988/89	29	32

Source: IBA Annual Report and Accounts: 1982-1989

¹ Percentages do not add to 100 per cent because they do not include acquisitions

² First five months operating; C4 launched November 1982

Table 5.12 shows that during the first seven years of C4's existence, ITV programme contractors made as many programme hours for C4 as did independent production companies. The entry of a new independent television channel expanded programme making opportunities for the ITV programme contractors as much as it did for independent production companies.

³⁰⁸ Interview with Maureen Semple-Piggot, Head of Programme Finance; Channel Four: 9 May 1997.

Appendix A5.4

TABLE 5.13 SUMMARY OF CONTRACT PERIODS POST 1990 BROADCASTING ACT

Contract Period	Initial Contract Period (yrs)	No. of Regional Licensees	No. of New Entrants	Renewal	Actual Contract Period (yrs)
5 1 Jan 1993 – 31 Dec 2008 ¹	10	8	Three ⁵	one or more	16+
1 Jan 1993 – 31 Dec 2009 ²		0			n/a
1 Jan 1993 – 31 Dec 2010 ³		1			18+
1 Jan 1993 – 31 March 2011 ⁴		7			18.3+

¹ Renewal to start 1 January 1999

² Renewal to start 1 January 2000; no licensee operates within this contract period.

³ Renewal to start 1 January 2001

⁴ Renewal to start 1 April 2001

⁵ Refers to initial licences awarded

The legislative context within which the regional licensees were selected differed from previous contract periods in a number of respects. Section 20 of the Broadcasting Act (1990) introduced a ten year contract term that could be renewed on one or more occasions for a period of ten years from renewal date. The initial licences operated from 1 January 1993 until 31 December 2002. Licensees could not formally apply for renewal until four years before the initial contract expiry date, starting the renewal process in 1997. The licensees also could not be refused a renewal except under strict conditions. Section 20 (4) allowed the ITC to refuse an application only if the licensee could no longer comply with the original contract requirements or if the ITC intended to grant a new type of licence by area or time period. Equally, if the licensee wanted the renewal, it had to accept the financial terms offered by the ITC. The non-negotiated financial terms were expected to reflect the estimated market value of a licence for the next ten years. A licensee seeking renewal at the earliest time possible had the option of not accepting the ITC's terms. It could then reapply later or bid for the re-advertised licence³⁰⁹. However, the ITC did not set these terms independent from the licensees. First, the ITC consulted with the licensees before determining the renewal methodology and submission format. Second, it accepted submissions and corresponded with the licensees regarding their self-assessment of the future value of their licences.

³⁰⁹ Licensees not applying for renewal or not accepting the terms offered by the ITC by 1 April 2001 would have their licences re-advertised.

Nevertheless, for the first time in ITV's history, it was expected that licences would be awarded on a competitive tender basis. Detailed requirements for implementing the contracting process were outlined in sections 15, 16, and 17 of the Broadcasting Act (1990). These sections indicated the extent that socio-political concerns had changed to enable an economic rationale to prevail. In particular, they attempted to constrain how the ITC could directly influence the selection process. Section 15 (1-5) specified, in detail, the information that the ITC had to include in its Invitation to Apply and in its simultaneously published Application Guidelines³¹⁰. Section 15 (6) imposed a duty on the ITC to publish the identity, the programme proposals, and any other information considered appropriate, of all applications received and to invite public comment on them. Sections 16 and 17 of the Broadcasting Act (1990) specified the two stage assessment procedure that the ITC had to follow. The first stage involved assessing whether an application passed the programme requirements set out in Section 16 (2), known as the "quality threshold". All applications that passed this threshold proceeded to the second stage, detailed in Section 17, which required selecting the highest cash bid. Only in 'exceptional circumstances' (Section 17(4)) could the ITC select an applicant that did not submit the highest bid.

The selection process took a far shorter time to complete than occurred in the initial contract period, taking eight months to complete from the stage of Application to Apply to announcing the awards publicly³¹¹. However, it was complex and controversial. The ITC received and published, excluding financial details, 37 applications for the regional licences and 3 applications for the national breakfast-time service from which it considered 2,278 comments received from individuals, companies, and organisations. It also issued more than 30 additional documents providing further information to applicants. The selection process included team assessments by ITC staff before its executive committee finalised decisions. Table 5.14 summarises the allocation of the initial Channel 3 Licences.

³¹⁰ The guidelines were expected to include examples of the types of programmes that should be included in proposals to meet the programme requirements of Section 16 (2).

³¹¹ The national breakfast-time licence was not granted until January 1992. The SW England area licence was not granted until 31 March 1992 pending the outcome of Judicial Review initiated by TSW.

TABLE 5.14 SUMMARY OF CHANNEL 3 LICENCES AWARDED

Licence Region	Licence Awarded (New entrant in <i>italics</i>)	Tender Payments		No. of Other Applicants	Cash Bid (£000) (incumbent in <i>italics</i>)
		% Qualifying Revenue	Cash Bid ² (£000)		
Borders & Isle of Man	Border Television plc	0	52	0	n/a
Central Scotland	Scottish Television plc	2	2	0	n/a
Channel Islands	Channel Television plc	0	1	1	102
East, West, & South Midlands	Central Independent Television plc	11	2	0	n/a
East England	Anglia Television Ltd.	7	17,804	2	10,125 14,078
London Weekday	<i>Carlton Television Ltd.</i>	11	43,170	2	45,319 ⁴ 32,794
London Weekend	LWT (Holdings) plc.	11	7,585	1	35,406
N. Scotland	Grampian Television plc.	0	720	2	1,125 2,709
NE England	Tyne Tees Television Ltd.	2	15,057	1	5,010
NW England	Granada Television Ltd.	11	9,000	1	35,303 ⁴
N. Ireland	Ulster Television plc.	0	1,027	2	3,100 ³ 2,712
S & SE England	<i>Meridian Broadcasting Ltd.</i>	11	36,523	3	18,080 22,105 59,758 ³
SW England	<i>Westcountry Television Ltd.</i>	0	7,815	2	7,266 16,117 ³
Wales & West England	HTV Group plc.	2	20,530	3	17,760 18,289 19,367
Yorkshire	Yorkshire Television Ltd.	7	37,700	2	30,116 17,403
National Breakfast Time	<i>Sunrise Television Ltd.</i>	15	34,610	2	33,261 14,125

Source: ITC 1991 Report & Accounts; p. 12

¹ Includes all payments (advertising, sponsorship, & subscription, other income), received or to be received, by the licensee, as well as by any connected person. The percentage applied is determined by ITC assessment "to ensure, as far as possible, equitable treatment as between licensees" (Qualifying Revenue & Multiplex Revenue: Statement of Principles & Administrative Arrangements; 3rd Edition, 16 December 1998. ITC).

² Fixed sum in 1993 prices, adjusted annually in line with movements in RPI.

³ Applicant passed 'quality threshold' and submitted highest bid but failed to convince ITC that it could maintain its proposed service throughout the contract period (Section 16 (1)(b)).

⁴ Did not pass 'quality threshold'.

Three of the regions including the Borders and Isle of Man, Central Scotland, and the region of East, West, and South Midlands, did not face any competitive threat for their regions. Four of the regions including the Channel Islands, London Weekend, NE England, and NW England each faced one competitive applicant. Only the applicant competing for the NE England region passed the quality threshold. Six of the regions including East England, London Weekday, N. Scotland, N. Ireland, SW England, and Yorkshire attracted two new applicants each. Only one applicant competing for the London Weekday and one for the Yorkshire region passed the quality threshold. Two of the regions including S & SE England and Wales & West

England each attracted three new applicants. In each case, only one of the three applications cleared the quality threshold. In total, fifteen of the twenty-two new entrant applications for a regional licence were disqualified on this basis.

Competing on a price basis with the incumbent programme contractors only occurred with the remaining seven new applications. Four of these applicants did not submit the highest bids. However, of the three new entrants that were awarded regional licences, only one was offered to the highest cash bidder. The London Weekday region replaced Thames TV plc. (£32.8m) with Carlton Television Ltd. (£43.2m). In the other two cases, the incumbent proposals were assessed, in the ITC's view, as not being sustainable for the contract duration. This allowed the ITC to apply Section 16 (1)(b) rather than invoke the 'exceptional circumstances' clause (Section 17(4)). A judgement under Section 16 (1)(b) relieved the ITC from having to choose the highest bidder, even if it had passed the quality threshold. As a result, the S & SE England region replaced TVS TV Ltd. (£59.8m) with Meridian Broadcasting Ltd. (£36.5m) and the SW England region replaced TSW Broadcasting Ltd. (£16.1m) with Westcountry Television Ltd. (£7.8m).

This outcome did not provide all of the efficiencies intended in the Act (1990). If it had, on a cash bid basis alone, the 1991 contracts could have attracted £344m, nearly 49 per cent (£112m) more than it did. Granada and LWT, together, bid £54.1m (326 per cent) less than their two competitors yet still retained their licences. Variation in competition across ITV regions also permitted incumbents to strategically distort the objectives of the tendering process. Both overbidding and underbidding occurred. For example, Scottish Television and Central Independent Television successfully judged that their regions would not be challenged. As a result, they retained their respective licences at extremely low cost in comparison to other incumbents. This outcome meant that budgets available for programmes continued to vary widely amongst some of the licensees and, despite the intention to produce outcomes based on objective and competitive measures, the selection process was, "widely regarded at best as controversial and by many as deeply flawed" (George Russell, ITC Chairman; ITC 1991 Report & Accounts; p. 4).

Appendix A5.5

Since the Broadcasting Act (1990) contract renewals became an explicitly specified feature of the Channel 3 licences. Since all licensees applied and received their licence renewal, the possibility for new entrants no longer exists until 2009, at the earliest (Table 5.5). The outcome of the licence renewals was predictable. Licensees that found they had 'spent over the top' for their licences, chose the earliest moment possible to apply and accept renewal. Some licensees, Meridian Broadcasting in particular, had grave concerns regarding their future whilst it was uncertain whether renewal terms would significantly change payments in their favour, "re-negotiation is a primary concern. We need to claw back as much of our licence fee as possible, this will determine the success or failure of ITV, overall, in the long run"³¹². The others, who had secured contracts at minimal expense, applied and accepted renewal at the latest moment possible. Table 5.15 summarises the changes resulting from the renewal process.

TABLE 5.15 SUMMARY OF CHANNEL 3 LICENCE RENEWALS

Licensee (Renewal terms not accepted in italics)	Tender Payments							
	% Qualifying Revenue		Cash Bid ¹ (£000)					
	Initial	Renewal	Initial	Est. Total	%Total	Renewal	Est. Total	% Total
1 st Renewal			1998			1999		
Anglia Television Ltd.	7	17	20,340	29500	69	6,905	29000	24
Border Television plc	0	3	60	60	100	75	500	15
Carlton Television Ltd.	11	20	49,320	81500	61	16,060	72000	22
Central Independent Television plc	11	14	2	31500	0	10,200	49000	21
GMTV	15	23	39,540		78	4,070	20000	20
HTV Group plc.	2	7	23,450	25500	92	2,090	9000	23
Meridian Broadcasting Ltd.	11	23	41,730	64000	65	11,605	58000	20
Tyne Tees Television Ltd.	2	16	17,200	18500	9	2,015	11000	18
Ulster Television plc.	0	5	1,170	1000	100	550	2000	28
Westcountry Television Ltd.	0	13	8,930	9000	10	1,160	6000	19
Yorkshire Television Ltd.	7	22	43,070	52000	83	7,670	35000	22
3 rd Renewal			1999			2000		
Anglia Television Ltd.	7	17		N/a	N/a	3,420	N/a	N/a
4 th Renewal			2001			2002		
Border Television plc	0	2	64	N/a	N/a	75	N/a	N/a
Central Independent Television plc	11	17	2			7,600		N/a
Channel Television plc	0	0	1	N/a	N/a	1	N/a	N/a
Grampian Television plc.	0	6	900	N/a	N/a	100	N/a	N/a
Granada Television Ltd.	11	15	11000	N/a	N/a	4100	N/a	N/a
LWT (Holdings) plc.	11	17	9000	N/a	N/a	4900	N/a	N/a
Scottish Television plc	2	11	2	N/a	N/a	1700	N/a	N/a

³¹² Interview with Mary McAnally, Managing Director, Meridian Broadcasting Ltd.: 6 August 1997.

Source: ITC News Releases (08/98; 16.98; 58/98; 109/98; 114/98; 121/98; 38/99; 86/00; 46/00; 70/00; 01/01; 16/0; 19/01)

¹ Estimated nominal prices for the renewal year

Table 5.15 shows that the ITC's intention to rectify the financial inequities resulting from the initial 'competitive tendering' allocation was, at least partially, successful. It was achieved by 1) applying a payment structure that was consistent across all licensees and by, 2) changing the weightings of the tender payment's fixed and variable components. The ITC calculated total tender payments over the ten year renewed licence period to comprise approximately 75 per cent from qualifying revenue and 25 per cent from the cash bids. This represented a considerable change. From the data available, the eleven licensees that sought renewal first were those that had been paying an average 61 per cent of their tender payments from the cash bid. The renewal terms provided the possibility to lower this proportion of the tender payment to an average of 21 per cent and, in some cases, also to lower the total amount payable. This re-balance was deemed by the ITC to more accurately reflect the market value of the licences, and to more fairly reflect the expected changes in the market for the duration of the renewed contract period. It was also clear, however, that these changes did not establish a more level playing field amongst all the licensees. In real, rather than proportionate terms, variation in financial capacity amongst the licensees remained considerable. In some cases, such as Border Television, the changes placed an even higher cash burden on it than prior to renewal. On the other hand, the financial advantages enjoyed by Scottish Television and Central Independent Television disappeared.

Appendix A5.6

Between the initial licence allocation (1991) and the renewal period (1997 onwards), the regional licensees have progressively been permitted to consolidate. The first move, prior to legislated changes following the Broadcasting Act (1990), occurred between Yorkshire Television and Tyne Tees Television. By 2001, ownership of the ITV's mosaic supply structure had undergone considerable change. These changes are summarised in Table 5.16.

TABLE 5.16 SUMMARY OF ITV OWNERSHIP STRUCTURE AS AT 2001

Carlton Communications plc	Carlton Television Central Independent Television (1994) Westcountry Television (1996) HTV (2000)
Granada Media Group	Granada Television LWT (1994) Yorkshire-Tyne Tees Television Holdings plc (1997) Meridian Broadcasting (2000) Anglia Television (2000) Border Television (2001)
MAI (UNM)	Meridian Broadcasting (1993) Anglia (1994) HTV (1997)
Yorkshire-Tyne Tees Television Holdings plc (1992)	Yorkshire Television Tyne Tees Television
Scottish Media Group	Scottish Television Grampian Television (1997)
Channel Television	Channel Television
Ulster Television	Ulster Television

The first major modification to the Broadcasting Act (1990), regarding ownership of licences, occurred at the end of 1993. The broadcasting amendment³¹³ permitted companies to own, except in the case of the two London regional licenses, a maximum of two regional ITV licences. This change led to rapid consolidation up to the legal limit. Carlton Television acquired Central Television, Granada Television acquired LWT, and MAI (the owner of Meridian Broadcasting) acquired Anglia Television. By the end of 1994, the ITC estimated that four groupings, holding two regional licences each, controlled 82 per cent of total Channel 3 advertising revenue (ITC Annual Report & Accounts 1994; p. 21). A revised Broadcasting Act came into

³¹³ The Broadcasting (Restrictions on the Holding of Licences) (Amendment) Order 1995. (S.I. 1993/3119). London: HMSO, 1993.

effect in November 1996. The Act (1996) further incorporated revisions regarding ownership limits for ITV licences. The upper limit of ownership changed from being determined by the number of licences held within a media grouping to the accumulated percentage of audience share that the licensees held. Although it was still the case that the two London licences could not be jointly owned, a single company could own or control ITV companies up to a maximum of 15 per cent of total television audience share. By the end of 1996, Carlton Communications plc. acquired Westcountry Television. In 1997, the Scottish Media Group acquired Grampian Television, Granada acquired Yorkshire-Tyne Tees Television Holdings plc., and United News & Media (UNM) took over HTV. By 2000, the Granada Media Group merged with UNM. The group retained Meridian Broadcasting and Anglia Television. HTV was sold to Carlton Communications plc. In 2001, the Granada Media group acquired Border Television. Channel Television and Ulster (UTV) currently remain to be the only ITV regional licenses that are part of a larger media grouping.

Appendix A5.7

Since implementation of the 1990 Broadcasting Act, the ITV's revenue situation has altered considerably as summarised in Table 5.17.

TABLE 5.17 ITV REVENUE: 1993 – 2001

(£m)	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Revenue of Commercial Television Sector ¹	2800	3200	3667	4164	4733	4514	4939	5613	5600
ITV Share of Total Commercial Television Revenue (£)	2016	2105	2184	2252	2306	1839	1941	2094	N/a
ITV Share of Total Commercial Television Revenue (%)	72	65	59	54	48	41	39	37	N/a
Total NAR ²	1900	2100	2300	2400	2600	2846	3112	3357	2566
ITV Share of NAR (£)	1482	1575	1702	1728	1716	1806	1874	1912	1703
ITV Share of NAR (%)	0.78	0.75	0.74	0.72	0.66	0.63	0.60	0.57	0.66
Est. Programme sales, Sponsorship & Other Income	534	530	482	524	590	33	67	182	N/a

Data Source: ITC

¹Includes revenue from ITV (C3), C4, C5 as well as satellite and cable operators received from advertising, subscriptions, sponsorship, and sale of goods.

²NAR stands for net advertising revenue and comprises advertising revenue less agency costs.

Table 5.17 shows that, in nominal terms, the ITV's *post* 1990 contract period has operated within a financially stagnant environment. However, as a proportion of total revenue earned by the UK commercial television sector, ITV has suffered considerably. Its revenue share has steadily, and quite rapidly, declined since 1993. By 2000, it only managed to maintain a little over half the revenue share (37 per cent) that it previously held in 1993 (72 per cent). Although total commercial television revenues grew at an average annual rate of 11 per cent between 1993 and 2000, advertising revenue grew at a slower rate (8 per cent). ITV's advertising revenue growth rate was even lower at 4 per cent. Its reliance on advertising revenue has forced downward pressure on the finance available for programmes. The main contributor to ITV's revenue outcome has been the ongoing effect of new entrants to the UK commercial television sector. Since 1993, ITV ceased selling advertising for C4³¹⁴ and a third terrestrial advertising funded television channel (C5) was

³¹⁴An economic tie-in that was first imposed by the Act (1981) and that had become a lucrative arrangement for ITV until it was discontinued in 1998.

launched³¹⁵. In addition, by 2001, television advertising as a proportion of the total commercial television sector revenue mix, declined from 68 per cent to 46 per cent of the total revenue available.

In contrast, the total ITV programme budget spend increased considerably over the same period as summarised in Table 5.18.

TABLE 5.18 ITV PROGRAMME EXPENDITURE: 1993 – 2001

(£m)	1993	1994	1995	1996	1997	1998	1999	2000	2001
<i>Network Spending</i>									
Commissions:									
Drama	N/a	221	161	282	202	281	323	218	300
Entertainment	N/a	89	95	98	80	102	84.1	151	117
Factual	N/a	67	32	65	47	58.9	77.2	31	46
Children's	N/a	42	34	40	34.9	55.9	43.3	24	36
Religion	N/a	4.8	4.6	4.5	2.1	3.8	5.0	2.5	1.6
Education	N/a	8.1	2.7	4.5	2.1	2.1	3.3	5.1	4.1
Art	N/a	7.4	4.6	4.7	4.4	8.1	6.6	6.2	12.1
Sport	N/a	1.4	0.4	0.89	0.4	0.04	0	0	0.12
Total Commissions	N/a	441	334	500	373	512	542	438	517
Sport	N/a	N/a	N/a	N/a	N/a	85	115	N/a	N/a
Acquired Films & Series	N/a	N/a	N/a	N/a	N/a	45	50	N/a	N/a
News & Weather	N/a	N/a	N/a	N/a	N/a	45	46	N/a	N/a
Other	N/a	N/a	N/a	N/a	N/a	14	5	N/a	N/a
Total Network Budget Spend (ITV figures) ¹	514	530	550	600	600	626	677	N/a	N/a
Total Network Budget Spend (ITC figures)	430	496	514	529	N/a	N/a	N/a	N/a	N/a
<i>Regional Spending</i>									
Total ITV Programme Budget (ITV)	161	164	164	162	170	N/a	200	N/a	N/a
	675	694	714	762	770	N/a	877	0	0

¹ Figures for 1993–1995 inclusive taken from 'The Network Centre Review'; p. 5, 1994. 1997 figure taken from p. 7 but also reported on p. 4 as £800m; ITV Network Annual Report; 1997.

Data Sources: Network Commission spending compiled from data released with permission from ITV Network Limited. Other spending information taken from ITV Network Annual Reports: 1993-2000; ITC Annual Report & Accounts: 1993-1997; ITC Annual Performance Review: 1998-2000.

On average, network spending on newly originated programmes has increased by 6 per cent. When considering the four programme types³¹⁶, that together represent 87 per cent of total hours commissioned, programme spending has increased by 8.4 per

³¹⁵ Channel Five (C5) was launched 30 March 1997.

³¹⁶ Drama, Entertainment, Factual, and Children's programmes

cent. On this basis, eight years into the present contract period, commissioned network programmes are costing nearly double the amount available from advertising revenue. As a result, programme finance deals for films, drama, and major documentaries are becoming increasingly complex. Some ITV executives are concerned to ensure, “programme budgets are sustainable at levels sufficiently high so as not to disturb the ‘virtual circle’. Skill in finance packaging recovers budget shortfalls and also lubricates the negotiating position for residual rights” (Carlton Productions 1998). It is expected that this finance pattern will extend across to other programme types as competition increases. However, at time of writing, it was still routine practice for production costs of regional programmes to be fully covered by advertising revenues on a first showing basis.

The present contract period has also placed additional demands on the channel’s finance in preparation for the switchover from analogue to digital broadcasting. This transacting scenario has provided both opportunities and pressures to find new revenue streams. However, attitudes persisting from ITV’s earlier era are sometimes a barrier. Seeking alternative revenue streams is about decreasing reliance on advertising revenue for the future, thereby relinquishing monopoly power in television advertising. This move has been difficult and considerable effort has gone into preserving advertising share, “there’s still a lot of monopoly thinking in ITV and people haven’t adapted easily to commercial competition. There have been some rather outrageous attempts to buy all the shops in the high street” (Carlton Productions 1998).

Appendix A5.8

Summary of Comparative Cost Features: 1994-2001

I. Content Supply Deals At Producer Category Level: 1994-2001

Letters of Intent Issued by Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	244.42	288.26	268.5	244.75	530.91	436.08	430.08	969.16
IV	549.33	319.08	394.33	280.13	280.30	147.17	56.25	80.59
IH	1845.24	1103.59	2409.09	2715.99	1974.67	1935.17	1602.58	1393.35
Total Hours	2638.99	1710.93	3071.92	3240.87	2785.88	2518.42	2088.91	2443.1
Total Budget Spend(£000's)	440857	333619	499892	372656	511885	542204	437794	516607

Letters of Intent Share by Number of Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.09	0.17	0.09	0.08	0.19	0.17	0.21	0.40
IV	0.21	0.19	0.13	0.09	0.10	0.06	0.03	0.03
IH	0.70	0.65	0.78	0.84	0.71	0.77	0.77	0.57
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Regional Hours	0.707	0.691	0.734	0.751	0.738	0.733	0.698	0.703

Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	45	43	44	50	107	88	79	96
IV	106	72	91	72	66	36	14	16
IH	160	130	198	195	242	256	195	204
Total Letters of Intent	311	245	333	317	415	380	288	316

Share by Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.14	0.18	0.13	0.16	0.26	0.23	0.27	0.30
IV	0.34	0.29	0.27	0.23	0.16	0.09	0.05	0.05
IH	0.51	0.53	0.59	0.62	0.58	0.67	0.68	0.65
Total	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Average Letter of Intent Size by Number of Programme Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	5.43	6.70	6.10	4.90	4.96	4.96	5.44	10.10
IV	5.18	4.43	4.33	3.89	4.25	4.09	4.02	5.04
IH	11.53	8.49	12.17	13.93	8.16	7.56	8.22	6.83
Total	8.49	6.98	9.22	10.22	6.71	6.63	7.25	7.73

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	0.95	0.66	0.71	0.79	0.86	0.82	0.74	0.50
IH	2.12	1.27	1.99	2.85	1.64	1.53	1.51	0.68
Total	1.56	1.04	1.51	2.09	1.35	1.34	1.33	0.77

b. Independents via C3 (IV)

*ID	1.05	1.51	1.41	1.26	1.17	1.21	1.35	2.00
IH	2.23	1.92	2.81	3.58	1.92	1.85	2.05	1.36
Total	1.64	1.58	2.13	2.63	1.58	1.62	1.81	1.53

c. In-House (IH)

ID	0.47	0.79	0.50	0.35	0.61	0.66	0.66	1.48
IV	0.45	0.52	0.36	0.28	0.52	0.54	0.49	0.74
Total	0.74	0.82	0.76	0.73	0.82	0.88	0.88	1.13

***[Reads: ID letters of intent are 1.47x larger on average than IV during this time period]**

II. Content Supply Deals At Genre & Producer Category Level: 1994-2001

a. Drama

Letters of Intent Issued by Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	113.50	101.67	103.50	112.00	157.00	158.92	59.50	357.00
IV	107.75	42.5	82	38	36	43.25	10	15
IH	267.58	295.67	537	379.33	603.33	501.75	472.25	461.58
Total Drama	488.83	439.84	722.5	529.33	796.33	703.92	541.75	833.58

Letters of Intent Share by Number of Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.23	0.23	0.14	0.21	0.20	0.23	0.11	0.43
IV	0.22	0.10	0.11	0.07	0.05	0.06	0.02	0.02
IH	0.55	0.67	0.74	0.72	0.76	0.71	0.87	0.55
Total Drama	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.19	0.26	0.24	0.16	0.29	0.28	0.26	0.34

Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	7	5	7	8	18	17	12	16
IV	23	11	17	7	9	8	3	3
IH	36	28	39	31	43	40	24	35
Total Drama	66	44	63	46	70	65	39	54

Share by Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.11	0.11	0.11	0.17	0.26	0.26	0.31	0.30
IV	0.35	0.25	0.27	0.15	0.13	0.12	0.08	0.06
IH	0.55	0.64	0.62	0.67	0.61	0.62	0.62	0.65
Total Drama	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.21	0.18	0.19	0.15	0.17	0.17	0.14	0.17

Average Letter of Intent Size by Number of Programme Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	16.21	20.33	14.79	14.00	8.72	9.35	4.96	22.31
IV	4.68	3.86	4.82	5.43	4.00	5.41	3.33	5.00
IH	7.43	10.56	13.77	12.24	14.03	12.54	19.68	13.19
Total Drama	7.41	10.00	11.47	11.51	11.38	10.83	13.89	15.44

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	0.29	0.19	0.33	0.39	0.46	0.58	0.67	0.22
IH	0.46	0.52	0.93	0.87	1.61	1.34	3.97	0.59
Total	0.46	0.49	0.78	0.82	1.30	1.16	2.80	0.69

b. Independents via C3 (IV)

	1994	1995	1996	1997	1998	1999	2000	2001
ID	3.46	5.26	3.07	2.58	2.18	1.73	1.49	4.46
IH	1.59	2.73	2.85	2.25	3.51	2.32	5.90	2.64
Total	1.58	2.59	2.38	2.12	2.84	2.00	4.17	3.09

c. In-House (IH)

	1994	1995	1996	1997	1998	1999	2000	2001
ID	2.18	1.93	1.07	1.14	0.62	0.75	0.25	1.69
IV	0.63	0.37	0.35	0.44	0.29	0.43	0.17	0.38
Total	1.00	0.95	0.83	0.94	0.81	0.86	0.71	1.17

b. Entertainment

Letters of Intent Issued by Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	25.00	53.00	14.00	31.67	63.75	22.83	236.92	193.83
IV	196.58	91.58	112.67	64.75	83.83	25.83	10.50	6.00
IH	339.00	358.50	418.59	291.75	360.41	378.83	753.59	247.92
Total Ent	560.58	503.08	545.26	388.17	507.99	427.49	1001.01	447.75
Letters of Intent Share by Number of Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.04	0.11	0.03	0.08	0.13	0.05	0.24	0.43
IV	0.35	0.18	0.21	0.17	0.17	0.06	0.01	0.01
IH	0.60	0.71	0.77	0.75	0.71	0.89	0.75	0.55
Total Ent Output	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.21	0.29	0.18	0.12	0.18	0.17	0.48	0.18
Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	7	14	5	9	19	7	21	35
IV	30	19	19	11	15	10	2	2
IH	48	47	68	64	64	60	63	52
Total Ent.	85	80	92	84	98	77	86	89
Share by Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.08	0.18	0.05	0.11	0.19	0.09	0.24	0.39
IV	0.35	0.24	0.21	0.13	0.15	0.13	0.02	0.02
IH	0.56	0.59	0.74	0.76	0.65	0.78	0.73	0.58
Total Ent.	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.03	0.05	0.03	0.03	0.04	0.03	0.04	0.04
Average Letter of Intent Size by Number of Programme Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	3.57	3.79	2.80	3.52	3.36	3.26	11.28	5.54
IV	6.55	4.82	5.93	5.89	5.59	2.58	5.25	3.00
IH	7.06	7.63	6.16	4.56	5.63	6.31	11.96	4.77
Total Ent.	6.60	6.29	5.93	4.62	5.18	5.55	11.64	5.03

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	1.83	1.27	2.12	1.67	1.67	0.79	0.47	0.54
IH	1.98	2.01	2.20	1.30	1.68	1.94	1.06	0.86
Total	1.85	1.66	2.12	1.31	1.54	1.70	1.03	0.91

b. Independents via C3 (IV)

ID	0.55	0.79	0.47	0.60	0.60	1.26	2.15	1.85
IH	1.08	1.58	1.04	0.77	1.01	2.44	2.28	1.59
Total	1.01	1.30	1.00	0.79	0.93	2.15	2.22	1.68

c. In-House (IH)

ID	0.51	0.50	0.45	0.77	0.60	0.52	0.94	1.16
IV	0.93	0.63	0.96	1.29	0.99	0.41	0.44	0.63
Total	0.93	0.82	0.96	1.01	0.92	0.88	0.97	1.06

c. Factual

Letters of Intent Issued by Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	24.00	14.67	20.00	12.00	70.50	87.50	28.50	72.50
IV	104.75	17.50	42.00	48.08	28.92	15.00	5.00	8.50
IH	867.58	234.17	1189.33	509.17	723.42	703.00	240.00	434.26
Total Factual	996.33	266.34	1251.33	569.25	822.84	805.50	273.50	515.26

Letters of Intent Share by Number of Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.02	0.06	0.02	0.02	0.09	0.11	0.10	0.14
IV	0.11	0.07	0.03	0.08	0.04	0.02	0.02	0.02
IH	0.87	0.88	0.95	0.89	0.88	0.87	0.88	0.84
Total Factual	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.38	0.16	0.41	0.18	0.30	0.32	0.13	0.21

Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	11	5	4	10	24	31	18	13
IV	19	8	13	18	17	8	2	4
IH	28	19	33	46	83	102	70	79
Total Factual	58	32	50	74	124	141	90	96

Share by Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.19	0.16	0.08	0.14	0.19	0.22	0.20	0.14
IV	0.33	0.25	0.26	0.24	0.14	0.06	0.02	0.04
IH	0.48	0.59	0.66	0.62	0.67	0.72	0.78	0.82
Total Factual	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.19	0.13	0.15	0.23	0.30	0.37	0.31	0.30

Average Letter of Intent Size by Number of Programme Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	2.18	2.93	5.00	1.20	2.94	2.82	1.58	5.58
IV	5.51	2.19	3.23	2.67	1.70	1.88	2.50	2.13
IH	30.99	12.32	36.04	11.07	8.72	6.89	3.43	5.50
Total Factual	17.18	8.32	25.03	7.69	6.64	5.71	3.04	5.37

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	2.53	0.75	0.65	2.23	0.58	0.66	1.58	0.38
IH	14.20	4.20	7.21	9.22	2.97	2.44	2.17	0.99
Total	7.87	2.84	5.01	6.41	2.26	2.02	1.92	0.96

b. Independents via C3 (IV)

	ID	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.40	1.34	1.55	0.45	1.73	1.51	0.63	2.62	
IH	5.62	5.63	11.16	4.14	5.12	3.68	1.37	2.59	
Total	3.12	3.80	7.75	2.88	3.90	3.05	1.22	2.53	

c. In-House (IH)

	ID	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.07	0.24	0.14	0.11	0.34	0.41	0.46	1.01	
IV	0.18	0.18	0.09	0.24	0.20	0.27	0.73	0.39	
Total	0.55	0.68	0.69	0.69	0.76	0.83	0.89	0.98	

c. Children's

Letters of Intent Issued by Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	54.92	92.92	93.5	74.58	214.33	151.33	88.16	205.08
IV	115.25	161.00	148.16	120.80	120.55	59.09	26.75	22.09
IH	192.58	95.83	118.50	172.24	188.01	152.76	63.91	103.67
Total Children's	362.75	349.75	360.16	367.62	522.89	363.18	178.82	330.84

Letters of Intent Share by Number of Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.15	0.27	0.26	0.20	0.41	0.42	0.49	0.62
IV	0.32	0.46	0.41	0.33	0.23	0.16	0.15	0.07
IH	0.53	0.27	0.33	0.47	0.36	0.42	0.36	0.31
Total Children's	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.14	0.20	0.12	0.11	0.19	0.14	0.09	0.14

Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	11	11	20	21	36	26	21	20
IV	26	31	38	33	19	9	5	4
IH	24	21	41	37	30	29	16	18
Total Children's	61	63	99	91	85	64	42	42

Share by Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.18	0.17	0.20	0.23	0.42	0.41	0.50	0.48
IV	0.43	0.49	0.38	0.36	0.22	0.14	0.12	0.10
IH	0.39	0.33	0.41	0.41	0.35	0.45	0.38	0.43
Total Children's	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.20	0.26	0.30	0.29	0.20	0.17	0.15	0.13

Average Letter of Intent Size by Number of Programme Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	4.99	8.45	4.68	3.55	5.95	5.82	4.20	10.25
IV	4.43	5.19	3.90	3.66	6.34	6.57	5.35	5.52
IH	8.02	4.56	2.89	4.66	6.27	5.27	3.99	5.76
Total Children's	5.95	5.55	3.64	4.04	6.15	5.67	4.26	7.88

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	0.89	0.61	0.83	1.03	1.07	1.13	1.27	0.54
IH	1.61	0.54	0.62	1.31	1.05	0.91	0.95	0.56
Total	1.19	0.66	0.78	1.14	1.03	0.97	1.01	0.77

b. Independents via C3 (IV)

ID	1.13	1.63	1.20	0.97	0.94	0.89	0.78	1.86
IH	1.81	0.88	0.74	1.27	0.99	0.80	0.75	1.04
Total	1.34	1.07	0.93	1.10	0.97	0.86	0.80	1.43

c. In-House (IH)

ID	0.62	1.85	1.62	0.76	0.95	1.10	1.05	1.78
IV	0.55	1.14	1.35	0.79	1.01	1.25	1.34	0.96
Total	0.74	1.22	1.26	0.87	0.98	1.08	1.07	1.37

d. Religion

Letters of Intent Issued by Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	20.00	20.08	20.00	1.00	15.83	14.00	15.00	4.00
IV	0.00	0.00	5.50	4.00	1.00	0.00	4.00	15.00
IH	113.00	90.50	92.17	38.00	60.00	145.00	17.83	14.00
Total Religion	133	110.58	117.67	43	76.83	159	36.83	33

Letters of Intent Share by Number of Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.15	0.18	0.17	0.02	0.21	0.09	0.41	0.12
IV	0.00	0.00	0.05	0.09	0.01	0.00	0.11	0.45
IH	0.85	0.82	0.78	0.88	0.78	0.91	0.48	0.42
Total Religion	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.05	0.06	0.04	0.01	0.03	0.06	0.02	0.01

Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	4	5	7	2	6	4	6	2
IV	0	0	2	1	1	0	2	2
IH	11	10	7	7	13	9	4	5
Total Religion	15	15	16	10	20	13	12	9

Share by Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.27	0.33	0.44	0.20	0.30	0.31	0.50	0.22
IV	0.00	0.00	0.13	0.10	0.05	0.00	0.17	0.22
IH	0.73	0.67	0.44	0.70	0.65	0.69	0.33	0.56
Total Religion	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.05	0.06	0.05	0.03	0.05	0.03	0.04	0.03

Average Letter of Intent Size by Number of Programme Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	5.00	4.02	2.86	0.50	2.64	3.50	2.50	2.00
IV	n/a	n/a	2.75	4.00	1.00	n/a	2.00	7.50
IH	10.27	9.05	13.17	5.43	4.62	16.11	4.46	2.80
Total Religion	8.87	7.37	7.35	4.30	3.84	12.23	3.07	3.67

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	n/a	n/a	0.96	8.00	0.38	n/a	0.80	3.75
IH	2.05	2.25	4.61	10.86	1.75	4.60	1.78	1.40
Total	1.77	1.84	2.57	8.60	1.46	3.49	1.23	1.83

b. Independents via C3 (IV)

ID	n/a	n/a	1.04	0.13	2.64	n/a	1.25	0.27
IH	n/a	n/a	4.79	1.36	4.62	n/a	2.23	0.37
Total	n/a	n/a	2.67	1.08	3.84	n/a	1.53	0.49

c. In-House (IH)

ID	0.49	0.44	0.22	0.09	0.57	0.22	0.56	0.71
IV	n/a	n/a	0.21	0.74	0.22	n/a	0.45	2.68
Total	0.86	0.81	0.56	0.79	0.83	0.76	0.69	1.31

e. Education

Letters of Intent Issued by Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.00	0.00	17.50	13.50	0.00	0.00	2.00	3.00
IV	10.00	4.00	0.00	3.00	0.00	0.00	0.00	0.00
IH	29.00	7.92	29.00	36.50	15.00	17.83	20.00	41.00
Total Education	39.00	11.92	46.50	53.00	15.00	17.83	22.00	44.00

Letters of Intent Share by Number of Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.00	0.00	0.38	0.25	0.00	0.00	0.09	0.07
IV	0.26	0.34	0.00	0.06	0.00	0.00	0.00	0.00
IH	0.74	0.66	0.62	0.69	1.00	1.00	0.91	0.93
Total Education	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.01	0.01	0.02	0.02	0.01	0.01	0.01	0.02

Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0	0	1	1	0	0	1	1
IV	3	1	0	1	0	0	0	0
IH	6	4	7	6	4	6	5	4
Total Education	9	5	8	8	4	6	6	5

Share by Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.00	0.00	0.13	0.13	0.00	0.00	0.17	0.20
IV	0.33	0.20	0.00	0.13	0.00	0.00	0.00	0.00
IH	0.67	0.80	0.88	0.75	1.00	1.00	0.83	0.80
Total Education	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.03	0.02	0.02	0.03	0.01	0.02	0.02	0.02

Average Letter of Intent Size by Number of Programme Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	n/a	n/a	17.50	13.50	n/a	n/a	2.00	3.00
IV	3.33	4.00	n/a	3.00	n/a	n/a	n/a	n/a
IH	4.83	1.98	4.14	6.08	3.75	2.97	4.00	10.25
Total Education	4.33	2.38	5.81	6.63	3.75	2.97	3.67	8.80

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	n/a	n/a	n/a	0.22	n/a	n/a	n/a	n/a
IH	n/a	n/a	0.24	0.45	n/a	n/a	2.00	3.42
Total	n/a	n/a	0.33	0.49	n/a	n/a	1.83	2.93

b. Independents via C3 (IV)

	1994	1995	1996	1997	1998	1999	2000	2001
ID	n/a	n/a	n/a	4.50	n/a	n/a	n/a	n/a
IH	1.45	0.50	n/a	2.03	n/a	n/a	n/a	n/a
Total	1.30	0.60	n/a	2.21	n/a	n/a	n/a	n/a

c. In-House (IH)

	1994	1995	1996	1997	1998	1999	2000	2001
ID	n/a	n/a	4.22	2.22	n/a	n/a	0.50	0.29

IV	0.69	2.02	n/a	0.49	n/a	n/a	n/a	n/a
Total	0.90	1.20	1.40	1.09	1.00	1.00	0.92	0.86

f. Art

Letters of Intent Issued by Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	7.00	4.92	0.00	0.00	9.50	1.50	0.00	53.75
IV	2.00	1.00	1.00	0.00	10.00	4.00	0.00	14.00
IH	34.00	21.00	24.00	1289.00	24.00	36.00	35.00	54.75
Total Art	43.00	26.92	25.00	1289.00	43.50	41.50	35.00	122.50

Letters of Intent Share by Number of Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.16	0.18	0.00	0.00	0.22	0.04	0.00	0.44
IV	0.05	0.04	0.04	0.00	0.23	0.10	0.00	0.11
IH	0.79	0.78	0.96	1.00	0.55	0.87	1.00	0.45
Total Art	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.02	0.02	0.01	0.40	0.02	0.02	0.02	0.05

Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	5	2	0	0	4	3	0	7
IV	2	1	1	1	5	1	0	1
IH	5	1	2	4	4	10	13	10
Total Art	12	4	3	5	13	14	13	18

Share by Number of Letters of Intent Issued

	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.42	0.50	0.00	0.00	0.31	0.21	0.00	0.39
IV	0.17	0.25	0.33	0.20	0.38	0.07	0.00	0.06
IH	0.42	0.25	0.67	0.80	0.31	0.71	1.00	0.56
Total Art	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Share of total C3output	0.04	0.02	0.01	0.02	0.03	0.04	0.05	0.06

Average Letter of Intent Size by Number of Programme Hours

	1994	1995	1996	1997	1998	1999	2000	2001
ID	1.40	2.46	n/a	n/a	2.38	0.50	n/a	7.68
IV	1.00	1.00	1.00	0.00	2.00	4.00	n/a	14.00
IH	6.80	21.00	12.00	322.25	6.00	3.60	2.69	5.48
Total Art	3.58	6.73	8.33	257.80	3.35	2.96	2.69	6.81

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001
IV	0.71	0.41	n/a	n/a	0.84	8.00	n/a	1.82
IH	4.86	8.54	n/a	n/a	2.53	7.20	n/a	0.71
Total	2.56	2.74	n/a	n/a	1.41	5.93	n/a	0.89
b. Independents via C3 (IV)								
ID	1.40	2.46	n/a	n/a	1.19	0.13	n/a	0.55
IH	6.80	21.00	12.00	n/a	3.00	0.90	n/a	0.39
Total	3.58	6.73	8.33	n/a	1.67	0.74	n/a	0.49
c. In-House (IH)								
ID	0.21	0.12	n/a	n/a	0.40	0.14	n/a	1.40
IV	0.15	0.05	0.08	0.00	0.33	1.11	n/a	2.56
Total	0.53	0.32	0.69	0.80	0.56	0.82	1.00	1.24

g. Sport

Letters of Intent Issued by Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.00	1.00	0.00	0.00	0.00	0.00	0.00	80.00
IV	13.00	1.50	3.00	1.50	0.00	0.00	0.00	0.00
IH	2.50	0.00	0.50	0.00	0.50	0.00	0.00	36.17
Total Sport	15.50	2.50	3.50	1.50	0.50	0.00	0.00	116.17
Letters of Intent Share by Number of Hours								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0.00	0.40	0.00	0.00	0.00	0.00	0.00	0.69
IV	0.84	0.60	0.86	1.00	0.00	0.00	0.00	0.00
IH	0.16	0.00	0.14	0.00	1.00	0.00	0.00	0.31
Total Sport	1.00	1.00	1.00	1.00	1.00	0.00	0.00	1.00
Share of total C3output	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.05
Number of Letters of Intent Issued								
	1994	1995	1996	1997	1998	1999	2000	2001
ID	0	1	0	0	0	0	0	2
IV	3	1	1	0	0	0	0	0
IH	2	0	1	0	1	0	0	1
Total Sport	5	2	2	0	1	0	0	3

Share by Number of Letters of Intent Issued									
	1994	1995	1996	1997	1998	1999	2000	2001	
ID	0.00	0.50	0.00	n/a	0.00	n/a	n/a	0.67	
IV	0.60	0.50	0.50	n/a	0.00	n/a	n/a	0.00	
IH	0.40	0.00	0.50	n/a	1.00	n/a	n/a	0.33	
Total Sport	1.00	1.00	1.00	n/a	1.00	n/a	n/a	1.00	
Share of total C3output	0.02	0.01	0.01	0.00	0.00	0.00	0.00	0.01	

Average Letter of Intent Size by Number of Programme Hours									
	1994	1995	1996	1997	1998	1999	2000	2001	
ID	n/a	1.00	n/a	n/a	n/a	n/a	n/a	40.00	
IV	4.33	1.50	3.00	n/a	n/a	n/a	n/a	n/a	
IH	1.25	n/a	0.50	n/a	0.50	n/a	n/a	36.17	
Total Sport	3.10	1.25	1.75	n/a	0.50	n/a	n/a	38.72	

Relative Letter of Intent Size Matrix by Producer Category

a. Independents Direct (ID)

	1994	1995	1996	1997	1998	1999	2000	2001	
IV	n/a	1.50	n/a	n/a	n/a	n/a	n/a	n/a	
IH	n/a	0.90							
Total	n/a	1.25	n/a	n/a	n/a	n/a	n/a	0.97	

b. Independents via C3 (IV)

	1994	1995	1996	1997	1998	1999	2000	2001	
ID	n/a	0.67	n/a	n/a	n/a	n/a	n/a	n/a	
IH	0.29	n/a	0.17	n/a	n/a	n/a	n/a	n/a	
Total	0.72	0.83	0.58	n/a	n/a	n/a	n/a	n/a	

c. In-House (IH)

	1994	1995	1996	1997	1998	1999	2000	2001	
ID	n/a	1.11							
IV	3.47	n/a	6.00	n/a	n/a	n/a	n/a	n/a	
Total	2.48	n/a	3.50	n/a	1.00	n/a	n/a	1.07	

Appendix A5.9

Changes in the programme mix mean that an increase in share by producer category may not correspond to an increase in the number of programme hours made by that producer category (and vis a versa). A comparison of the rates of change by programme type and producer category alongside those occurring in the programme mix indicates the cases where commissioning decisions have shifted, over time, from one to another category, in absolute terms. Table 5.19 summarises the variable rates of change across producer categories.

TABLE 5.19 COMPARATIVE PROGRAMME SUPPLY MAKE/BUY RATES OF CHANGE

Share (hours)	Drama %	Entertainment %	Factual %	Children's %	Religion %	Education %	Art %	Sport %
ID	+84 (+215)	+871 (+675)	+484 (+202)	+309 (+273)	-19 (-80)	n/a	+170 (+668)	n/a
IV	-92 (-86)	-96 (-97)	-84 (-92)	-79 (-81)	n/a ²	-100 (-100)	+146 (+600)	-100 (-100)
IH	0 (+73)	-8 (-27)	-3 (-50)	-41 (-46)	-50 (-88)	+25 (+41)	-43 (+61)	+93 (+1347)
PM¹	+84 (+71)	-14 (-20)	-44 (-48)	0 (-9)	-73 (-75)	+22 (+13)	+208 (+185)	+710 (+649)

¹PM=Programme Mix

²n/a = no programmes commissioned in category in 1994 only

Table 5.19 shows the instances when a rate of change in the programme mix, by programme type, has been either higher or lower than that occurring in each producer category. A shift has occurred when a rate of change in share and hours, by programme type, is greater for a producer category than that occurring in the programme mix overall. For example, in comparing 2001 with 1994, Drama has been an increasing component to the programme mix. Its rate of increase has been 71 per cent in terms of hours and 84 per cent in terms of share to the total programme mix. When judged against programme category, ID and IH have increased at an even higher rate in hours but only the ID category has increased at a higher rate in terms of share. In addition, the IV producer category has declined on both accounts. The conclusion drawn is that commissioning decisions for originated network Drama programmes, an increasing component to the programme mix, have shifted towards the ID category, taken entirely from the IV category. As a contrasting example, Entertainment and Factual, both decreasing components to the programme mix, have shifted towards the ID category, taking share and hours from both IV and IH categories at a rate greater than that occurring in the programme mix overall.

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